पी एफ सी PFC

24th Annual Report 2009-10

Spreading out to newer fields with accelerated growth

Vision

To be the leading institution in financing for sustainable development of the Indian Power Sector and its linkages, with an eye on global operations.

Mission

PFC shall strive to become the most preferred Financial Institution in power and financial sectors, providing best products and services; to promote efficient investments in Power Sector to enable availability of power of the required quality at minimum cost to consumers; to reach out to the global financial system for financing power development; to act as a catalyst for reforming India's Power Sector; and to build human assets and systems for the Power Sector of tomorrow.

CONTENTS

REFERENCE INFORMATION

Registered Office
'Urjanidhi',
1, Barakhamba Lane,
Connaught Place,
New Delhi-110001
Tel. No. : (91)(11) 23456000
Website: http://www.pfcindia.com

Subsidiaries
PFC Consulting Limited
Chhattisgarh Surguja Power Ltd.
(*previously known as Akaltara Power Ltd.*)
Coastal Karnataka Power Limited
Coastal Maharashtra Mega Power Limited
Coastal Tamil Nadu Power Limited
Orissa Integerated Power Limited
Sakhigopal Integrated Power Company Limited
Ghogharpalli Integrated Power Company Limited
Tatiya Andhra Mega Power Limited
Jabalpur Transmission Company Limited
(a wholly owned subsidiary of PFC Consulting Limited)
Bhopal Dhule Trasmission Company Limited
(a wholly owned subsidiary of PFC Consulting Limited)

Registrar & Share Transfer Agent
Karvy Computershare Private Limited
"Karvy House",
46, Avenue 4,
Street No. 1, Banjara Hills,
Hyderabad 500034, India
Tel: 91 40 23312454
Toll Free: 1800 4258282
Fax: 91 40 23311968
Email: mailmanager@karvy.com
Website: www.karvycomputershare.com

Shares Listed at
National Stock Exchange of India Limited
Bombay Stock Exchange Limited

Depositories
National Securities Depository Limited
Central Depository Services(India) Limited

Company Secretary
Shri J. S. Amitabh

Auditors
M/s. K.K. Soni & Co.,
Chartered Accountants
M/s Raj Har Gopal & Co.,
Chartered Accountants

Bankers
Reserve Bank of India
State Bank of India
Bank of India
ICICI Bank
HDFC Bank
IDBI Bank
Canara Bank

PERFORMANCE AT A GLANCE

	PARTICULARS	2005-06	2006-07	2007-08	2008-09	2009-10
I	**RESOURCES**					
	(At the end of the Year) (₹ in Crore)					
	Equity Capital	1030	1148	1148	1148	1148
	Interest Subsidy Fund from GoI	1200	1232	1067	909	663
	Reserves and Surplus	5907	7445	8182	10360	12113
	Borrowings:					
	(i) Foreign Currency Loans (incl. Foreign Currency Notes)	2412	1923	2234	2590	2759
	(ii) Bonds	11368	16412	23543	35479	45801
	(iii) Long Term Rupee Loans	11018	12938	12391	12691	16223
	(iv) Short Term Rupee Loans	2127	2311	2480	1400	2325
II	**FINANCING OPERATIONS**					
	(During the Year)					
	(₹ in Crore)					
	Loans and Grants Sanctioned	22502	31146	69498	57030	65465*
	Loans and Grants Disbursed	11681	14055	16211	21054	25808*
	Repayment by Borrowers to PFC	5561	5653	8484	8017	8977
	Repayment by PFC to Lenders	3947	3568	9519	10549	7858
III	**WORKING RESULTS**					
	(For the Year)					
	(₹ in Crore)					
	Personnel, Administrative & other Expenses	49	49	81	87	106
	Profit Before Tax	1265	1512	1788	1990	3013
	Provision for Tax (including Deferred Tax Liability)	294	526	581	20*	656
	Profit After Tax	971	986	1207	1970	2357
IV	**NO. OF EMPLOYEES**	289	314	309	316	302

* Includes Sanctions & Disbursements under R-APDRP (Part A&B)

FINANCIAL HIGHLIGHTS

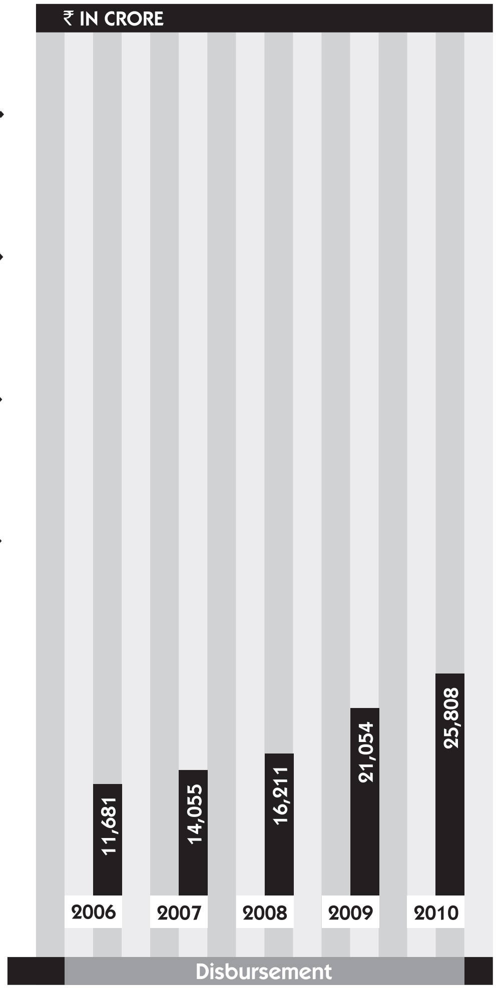
As on 31.03.2010

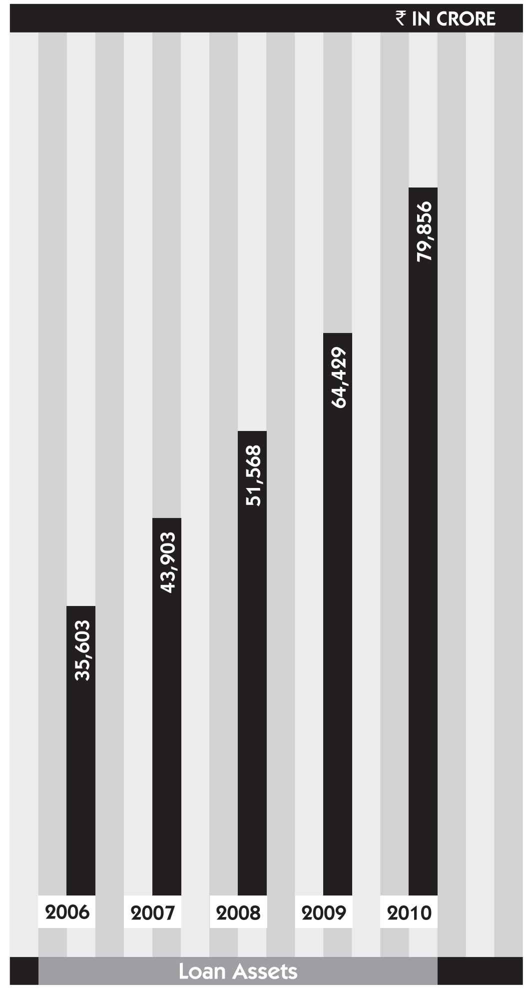
23 % ₹25,808 Cr.
DISBURSEMENT

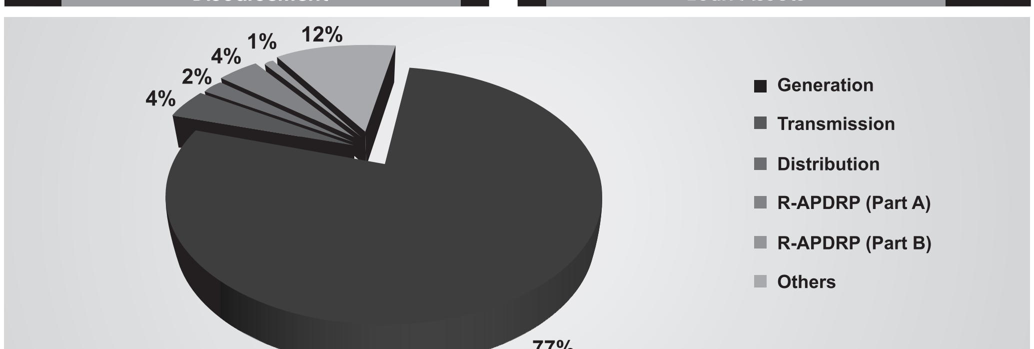
15 % ₹65,465 Cr.
SANCTIONS

24 % ₹79,856 Cr.
LOAN ASSETS

17 % ₹12,618 Cr.
NETWORTH

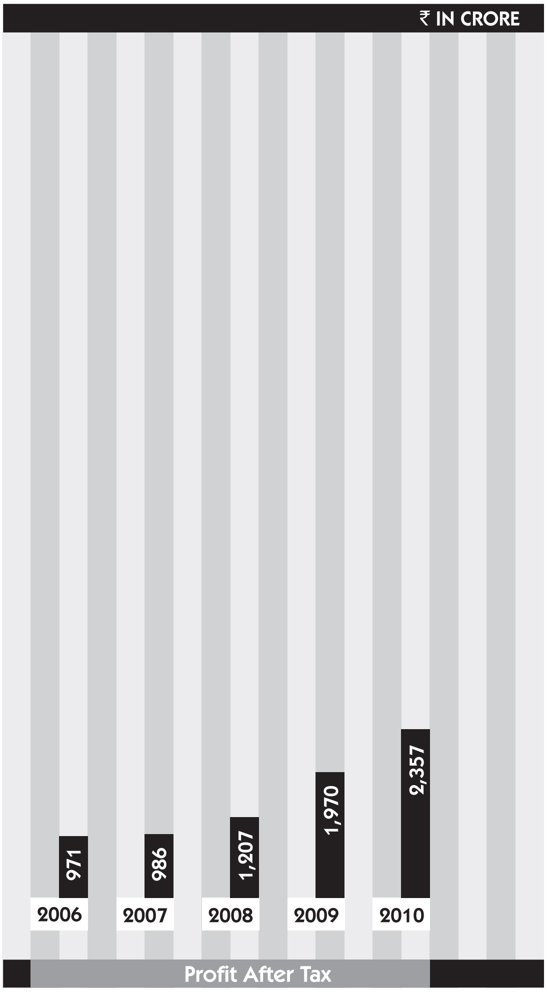






Disbursements-Composition
Discipline-wise

2009-10



As on 31.03.2010

20 % ₹2,357 Cr.

NET PROFIT

23 % ₹8,074 Cr.

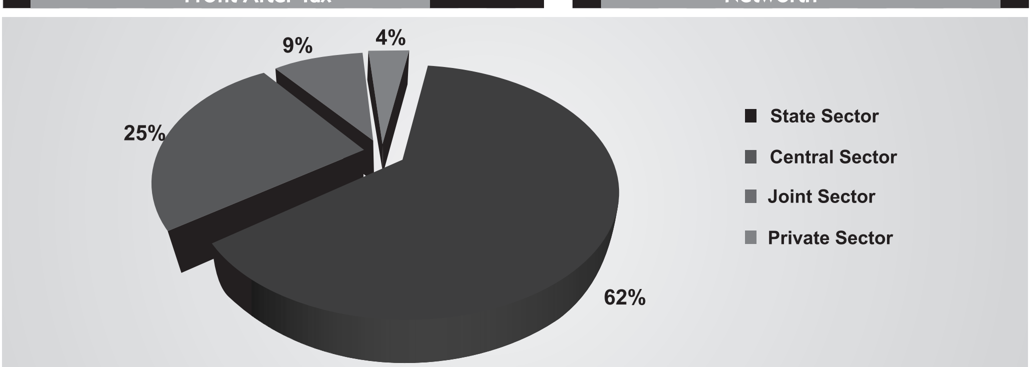
TOTAL INCOME

30 % ₹2,923 Cr.

NET INTEREST INCOME

3.80 % 18 BPS

OPERATING PROFIT TO AVG. ASSETS



Disbursements-Composition Borrower-wise

LETTER TO SHAREHOLDERS

Ladies & Gentlemen,

It gives me great pleasure in welcoming you all to the 24th Annual General Meeting of your Company.

Outlook on Indian Economy

The fiscal 2010 began as a difficult one. There was a significant slowdown in the growth rate in fiscal 2009 with GDP growth at 6.7% due to global financial crisis. There was apprehension that this trend would persist for some time, however, Indian economy has shown resilience and grew by 7.4% in fiscal 2010. The momentum was particularly pronounced in Q4 of 2009-10 with growth at 8.6%. RBI has estimated the GDP growth for fiscal 2011 will be at 8.5%. Though Indian economy has regained its growth momentum after global crisis, the real question is whether it will be able to achieve higher sustainable growth for a longer term. The major area of concern while India looks at sustainable higher economic growth is lack of adequate physical infrastructure, which is adding to production costs, denting productivity of capital and eroding competitiveness of productive sectors.

As per a recent RBI report on infrastructure financing, the phenomenal transformation of some of the South-East Asian nations was preceded by quantum investments in infrastructure. The emerging economies particularly need huge infrastructure investment, for instance China invests about 20% of GDP in infrastructure as against 6% of GDP by India. As per Planning Commission's Mid-Term Appraisal of the 11th Plan, investment in infrastructure required during the 12th plan (2012-17) is about ₹ 41 Lakh Crores (constituting 9.95% of GDP) to sustain 9% GDP growth. It is therefore imperative that infrastructure investment in India has to gain momentum going forward for higher and sustainable economic growth.

Outlook on Power Sector

Power sector being the key infrastructure area it will be at the centre stage driving India on higher economic growth path. The current all India installed power generation capacity as on July, 2010 is 1,63,670 MW and the 11th plan targeted capacity addition is 78,700 MW and 12th plan aims at adding 1,00,000 MW. During the 11th plan already 24,500 MW has been commissioned and about 37,800 MW is under construction and to be commissioned in remaining part of 11th plan. However, the energy shortage and peak shortage still continues to be 10.1% and 13.3% given that demand continues to outstrip supply.

Govt. of India had taken several positive measures towards power sector development, however, I believe the fundamental initiatives that will turn around the sector are mainly four, which are (1) Ultra Mega Power Projects (UMPPs) which will result in significant power generation capacity addition particularly from 12th plan onwards (2) Large Independent Transmission Projects on similar lines of UMPPs will enable significant strengthening of transmission infrastructure (3) Restructured APDRP programme which is under implementation will show the benefits in the form of significant AT&C loss reduction (4) Renewable & Nuclear power will increasingly gain focus as alternative energy and is going to supplement the capacity addition in the longer term.

While there are positive takeaways indicating growth and turnaround of power sector, the key issue is how will the huge investment in power sector be met? The 11th plan alone requires more than ₹ 10 Lakh Crores with funding gap of 40%. The estimate of infrastructure investment in 12th plan is ₹ 41 lakh Crores out of which power sector will form significant part. Therefore, to meet this challenge of huge fund requirement there is a need to innovate ways to channelize resources into power sector. Various committees set up by Govt of India are actively considering the critical issue of funding power sector. Some of the major measures amongst others under consideration are creating innovate new financing products, increasing exposure limits for existing intermediaries, sourcing funds from mutli/bi lateral institutions, deploying forex reserves for infrastructure development etc. The measures outlined are being considered at macro policy level by Govt of India and Regulatory bodies like RBI.

I am happy to share that some measures are already in place like RBI has created separate category of NBFCs called Infrastructure Finance Companies (IFCs) with concessions on exposure limits, ECBs, risk weight of Banks lending to IFC-NBFCs etc. I am optimistic about the other measures to channelize funds to power sector, which are under active consideration of Govt. of India.

PFC's Silver Jubilee Year

I am also happy to share with you that your Company is celebrating silver jubilee this year. If you look back at the time when this Company got incorporated in 1986, little did anyone realize that PFC would grow into being the most dominant player in power sector with a loan asset base in excess of ₹ 85,000 Crores in less than 24 years. Today, your Company is positioned 6th amongst listed financial players (including banks) in the country based on market capitalization, which is in excess of ₹ 38,000 Crores. Since IPO of your Company in 2007, the market capitalization has increased by 4 times. In terms of productivity, the year 2009-10 has shown business per employee at ₹ 217 Crores and the profit per employee at ₹ 7.80 Crores.

I believe that such success of PFC was possible only because of a unique approach it adopted, which was creating opportunities out of challenges in the operating environment. Your Company did exactly this since inception, be it creating viable entities out of unviable entities in power sector or be it creating possibility of large UMPPs of 4,000 MW each or be it creating higher asset and profit growth even in the worst of the global financial crisis or be it creating a possibility of reduction of high AT&C losses of power sector through R-APDRP. This approach therefore has been the driving force behind the growth and performance of your Company.

PFC Performance highlights of fiscal 2010

The fiscal 2010 has been yet another year of impressive growth in loan assets of 24% and net profit growth of 20% (the comparable net profit growth was 32% excluding the extra ordinary items). The loan asset quality continuous to be one of the highest in the industry reflected in net NPAs of 0.01% of the loan assets. The business in terms of annual loan sanctions and disbursements were ₹ 65,465 Crores and ₹ 25,808 Crores respectively and importantly the loan sanctions outstanding as on 31.03.2010 were about ₹ 1,42,000 Crores reflecting the potential asset growth going forward.

Other significant developments in fiscal 2010 include (1) RBI providing exemption to PFC from its prudential norms till 31st March, 2012 allowing PFC to continue to take higher exposure of 75% to 150% in state and central sector (2) significant progress on R-APDRP with sanctions of ₹ 6,237 Crores and disbursement of ₹ 1,321 Crores and the benefit of reduction in AT&C losses will commence rolling out in next 2-3 years (3) UMPPs identified were 16 as against 9 originally envisaged and this year one UMPP in Jharkhand was transferred to Reliance Power Ltd. and one RFQ was floated for UMPP in Chattisgarh (4) One Independent Transmission Project (ITP) first of its kind namely ENICL was transferred to Sterlite Technologies Ltd and two RFQs were floated for 2 ITPs namely Bhopal Dhule Transmission Co. Ltd. and Jabalpur Transmission Co. Ltd. (5) Raised about ₹ 22,300 Crores, which includes an ECB of US$300 million at a competitive spread of 154 bps over six monthly US LIBOR.

In a significant recent development, your Company has got the Infrastructure Finance Company (IFC) status from RBI in July, 2010. This will allow your Company to have additional lending exposure of upto 5% of its owned funds in case of single borrower as well as group of borrowers in the private sector. The Banks can additionally lend 5% of their capital funds to IFCs like PFC. Further, Banks exposure to such IFCs like PFC will be risk weighted as per rating of the Company, which in case of PFC will reduce from 100% to 20% as PFC is 'AAA' rated IFC. As IFC, PFC will also be allowed to borrow ECBs under automatic route upto 50% of its owned funds and beyond that ECBs will fall under approval route. IFCs have also been allowed by Ministry of Finance to raise Infrastructure bonds.

To maintain IFC status, your Company will be required to maintain a minimum Capital Adequacy Ratio of 15%. Your Company's Capital Adequacy Ratio is 17.38% as at 30.06.2010, which therefore will necessitate infusion of additional equity capital in fiscal 2011 given the loan asset growth of the Company.

Other Initiatives

Your Company has implemented pay scale revision for its employees, which include provision for performance-related pay linked to performance of individual employee. To further motivate employees for better performance, ESOP scheme has also been formulated to provide equity stake to employees in the Company.

To improve the client relationship, your Company has held State Power Utilities meet at Gangtok and IPPs meet at Amritsar to realign our strategies to suit the requirement of our clients. These meets have resulted in a productive dialogue for the overall development of power sector and business growth of the Company.

Your Company has also implemented ERP system covering all business operations to facilitate higher level of operational efficiency and faster data availability for quick decision making.

Awards & Accolades

Your Company's performance was well recognized and the same is reflected in various awards / accolades received during the year. PFC received the 'MoU Excellence Award' for the 6th time from Hon'ble Prime Minister Dr. Manmohan Singh, the 'India Pride Award' in the category of NBFCs from Hon'ble Union Home Minister Shri P. Chidambaram, and 'India Power Award' for Innovative Financing from Shri Bharat Sinh Solanki, Hon'ble Union Minister of State for Power.

Ratings

Excellence in performance of your Company is also reflected in consistently obtaining the highest MoU rating i.e. "Excellent" from Govt. of India. PFC's international credit rating has been pegged at that of 'Sovereign' by leading overseas credit rating agencies such as Standard & Poor's (S&P), Moody's and FITCH. On the domestic front, your Company got the 'highest safety ratings' from reputed agencies like CRISIL & ICRA for its specific resource mobilization programme. Consistently high ratings by the Govt. of India as well as leading Indian and International rating agencies bears testimony to PFC's stature as an Institution with strong fundamentals and inherent financial strength. PFC has also obtained ISO 9001: 2008 certification in fiscal 2010 reflecting our commitment to quality service to our clients.

Business Diversification

Last year in my speech, I had indicated that to accelerate growth of your Company we will focus on additional business in the areas of consortium lending, renewables, equity financing, consultancy, forward and backward linkage projects allied power sector. I am glad to share that we have converted those ideas into actual business.

Your Company has sanctioned its first loan of ₹ 250 Crs to a backward linkage project to power sector, which is a Solar PV Manufacturing facility being developed by KSK Surya PV Venture Pvt Ltd. The second loan of ₹ 827 Crores was sanctioned for financing the wind equipment manufacturing facility of Suzlon Group. Your Company has also developed a new product for loan towards promoter's equity against security of commissioned projects and has already sanctioned its first loan of ₹ 100 Crores to APGENCO. Renewable projects of about ₹ 600 Crores have been sanctioned and about ₹ 260 Crores have been disbursed. Your Company acted as Lead for 12 power projects and earned a lead fee of about ₹ 18 Crs. PFCCL, the wholly owned subsidiary of PFC, handling its consultancy business has earned a profit of ₹ 22 Crores. Your Company along with REC, NTPC & PGCIL has created a new Company "Energy Efficiency Services Ltd" to promote energy efficiency and energy conservation projects. Your Company has also created a new business unit "Acquisition Advisory Services" to provide advisory services for mergers and acquisitions in power sector.

Future Strategy

Your Company's future strategy will be to accelerate growth by expanding the business in the core sector i.e. power sector and also by spinning off the new business units / subsidiaries into individual companies with significant income stream, which will remain focused exclusively in their domain of operations.

As a part of Corporate Plan, we have identified other potential business areas like foray into banking, international markets, insurance, capacity building initiatives, strategic alliances with domestic and international institutions etc., whose feasibility will be explored to fuel the growth of your Company as we go along.

While your Company is committed to accelerate growth as in the past, your Company will continue to achieve the best standards of Corporate Governance with emphasis on authority and freedom of the management coupled with transparency, accountability and professionalism in their working with the aim of enhancing long term economic value of all the stakeholders and the society at large.

Acknowledgements

Your Company would not have reached the position where it is today without the unstinted support of a motivated and highly committed workforce. The Company's performance for the year under review is a testimony of hard work, dedication and commitment by entire PFC family, including my colleagues on the Board, which I place on record.

I take this opportunity to also express my sincere and grateful thanks to the Hon'ble Union Minister of Power, Hon'ble Union Minister of State for Power, Secretary (Power), officials of the Ministry of Power, Ministry of Finance, Planning Commission, CEA, C&AG, Statutory Auditors, RBI and other Departments of the Government of India for their support and guidance in ensuring smooth operations and exceptional performance of the Company. I am also thankful to our Indian & Foreign lenders, the World Bank, The Asian Development Bank, US EXIM Bank, EDC, KfW, Commercial Banks, Financial Institutions, Registrars and other agencies for their continuous support. I extend my sincere thanks to the Print & electronic Media for their untiring support as well.

My special thanks and warm appreciation are also due to our valued clients for reposing faith in the Company and also for their valued suggestions, which have definitely gone a long way in the betterment of our performance. I hope the coming years will further strengthen this partnership.

Going forward, I firmly believe your Company is geared up to "Create Possibility of a Better Tomorrow" by accelerating growth through expansion in core business and diversification strategy, which will lead to over all development of power sector and push India towards sustainable higher economic growth.

Satnam Singh

(Satnam Singh)

Chairman & Managing Director

New Delhi

20th August, 2010

NOTICE

Notice is hereby given that the Twenty Fourth Annual General Meeting of the Power Finance Corporation Ltd. will be held **on Tuesday the 21st September, 2010 at 10:00 AM** at Air Force Auditorium, Subroto Park, New Delhi-110010 to transact the following business:-

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2010 and Profit and Loss Account for the financial year ended on that date along with Report of the Board of Directors and Auditors thereon.
2. To confirm interim dividend and declare final dividend for the year 2009-10.
3. To appoint a Director in place of Shri Rajeev Sharma, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri R.Nagarajan, who retires by rotation and being eligible, offers himself for re-appointment.
5. To fix the remuneration of the Auditors.

SPECIAL BUSINESS

6. To consider and, if thought fit, to pass with or without modification(s) the following resolution as a **Special Resolution**:-

"**RESOLVED THAT** in accordance with the provisions of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 (including any amendments thereto or re-enactment thereof) and any other applicable laws including the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 and in accordance with the provisions of the Memorandum and Articles of Association of the Company and the regulations/guidelines, if any, prescribed by Government of India, Reserve Bank of India, Securities & Exchange Board of India (SEBI) and other regulatory authorities from time to time, to the extent applicable and subject to the Listing Agreement (including any amendment thereto or re-enactment thereof) entered into by Company (the "Company") with the stock exchanges where the shares of the Company are listed and subject to such consents, permissions, sanctions and such other approvals as may be necessary and subject to such conditions and modifications as may be considered necessary by the Board of Directors (hereinafter referred to as "the Board" which term shall be deemed to include any committee thereof/Managing Director for the time being exercising the powers conferred on the Board by this resolution) and subject to receipt of final decision of the Government of India with regard to, *inter alia*, the number and percentage of equity shares to be offered and sold by the Government of India (the "Offer for Sale"), if any, and such other conditions as may be prescribed by the Government of India, the Board be and is hereby authorized to offer, issue and allot, at such time or times in one and more tranches, fresh equity shares by way of Qualified Institutional Placement (QIP) or Follow on Public Offer (FPO), as the case may be, and to include such number and percentage of equity shares as the Offer for Sale as may be decided to be undertaken by the President of India on behalf of the Government of India, provided that the fresh issue together with the Offer for Sale in the aggregate shall not exceed 20% of the pre-issue paid up capital of the Company (the "Issue"), at a price not less than the price as determined in accordance with relevant provisions of the applicable laws, rules, regulations and guidelines prevailing in this regard and on such terms and conditions as may be deemed appropriate by the Board at its absolute discretion and wherever necessary in consultation with the merchant bankers and/or underwriters and/or advisors."

"**RESOLVED FURTHER THAT** the Board be and is hereby authorized to offer, issue and allot equity shares to such person or persons, who may or may not be the shareholders of the Company, as the board may at its sole discretion decide, in case of Qualified Institutional Placement (QIP) to the Qualified Institutional Buyers (QIB) [(as defined by the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009)] or in case of Follow on Public Offer (FPO) to persons including eligible investors (whether residents and/or non-residents and/or institutions/incorporated bodies and/or individuals and/or trustees and/or banks or otherwise, in domestic and/or one or more international markets) including Non-resident Indians, Foreign Institutional Investors (FIIs), Venture Capital Funds, Foreign Venture Capital Investors, Multilateral and Bilateral Financial Institutions, State Industrial Development Corporations, Insurance Companies, Provident Funds, Pension Funds, Development Financial Institutions, bodies corporate, companies, private or public or other entities, authorities and employees by way of an employee reservation and to such other persons in one or more combinations thereof, as the case may be."

"**RESOLVED FURTHER THAT** the equity shares to be so allotted shall be subject to the Memorandum and Articles of Association of the Company and shall rank *pari passu* in all respects with the existing equity shares of the Company including rights in respect of dividend."

"**RESOLVED FURTHER THAT** for the purpose of giving effect to any offer, issue, transfer or allotment of equity shares, the Board be and is hereby authorized to determine the terms of the Issue, including the class of investors to whom the equity shares are to be allotted, the number of equity shares to be allotted in each tranche, issue price, premium/discount to the then prevailing market price, amount of issue, discount to issue price to a class of investors (such as retail public, employees and existing shareholders), flexibility of part payment at the time of application by a class of investors (such as retail public, employees and existing shareholders), including through Application Supported by Blocked Amount (ASBA), and payment of balance amount on allotment of shares, exercise of a green-shoe option, if any, listing on one or more stock exchanges in India or abroad as the Board in its absolute discretion deems fit and to do all such acts, deeds, matters and things and execute such deeds, documents and agreements, prospectively and retrospectively, as it may, in its absolute discretion, deem necessary, proper or desirable, and to settle or give instructions or directions for settling any questions, difficulties or doubts that may arise in regard to a public issue, and the transfer, allotment and utilization of the issue proceeds, and to accept and to give effect to such modifications, changes, variations, alterations, deletions, additions as regards the terms and conditions, as it may, in its absolute discretion, deem fit and proper in the best interests of the Company, without requiring any further approval of the members and that all or any of the powers conferred on the Company and the Board vide this resolution may be exercised by the Board or by any Committee of the Board thereof or by the CMD/D(F) of the Company, as the Board may constitute/ authorize in this behalf".

7. To consider and, if thought fit, to pass with or without modification(s) the following resolution as a **Special Resolution**:-

"**RESOLVED THAT** pursuant to the provisions of Section 81(1A), and all other applicable provisions, if any, of the Companies Act 1956, the Memorandum and Articles of Association of the Company, Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (hereinafter referred to as "SEBI Guidelines") and subject to such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, the consent of the Company be and is hereby accorded to the Board of Directors of the Company *(hereinafter referred to as "the Board" which term shall be deemed to include any Committee, including the Compensation/Remuneration Committee which the Board has constituted)* to reserve 0.025% of the Paid-up Equity Shares of the Company, with the 'PFC Employee Welfare Trust' ("Trust") formed for the purpose of welfare and benefit of the employees of the Company, to offer and issue at any time, to or to the benefit of such person(s) who are in permanent employment of the Company, including whole time Directors, equity shares of the Company, of a face value of ₹10 each fully paid-up on payment of the requisite exercise price to the Trust or Company, under Employee Stock Option Plan of the Company titled as 'PFC- ESOP 2010', in one or more tranches, and on such terms and conditions as may be fixed or determined by the Board in accordance with the provisions of the law or guidelines issued by the relevant authorities and the said Employee Stock Option Plan."

"**RESOLVED FURTHER THAT** the Board be and is hereby authorized to grant, offer and issue in one or more tranches, to such permanent employee of the Company, including whole time Directors as may be decided by the Board, Options exercisable by the employees under PFC-ESOP 2010 to subscribe such number of equity shares of the Company not exceeding in aggregate 0.025% of the Paid-up Equity Shares of the Company, at such price and on such terms and conditions as may be determined by the Board in accordance with the provisions of the law or guidelines issued by the relevant authorities and the said Employee Stock Option Plan."

"**RESOLVED FURTHER THAT** the Board be and is hereby authorized to issue and allot in one or more tranches equity shares to the Trust for further issue of equity shares to the employees upon exercise of options from time to time in accordance with the PFC-ESOP 2010 and such Equity shares shall rank *pari passu* in all respects with the then existing Equity Shares of the Company."

"**RESOLVED FURTHER THAT** the Board be and is hereby authorized to fund the Trust to acquire, purchase or subscribe to the equity shares of the Company which can be transferred to the employees upon exercise of options from time to time in accordance with PFC-ESOP 2010 and such Equity shares shall rank *pari passu* in all respects with the then existing Equity shares of the company."

"**RESOLVED FURTHER THAT** in case of any corporate action(s) such as right issues, bonus issues, merger and sale of division and others, if any additional equity shares are issued by the Trust to the Option Grantees for the purpose of making a fair and reasonable adjustment to the options granted earlier, the above ceiling of 0.025% of the paid up equity shares shall be deemed to be increased to the extent of such additional equity shares issued."

"**RESOLVED FURTHER THAT** the Board be and is hereby authorized to take necessary steps for listing of the securities allotted under the PFC-ESOP 2010 on the Stock Exchanges, where the securities of the Company are listed as per the provisions of the Listing Agreement with the concerned Stock Exchanges and other applicable guidelines, rules and regulations."

"**RESOLVED FURTHER THAT** the Board be and is hereby authorized to make modifications, changes, variations, alterations or revisions in the said Employee Stock Option Plan as it may deem fit, from time to time in its sole and absolute discretion in conformity with the provisions of the Companies Act, 1956, the Memorandum and Articles of Association of the Company, SEBI Guidelines and any other applicable laws."

"**RESOLVED FURTHER THAT** the Board of the Company be and is hereby authorized to appoint and fix Remuneration/fee of Merchant Banker and/or any other agency/intermediary required to be appointed to give effect to the PFC-ESOP 2010 prospectively or retrospectively"

By order of the Board of Directors

J.S. AMITABH
Company Secretary

Registered office:
Urjanidhi, 1, Barakhamba Lane,
Connaught Place,
New Delhi- 110001
Date : 20/08/2010

NOTES:-

1. **A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and such proxy need not be a Member of the Company. Proxy form duly completed must be deposited at the registered office of the Company, not less than forty-eight hours before the commencement of the Annual General Meeting. Blank proxy form is enclosed. Proxy so appointed shall not have any right to speak at the meeting.**
2. An explanatory statement pursuant to Section 173 of the Companies Act, 1956, relating to the Special Business under item nos. 6 and 7 as set out above is annexed hereto.
3. As required by clause 49 of Listing Agreement, relevant details of Shri Rajeev Sharma & Shri R. Nagarajan, Director(s) retiring by rotation and seeking re-appointment under item nos.3&4 aforesaid in accordance with applicable provisions of the Companies Act, 1956 as well as those Directors who have been appointed since last Annual General Meeting are also annexed.
4. None of the Directors of the Company is in any way related to each other.
5. The Register of Members and Share Transfer Books of the Company will remain closed from 7th September, 2010 to 21st September, 2010 (both days inclusive). The final dividend on equity shares, as recommended by the Board of Directors, subject to the provisions of Section 206A of the Companies Act, 1956, if approved by the members at the Annual General Meeting, will be paid on or after 29th September, 2010 to the Members or their mandates whose names appear on the Company's Register of Members on 21st September, 2010 in respect of physical shares. In respect of dematerialized shares, the dividend will be payable to the "beneficial owners" of the shares whose names appear in the Statement of Beneficial Ownership furnished by National Securities Depository Limited and Central Depository Services (India) Limited at the close of business hours on 6th September, 2010
6. Corporate Members are requested to send a duly certified copy of the Board Resolution/Power of Attorney authorizing their representative to attend and vote on their behalf at the Annual General Meeting.
7. Members are requested to:-
   a. note that copies of Annual Report will not be distributed at the Annual General Meeting.
   b. deliver duly completed and signed Attendance Slip at the entrance of the meeting venue as entry to the Auditorium will be strictly on the basis of the Entry Slip available at the counters at the venue to be exchanged with the Attendance Slip.
   c. quote their Folio/Client ID & DP ID Nos. in all correspondence.
   d. note that due to strict security reasons brief cases, eatables and other belongings are not allowed inside the auditorium.
   e. note that no gifts/coupons will be distributed at the Annual General Meeting.
8. Members are advised to submit their Electronic Clearing System (ECS) mandates, to enable the Company to make remittance by means of ECS. Those holding shares in physical form may obtain and send the ECS mandate form to Registrar & Share Transfer Agent of the Company i.e. Karvy Computershare Private Limited, at "Karvy House", 46, Avenue 4, Street No. 1, Banjara Hills, Hyderabad 500034, India.
9. Those holding shares in Electronic Form may obtain and send the ECS mandate form directly to their Depository Participant (DP). Those who have already furnished the ECS Mandate Form to the Company/ Registrar & Share Transfer Agent /DP with complete details need not send it again.
10. The shareholders who do not wish to opt for ECS facility may please mail their bankers' name, branch address and account number to Karvy Computershare Private Limited, Registrar & Share Transfer Agent of the Company to enable them to print these details on the dividend warrants.
11. Members holding shares in multiple folios in physical mode are requested to apply for consolidation to the Company or its Registrar & Share Transfer Agent alongwith relevant Share Certificates.
12. Members are requested to send all correspondence concerning registration of transfers, transmissions,

subdivision, consolidation of shares or any other shares related matter and/or change in address and bank account, to Company's Registrars.

13. The Board of Directors in its meeting held on 29th January, 2010 had declared an interim dividend @ 30% on the paid-up equity share capital of the company which was paid on 12th February 2010. Members who have not received or not encashed their dividend warrants may approach Karvy Computership Private Limited, Registrar & Share Transfer Agent of the Company, for revalidating the warrants or for obtaining duplicate warrants.
14. Pursuant to Section 205A read with Section 205C of the Companies Act, 1956, the dividend amounts which remain unpaid/unclaimed for a period of seven years, are required to be transferred to the Investors Education & Protection Fund of the Central Government. After such transfer, there remains no claim of the members whatsoever on the said amount. Therefore, Members are advised to encash their Dividend warrants immediately.
15. Pursuant to Section 619(2) of Companies Act, 1956, the Auditors of a Govt. Company are to be appointed or re-appointed by the Comptroller and Auditor General of India (C&AG) and in terms of Section 224(8)(aa) of the Companies Act, 1956, their remuneration has to be fixed by the Company in Annual General Meeting. The Members of the Company in the 23rd Annual General Meeting held on 23rd September, 2009 authorized the Board of Directors to fix the remuneration of Statutory Auditors for the financial year 2009-10. Accordingly, the Board of Directors fixed audit fee of ₹12,00,000/- for the Statutory Auditors for the financial year 2009-10 in addition to applicable service tax and reimbursement of actual traveling and out-of-pocket expenses. Further, the Statutory Auditors of the Company for the year 2010-11 have been appointed by C&AG of India, the members may authorize the Board of Directors to fix an appropriate remuneration of Auditors for the year 2010-11.
16. Members desirous of making a nomination in respect of their shareholding in the Company, as permitted under Section 109A of the Companies Act, 1956, are requested to write to Karvy Computershare Private Limited, Registrar & Share Transfer Agent of the Company for the prescribed form. In case of shares held in dematerialized form, the nomination has to be lodged with the respective Depository Participant.
17. Member who hold shares in physical form are requested to notify immediately any change in their addresses to the Registrar and Share Transfer Agent of the Company and to their respective depository participants, in case shares are held in electronic mode.
18. Members desirous of getting any information on any items of business of this Meeting are requested to address their queries to Company Secretary of the Company at the registered office of the Company at least ten days prior to the date of the meeting, so that the information required can be made readily available at the meeting.
19. All documents referred to in the accompanying notice and Statutory Registers are open for inspection at the registered office of the Company on all working days (barring Saturday and Sunday) between 11.00 a.m. to 1.00 p.m. prior to the Annual General Meeting.
20. The entire Annual Report is also available at the Company's web-site www.pfcindia.com in the Financials Section.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 IN RESPECT OF SPECIAL BUSINESS SET OUT IN THE NOTICE.

The following explanatory statement sets out the material facts relating to the business mentioned in item Nos. 6 and 7 of the accompanying Notice:

Item No. 6

Consequent upon the introduction of new category of NBFCs as Infrastructure Finance Company by RBI vide circular dated 12.02.2010, PFC had requested RBI for categorizing it as Infrastructure Finance Company. The categorization would enable the Company to take an additional lending exposure up to 5% of its owned funds in case of a single borrower as well as group of borrowers in the private sector. Banks are one of the major providers of funds to PFC. Exposure of Banks can now be 20% of its capital funds (instead of 15% earlier) including the additional 5% exposure allowed for lending to infrastructure sector. Further, as an IFC, risk weight of banks' finance to PFC would be 20% *vis-à-vis* extant risk weight of 100%. Lower risk weight would help PFC in securing competitive interest rates from banks. Moreover, PFC can also apply for issuance of infrastructure bonds.

Following this request, **RBI has re-classified PFC as an 'Infrastructure Finance Company' (IFC) with effect from 28th July, 2010.** Due to the new classification the company would be required to maintain a CRAR (capital to risk (weighted) assets ratio or capital adequacy ratio) of 15% (with a minimum Tier I capital of 10%).

The Company is expected to maintain its growth trajectory, with which the leverage is expected to go up and the capital adequacy is expected to decline. The company's CRAR as on 30th June, 2010 was 17.38% (Tier I-16.28% and Tier II-1.10%). Considering the annual target for disbursement, the loan assets of the Company are expected to grow at 25%, consequently capital adequacy may drop below 16%. Thus, the company would have to look into the option of augmenting capital by fresh issue of equity shares. Further, the capital market may or may not offer opportunity to raise capital at a particular time due to its volatile nature and thus the company will have to keep a safe margin and raise capital by a fresh issue ahead of time, in order to ensure that the required CRAR is met comfortably.

In terms of the provisions of Section 81(1A) of the Companies Act, 1956 and Articles of Association of the Company, further offer of shares may be made to any person whether or not he is a holder of equity shares, if a special resolution is passed by the company in a general meeting.

Accordingly, the Board of Directors has approved the proposal of follow-on public offer (FPO) or Qualified Institutional Placement (QIP) of equity shares subject to the approval of shareholder and other concerned authorities for the same, to offer, issue and allot new equity shares to such person or persons, who may or may not be the shareholders of the company on the date of such offer and to include such number and percentage of equity shares as the 'Offer for sale' as may be decided to be undertaken by the President of India on behalf of the Government of India provided that the fresh issue together with the 'Offer for sale' in aggregate does not exceed 20% of the pre-issued paid up capital of the Company,

It is accordingly proposed to authorize the Board to offer, issue and allot new equity shares as contemplated in the resolution set out above, in such manner as may be expedient and in the interest of the Company, giving adequate flexibility and discretion to determine the terms and conditions of the offer, issue and allotment in consultation with the relevant advisors such as merchant bankers, lead managers, legal advisors, underwriters and other experts as may need to be consulted in relation to terms of the issue.

The Board of Directors recommend the prodosed resolution as set out in item 6 to be passed as a Special Resolution by the members at the ensuing Annual General Meeting.

None of the Directors of the Company are in any way concerned with or interested in the resolution, except to the extent of the Securities that may be offend to them.

Item No.7

Stock Options have been recognized world over as an effective instrument to attract and retain the talent in the organization and to align the interest of employees with those of the organization. Stock Options provide an opportunity to employees to share the growth of the Company and create long term wealth. They also promote the culture of employee ownership in the company. Recently the Department of Public Enterprises (DPE) notified guidlines on pay revision vide which DPE has made it mandatory for all the CPSEs that they would formulate Employee Stock Option Plan (ESOP) and 10% to 25% of the Performance Related Pay (PRP) of the employees should be paid as ESOPs. In accordance of the directions of the DPE, the Board of Directors has formulated an ESOP Scheme titled as 'PFC-ESOP 2010' and intends to grant ESOPs to its employees through a Trust.

The salient features of the Company's Employee Stock Option Plan (PFC-ESOP 2010) are as under:

1. **Total number of options to be granted**

   Options up to 0.025% of the Paid-up equity share of the Company would be available for being granted to eligible employees of the Company through the Trust under PFC-ESOP 2010. Each option when exercised would be converted into one Equity share of ₹10 each fully paid-up.

   Vested options lapsed due to non-exercise and/or unvested options that get cancelled due to resignation of the employees or otherwise, would be available for being re-granted by the Compensation/Remuneration committee at a future date.

   SEBI guidelines require that in case of any corporate action(s) such as right issues, bonus issues, merger and sale of division and others, a fair and reasonable adjustment needs to be made to the options granted. Accordingly, if any additional equity shares are issued by the Company through the Trust to the Option Grantees for making such fair and reasonable adjustment, the ceiling of 0.025% of the Paid-up equity share of the Company as stated above from time to time shall be deemed to be increased to the extent of such additional equity shares issued.

2. **Identification of classes of employees entitled to participate in the Employee Stock Option Plan**

   All permanent employees & whole time directors of the company, but excluding the promoters of the Company, would be entitled to be granted stock options under the PFC-ESOP 2010.

3. **Transferability of employee stock options**

   The stock options granted to an employee will not be transferable to any person and shall not be pledged, hypothecated, mortgaged or otherwise alienated in any manner. However, in the event of the death of an employee stock option holder while in employment, the right to exercise all the options granted to him till such date shall be transferred to his legal heirs or nominees.

4. **Requirements of vesting and period of vesting**

   The Options granted shall vest so long as the employee continues to be in the employment of the Company.

   The options would vest not earlier than 1 year and not later than 1 year from the date of grant of options. The exact proportion in which and the exact period over which the options would vest would be determined by the Compensation/Remuneration Committee, subject to the minimum vesting period of one year from the date of grant of options.

5. **Exercise Price**

   The Options granted will have an Exercise Price equal to the face value of the shares of the Company.

6. **Exercise Period and the process of exercise**

   The Exercise period would commence from the date of vesting and will expire on completion of 2 years from the date of vesting of options. The shares arising out of exercise of vested options would not be subject to any lock-in period after such exercise.

   Payment of the Exercise Price shall be made by a crossed cheque or a demand draft drawn in favour of the Company/Trust or in such other manner as the Compensation/Remuneration Committee may decide.

7. **Appraisal Process for determining the eligibility of the employees to ESOP**

   As per the Performance appraisal system of the Company.

8. **Disclosure and Accounting Policies**

   The Company shall comply with the disclosure and the accounting policies prescribed as per SEBI Guidelines.

9. **Method of option valuation**

   To calculate the employee compensation cost, the Company shall use the Intrinsic Value Method for valuation of the options granted.

The difference between the employee compensation cost computed using Intrinsic Value method and the cost that shall have been recognized if it had used the Fair Value of the options, shall be disclosed in the Directors' Report and also the impact of this difference on profits and on EPS of the Company shall also be disclosed in the Directors' Report.

As the ESOP will entail further shares to be offered to persons other than existing shareholders of the company, consent of the members is sought pursuant to the provisions of section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956 and as per the requirement of Clause 6 of the SEBI Guidelines.

The Board of Directors recommend the proposed resolution as set out in Item 7 to be passed as a Special Resolution by the members at the ensuing Annual General Meeting.

None of the Directors of the Company are in any way, concerned with or interested in the resolution, except to the extent of the securities that may be offered to them under the Employee Stock Plan.

Documents referred to in item 7 of the Notice are open for inspection at the registered office of the Company on all working days (barring Saturday and Sunday) between 11.00 a.m. to 1.00 p.m. prior to Annual General Meeting.

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

Directors seeking re-appointment at 24th Annual General Meeting

Name	Shri Rajeev Sharma	Shri R. Nagarajan
Date of Birth and Age	01-06-1960/50 years	18-05-1957/53 years
Date of Appointment	09-03-2009	31-07-2009
Qualification	B.Tech (Electrical), Post Graduate Diploma in Electronics & Communication, Master of Engineering (System Engineering & Operations Research) and Masters degree in Business Administration	Bachelor's degree in Commerce, Chartered Accountant, Cost Accountant and Certified Associate of Indian Institute of Banking.
Expertise in Functional Areas	He has more than 25 years of experience in power sector. Before joining PFC in August, 2005, he has served in various positions in Central Electricity Authority, Ministry of Power and POWERGRID. As Director (Projects), he is responsible for all functions of Projects Division including appraisal of the projects financed by our Company.	He has more than 29 years of experience having worked in Andhra Bank and in PFC at different positions. He joined PFC in the year 1995 and had been holding the post of Executive Director (Finance) since January, 2008. During his tenure as Executive Director (Finance) in PFC, he had overseen various business activities relating to IPO, Resource Mobilization, Banking, Treasury, Disbursement, Recovery, Internal Audit, Power Exchange, Asset Liability & Risk Management. He is also the President of the Project Monitoring Society and Treasurer with the World Energy Council.
Directorship in other companies	• Chattisgarh Sarguja Power Ltd. • Coastal Karnataka Power Ltd. • Energy Efficiency Services Ltd.	• Coastal Tamil Nadu Power Ltd.· • Coastal Maharashtra Mega Power Ltd. • PFC Consulting Ltd. • Bokaro Kodarma Maithon Tranmission Company Ltd.
Chairman/ Membership of Committee across all public companies	• **Power Finance Corporation Ltd.** - Member, Audit Committee	• **National Power Exchange of India Ltd.-** Chairman, Audit Committee. • **Power Finance Corporation Ltd**.– Member, Shareholders'/Investors' Grievance Committee
Number of shares held in the Company	16,287	25,200

Directors appointed since last Annual General Meeting held on 23rd September, 2009

Name	Shri Ravindra H. Dholakia	Shri P. Murali Mohana Rao	Shri S.C. Gupta
Date of Birth and Age	02-04-1953/57 Years	04-02-1958/52 Years	08-02-1954/56 Years
Date of Appointment	22-12-2009	22-12-2009	25-02-2010
Date of cessation	Continuing	Continuing	Continuing
Qualification	M.A. (Economics and Econometrics), Ph.D. in Economics (Regional Disparities in Economic Growth in India), Post-Doctoral Fellow (Regional Economic Disparities in Canada)	Bachelor's degree in Commerce, Chartered Accountant	Bachelor's degree in Commerce, Bachelor's in Law, Chartered Accountant
Expertise in Functional Areas	He is a Professor of Economics at IIM Ahmedabad and has been on the faculty of IIM-A since 1985. He has practical experience in high powered policymaking and evaluation bodies in both State and Central Governments. He has carried out numerous consulting assignments in private and public sector companies in India and has done work for international organizations like WHO, World Bank, UNDP, Hewlett Foundation, UN Mongolia etc. He was a member of the Sixth Central Pay Commission in India.	He has his own chartered accountancy firm which is one of the leading chartered accountancy firm in Hyderabad. He has been appointed as a Public Nominee Director by SEBI for Hyderabad Stock Exchange Limited and has been associated with Initial Public offer of various companies.	He is presently on the board of UCO Bank and UAE Exchange & Financial Services Ltd. In the past he has held directorship in various banks and companies like Canara Bank, BOB Capital Markets Ltd., PNB Asset Management Company. He is also promoter and senior partner in a Chartered Accountant firm and has discharged duties as the statutory auditor of several Public Sector Undertakings, Banks, Insurance Companies, Airlines, Limited companies etc.
Directorship in other companies	Nil	Hyderabad Securities and Enterprises Ltd.	Nil
Chairman/ Membership of Committee across all public companies	**Power Finance Corporation Limited** - Member, Audit Committee	**Power Finance Corporation Limited** - Member, Audit Committee & Chairman, Investors Grievance Committee	Nil
Number of shares held in the Company	Nil	Nil	Nil

AWARDS

Dr. Manmohan Singh, Hon,ble Prime Minister of India presenting the prestigious 'MoU Award for Excellence in Performance' for the year 2007-08 to Shri Satnam Singh, CMD, PFC.

Shri Satnam Singh, CMD, PFC receiving the coveted 'India Pride Award' (NBFC category) from Shri P.Chidambaram, Hon'ble Union Home Minister.

DIRECTORS' PROFILE

Shri Satnam Singh
Chairman and Managing Director

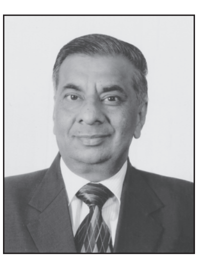
Shri Satnam Singh, 52 years, is the Chairman and Managing Director of PFC since August, 2008. As the Chairman and Managing Director, he heads the organisation and provides strategic direction and guidance to all the activities of the organisation.

Shri Satnam Singh holds a Bachelor's degree in Commerce from Guru Nanak Dev University, Amritsar and a Master's degree in Finance and Marketing from the University Business School, Chandigarh. Shri Satnam Singh has about 31 years of varied experience in power and financial sector. He had extensive exposure to power generation companies such as NTPC and Nathpa Jhakri Power Corporation Limited (renamed Satluj Jal Vidyut Nigam Limited) before joining PFC.

Despite global financial crisis in fiscal 2009, PFC under his leadership has shown impressive business growth of 30% and profit growth of 63%, which was followed by healthy asset growth of 24% and profit growth of 20% in fiscal 2010. He was instrumental in the success of Initial Public Offer (IPO) of PFC and implementation of Ultra Mega Power Projects (UMPPs) and Restructured APDRP programme. He redefined PFC's growth strategy by increasing focus on consortium lending, renewables, equity financing and expanding into new business areas having backward and forward linkages to power sector.

Shri Satnam Singh was holding 25155 equity shares in the Company as on 31st March, 2010.

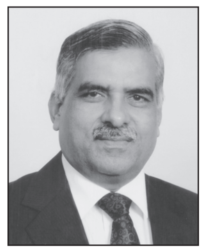
Shri M.K. Goel
Director (Commercial)



Shri Mukesh Kumar Goel, 53 years, holds a Bachelor's degree in Technology specializing in Electrical Engineering from Kanpur University. Shri Goel has a career spanning over 30 years. He was working with NHPC, prior to joining us on November 22, 1988. He is in-charge of Institutional Development and Administration. He has been involved in inducing reforms in State Power Utilities, steering Restructured Accelerated Power Development & Reform Programme of Government of India and overseeing our Human Resource functioning, Information Technology and legal activities.

Shri M.K. Goel was holding 10283 equity shares in the Company as on 31st March, 2010.

Shri Rajeev Sharma
Director (Projects)



Shri Rajeev Sharma, 50 years, holds B.Tech (Electrical) from GB Pant University, Pantnagar, Post Graduate Diploma (Electronics & Communication) from IIT Roorkee, Master of Engineering(System Engineering and Operations Research) from IIT Roorkee. He also holds Masters Degree in Business Administration from Faculty of Management Studies, Delhi University. Shri Sharma has more than 25 years of experience in power sector. Before joining PFC in August 2005, he has served in various positions in Central Electricity Authority, Ministry of Power and POWERGRID.

As Executive Director in PFC, he was Director (in-charge) for development of Krishnapatnam Ultra Mega Power Project and responsible for implementation of APDRP in the country (PFC is the Nodal Agency for APDRP). In addition, he also looked after southern states for projects appraisal and functions of HR and Administration of PFC.

As Director (Projects), he is responsible for all functions of Projects Division including appraisal of the projects financed by our Company.

Shri Rajeev Sharma was holding 16287 equity shares in the Company as on 31st March, 2010.

Shri R. Nagarajan
Director (Finance)

Shri R. Nagarajan, 53 years, holds a Bachelor's degree in Commerce and is a qualified Chartered Accountant, Cost Accountant and certified associate of Indian Institute of Bankers. Shri Nagarajan has more than 29 years of experience having worked in Andhra Bank and in PFC at different positions. He joined PFC in the year 1995 and had been holding the post of Executive Director (Finance) since Jan 2008.

During his tenure as Executive Director (Finance) in PFC, Shri Nagarajan had overseen various business activities relating to Initial Public Offer, Resource Mobilization, Banking Treasury, Disbursement, Recovery, Internal Audit, Power Exchange, Asset Liability and Risk Management etc.

He is also President of the Project Monitoring Society and Treasurer of the World Energy Council.

Shri R. Nagarajan was holding 25200 equity shares in the Company as on 31st March, 2010.

Shri Devender Singh
Govt. Nominee Director

Shri Devender Singh, 48 years, is presently Joint Secretary to the Government of India, Ministry of Power and is an IAS officer of the 1987 batch of the Haryana cadre. He holds a Bachelor's Degree in Electronics and Communication from the Delhi College of Engineering, Delhi and Master's Degree in Business Administration from the Indian Institute of Management (IIM), Ahmedabad. Shri Singh has held significant assignments in various Departments viz. Managing Director, Haryana Dairy Development Cooperative Federation Limited; Managing Director, Haryana Agriculture Supply & Marketing Federation, Chandigarh; Director, Industries and Mines; Deputy Commissioner, Gurgaon; Deputy Commissioner, Karnal.

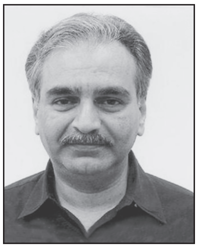
Shri Devender Singh was holding NIL equity shares in the Company as on 31st March, 2010.

Shri Rakesh Jain
Govt. Nominee Director

Shri Rakesh Jain, 53 years, holds Masters Degree in Physics from Delhi University. He is an officer of Indian Audit & Accounts Service (1981). He is currently the Joint Secretary & Financial Adviser (JS&FA) in the Ministry of Power. He is a Government nominee Director on the Board of Directors of NTPC Limited, NHPC Limited, PFC, Power Grid and EESL under the Ministry of Power. Before joining Ministry of Power, he held various important positions such as Director General (Accounts, Entitlement, Complaints & Information System); Principal Director (Report States) - Office of Comptroller & Auditor General of India; Accountant General (AG)(Audit), Rajasthan; AG(AE-II) Madhya Pradesh; Principal Director (Commercial Audit), Ranchi and Principal Director of Audit, Embassy of India, Washington, USA.

Shri Rakesh Jain was holding NIL equity shares in the Company as on 31st March, 2010.

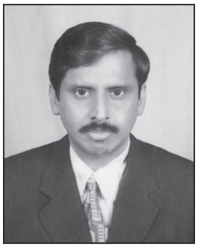
Shri Ravindra H. Dholakia
Independent Director



Shri Ravindra H. Dholakia, 57 years, was a Post-Doctoral Fellow in the University of Toronto and a PhD from the M.S. University of Baroda. He is a Professor of Economics at IIM Ahmedabad and has been on the Faculty of IIM-A since 1985. He was RBI Chair Professor at IIM-A during 2002-08. He has practical experience in high powered policymaking and evaluation bodies in both state and central governments. He has carried out numerous consulting assignments in the private and public sector companies in India and has done work for the international organizations like WHO, World Bank, UNDP, Millennium Development Goals Project, Hewlett Foundation, UN Mongolia, etc. He was a Member of the Sixth Central Pay Commission in India (2006-08) and a Member of the High Level Committee on Estimation of Savings and Investment (2008-09) appointed by the Government of India. Currently he is a Member of the High Level Expert Committee to suggest measures for efficient management of public expenditure (2010) appointed by the Government of India. He was a member of the State Public Finance Reform Committee (1998-2001), High Powered Expert Committee to Restructure Public Sector Units (2004-07), High Level Committee to Restructure Public Debt (2003-05) appointed by the Government of Gujarat.

Shri Ravindra H. Dholakia was holding NIL equity shares in the Company as on 31st March, 2010.

Shri P. Murali Mohana Rao
Independent Director



Shri P. Murali Mohana Rao, 52 years, is a qualified chartered accountant. He has his own chartered accountancy firm which is one of the leading chartered accountancy firm in Hyderabad. He has been appointed as a Public Nominee Director by SEBI for Hyderabad Stock Exchange Limited and has been associated with Initial Public offer of various companies.

Shri P.Murali Mohana Rao was holding NIL equity shares in the Company as on 31st March, 2010.

Shri S.C. Gupta
Independent Director

Shri S.C. Gupta, 56 years, is a qualified Chartered Accountant and holds a Bachelor's degree in Commerce from Punjab University, Chandigarh, and Bachelor's degree in Law from Delhi University. Shri S.C. Gupta is presently on the board of UCO Bank and UAE Exchange & Financial Services Ltd. In the past he has held directorship in various banks and companies like Canara Bank, BOB Capital Markets Ltd., PNB Asset Management Company. He is also promoter and senior partner in a Chartered Accountant firm and has discharged duties as the statutory auditor of several Public Sector Undertakings, Banks, Insurance companies, Airlines, Limited companies like IDBI Bank, Oriental Insurance Co., Indian Oil Corp. Ltd., MMTC to name a few.

Shri S.C. Gupta was holding NIL equity shares in the Company as on 31st March, 2010.

To

The Members,

Your Directors have great pleasure in presenting the 24th Annual Report on the performance of your Company for the financial year ended 31st March, 2010 along with Audited Statements of Accounts.

1.0 FINANCIAL HIGHLIGHTS

(a) PROFITABILITY

(₹ in crore)

	2009-10	2008-09
Profit for the Year	3013.35	1990.45
Prior Period Adjustments	0.13	0.02
Profit Before Tax	3013.48	1990.47
Less: Provision for Income Tax (current year)	(-) 800.27	(-) 492.02
Less: Provision for Interest on Income Tax (current year)	(-) 0.28	0.00
Add: Provision for Income Tax (earlier years)	135.79	32.61
Less/Add: Deferred Tax Liability (-)/Assets (+)	8.53	(-) 43.61
Add: Reversal of DTL of earlier years	0.00	483.24
Less: Provision for Fringe Benefit Tax	0.00	(-) 0.73
Profit After Tax	2357.25	1969.96
Transfer towards Reserve for Bad & Doubtful Debts u/s 36(1) (viia)(c) of Income Tax Act, 1961	123.92	76.46
Transfer to Special Reserve created and maintained u/s 36(1) (viii) of Income Tax Act, 1961	568.61	346.23
Interim Dividend	344.33	304.16
Proposed Final Dividend	172.17	154.95
Corporate Dividend Tax paid on Interim Dividend	58.52	51.69
Proposed Corporate Dividend Tax	29.26	26.33
Transfer to General Reserve	236.00	197.00
Balance carried to Balance Sheet	824.44	813.14

(b) LENDING OPERATIONS

(₹ in crore)

	2009-10	2008-09
Sanction	59228	55083
Disbursement	24487	20729

(c) R-APDRP OPERATIONS

(₹ in crore)

	2009-10	2008-09
Sanctioned project cost	6237	1947
Disbursement	1321	325

2.0 FINANCIAL PERFORMANCE

2.1 REVENUE

The total income during the financial year 2009-10 was ₹8,076.86 crore registering an increase of 22.68% as compared to ₹6,583.54 crore in financial year 2008-09. Operating income for the year increased from ₹6,557.37 crore to ₹8,002.10 crore showing an increase of 22.03%. Interest income including lease income for the financial year 2009-10 was higher at ₹7,867.16 crore against ₹6,361.78 crore in 2008-09.

2.2 EXPENSES

Interest and other finance charges for the financial year 2009-10 amounting to ₹4,956.03 crore accounted for 97.88% of total expenses. Personnel and Administration expenses were 2.09% of total expenses and 0.13% of Loan Assets.

2.3 PROFIT

During the financial year 2009-10, your Company earned a net profit of ₹2,357.25 crore as compared to ₹1,969.96 crore for the financial year 2008-09 registering an increase of 19.66%.

2.4 DIVIDEND

Your Directors have recommended a final dividend of ₹1.50 per equity share (15%) in addition to an interim dividend of ₹3.00 per equity share (30%) paid in February, 2010. The dividend for the year 2009-10 thus aggregates to ₹4.50 per equity share as against ₹4.00 per equity share paid for the previous year. The final dividend will be paid after your approval at the Annual General Meeting. The total dividend pay-out for the year amounts to ₹516.50 crore representing 45% of the paid-up capital of the company and 21.91% of profit after tax as against a dividend pay-out of 40% of the paid-up capital and 23.31% of profit after tax in the previous year.

2.5 SHARE CAPITAL

The paid-up share capital of the Company is ₹1,147.77 crore consisting of 1,14,77,66,700 equity shares of ₹10 each. The Government of India holds 89.78% of the equity share paid-up capital.

3.0 LENDING OPERATIONS

Your Company issued sanctions of ₹59,228 crore during the financial year 2009-10. An amount of ₹24,487 crore was disbursed during the same period to State, Central, Private and Joint Sector entities, compared to ₹20,729 crore disbursed during the last year. With this, cumulative sanction of ₹2,70,480 crore and disbursement of ₹1,37,282 crore have been made by the Company as on 31st March, 2010.

In addition to above, an amount of ₹6,237 crore sanctioned and ₹1,321 crore disbursed during 2009-10 under R-APDRP scheme. With this, cumulative sanction under R-APDRP stands at ₹8,184 crore and disbursement at ₹1,646 crore.

3.1 Financial Assistance

3.1.1 Sector-wise

Category	2009-10		Cumulative upto March, 2010	
	Sanctions (₹ crore)	Disbursements (₹ crore)	Sanctions (₹ crore)	Disbursements (₹ crore)
State Sector	32732	14632	184570	105167
Central Sector	2248	6351	32530	17818
Private Sector	15786	1055	35666	7128
Joint Sector	8462	2449	17714	7169
Total	59228	24487	270480	137282

3.1.2 Discipline-wise

Category	2009-10		Cumulative upto March, 2010	
	Sanctions (₹ crore)	Disbursements (₹ crore)	Sanctions (₹ crore)	Disbursements (₹ crore)
Thermal Generation	38316	16818	155387	64059
Hydro Generation	2758	2221	28772	20034
Wind & Solar Power	531	147	1445	428
Renovation and Modernization of Thermal Power Stations	1950	423	8448	4991
Renovation & Uprating of Hydro Power Projects	74	73	1497	957
Transmission	11620	1056	33481	13219
Distribution	295	630	13888	7473
Short Term Loans	3222	3066	23280	22814
Others*	462	53	4282	3307
Total	59228	24487	270480	137282

** Others include Decentralized Management, Project Settlement, Pre Investment Fund, Technical Assistance Project, Medium Term Loan, Buyers Line of Credit, Equipment Manufacturing Loan, Loan for Asset Acquisition, Bill Discounting, Studies, Loan for Redemption of bonds, Purchase of power through PXI, Loan for Promoter's Equity and Computerization etc.

3.1.3 Product-wise

Category	2009-10		Cumulative upto March, 2010	
	Sanctions (₹ crore)	Disbursements (₹ crore)	Sanctions (₹ crore)	Disbursements (₹ crore)
Term Loans	55846	21231	241089	109914
Short Term Loans	3222	3066	23280	22814
Leasing	0	140	1169	706
Grants	0	1	74	48
Others **	160	49	4868	3800
Total	59228	24487	270480	137282

** Others include Debt Refinancing, Bridge Loan, Associated Infrastructure, Loan to Equipment Manufacturers, Buyers Line of Credit, Loan for Assets Acquisition, Bill Discounting, Purchase of power through PXI and Loan for Promoter's Equity etc.

3.2 Financial Assistance under R-APDRP

Category	2009-10		Cumulative upto March, 2010	
	Sanctions Project Cost (₹ crore)	Disbursements (₹ crore)	Sanctions Project Cost (₹ crore)	Disbursements (₹ crore)
Part A	3178	1125	5125	1450
Part B	3059	196	3059	196
Total	6237	1321	8184	1646

4.0 REALISATION

Your Company gives highest priority to the realisation of its dues towards principal, interest etc. Out of ₹16,602.40 crore to be recovered during the year towards principal, interest etc. under rupee term loans, bill discounting, working capital, lease financing, foreign currency loan, loans for equipment financing and guarantee fees, an amount of ₹16,541.54 crore was actually realised. This works out to an overall recovery rate of 99.63% (previous year 97.58%). The overall recovery rate has been consistently maintained at 96-99% for the last ten years. The company has achieved recovery rate of 99.89% in respect of principal amount due during the year.

In terms of Prudential Norms applicable, the Company has not made any additional provision on Loan Assets during the year. The Company has made a total provision for Non-Performing Assets (NPA) against Loan Assets in its Annual Accounts upto the year 2009-10 amounting to ₹6.92 crore equivalent to the previous year level. After making provision on NPA, the level of net Non-Performing Assets (NPA) has been recorded at ₹6.24 crore forming 0.01% to the Net Loan Assets as on 31st March, 2010 equivalent to the previous year level.

5.0 BORROWINGS

5.1 BORROWINGS FROM DOMESTIC MARKET

Your Company mobilized funds amounting to ₹20,922.91 crore from the domestic market during 2009-10 as against ₹21,482.59 crore during 2008-09. Out of the above, ₹12,283.30 crore was raised by issue of unsecured taxable bonds in the nature of debentures, ₹8,004.50 crore by way of long/medium term loans from Banks/FIs, and ₹635.11 crore by way of issue of Commercial Paper.

5.2 EXTERNAL BORROWINGS

During the financial year 2009-10, your Company raised External Commercial Borrowing (ECB) of USD 300 million through Syndicated Loan at a very competitive rate.

5.3 REDEMPTION AND STATUS OF UNCLAIMED AMOUNTS BONDS

The unclaimed balance amount of bonds as on 31st March, 2010 was ₹25.7 crore (previous year – ₹1.09 crore). This represents the amount remaining unclaimed/unpaid after redemption by the bondholders, as the bondholders had not surrendered their bond certificates. The bondholders have been individually advised to surrender bond certificates.

6.0 CREDIT RATINGS

Domestic:

During the financial year 2009-10, your Company's long term domestic borrowing programme (including bank loans) was awarded the highest rating of 'AAA' and 'LAAA' by CRISIL and ICRA respectively. The Company's short term domestic borrowing programme (including bank loans) was awarded the highest rating of 'P1+' and 'A1+' by CRISIL & ICRA respectively.

International:

During the financial year 2009-10 the international credit rating agencies Moody's, Fitch and Standard & Poor's have given to the company, long term foreign currency issuer ratings of ' Baa3', 'BBB- ' & 'BBB-' respectively, which are at par with sovereign rating for India.

7.0 RISK MANAGEMENT

7.1 ASSET LIABILITY MANAGEMENT

Your Company has put in place an effective Asset Liability Management System and has constituted an Asset Liability Management Committee (ALCO) headed by Director (Finance). ALCO monitors risks related to liquidity and interest rate and also monitors implementation of decision taken in the ALCO meetings. The liquidity risk is being monitored with the help of liquidity gap analysis. The Asset Liability Management framework includes periodic analysis of long term liquidity profile of asset receipts and debt service obligations. Such analysis is made every month in yearly buckets for the next 10 years and is being used for critical decisions regarding the time, volume and maturity profile of the borrowings, creation of new assets and mix of assets and liabilities in terms of time period (short, medium and long-term). The interest rate risk is managed by analysis of interest rate sensitivity gap statements, evaluation of Earning at Risk (EaR) on change of interest and creation of assets and liabilities with the mix of fixed and floating interest rates.

The maturity profile of certain items of assets and liabilities as at 31st March, 2010 is set out below:

Maturity pattern of certain items of Asset and Liabilities based on Balance Sheet as on 31st March, 2010

(₹ in Crore)

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15	Beyond 2014-15	Total
Rupee Loan Assets	8990	6493	6930	7033	6757	43153	**79356**
Foreign Currency Assets	107	80	56	56	55	146	**500**
Investments	0	0	0	0	0.03	31	**31**
Foreign Currency Liabilities	253	71	16	18	1386	1016	**2759**
Rupee Liabilities (Bonds+RTL+STL)	11944	8948	7501	8247	3225	24485	**64350**

7.2 FOREIGN CURRENCY RISK MANAGEMENT

Your Company has put in place Currency Risk Management (CRM) policy to manage risks associated with foreign currency borrowings. The Company enters into hedging transactions to cover exchange rate and interest rate risk through various instruments like currency forward, option, principal swap, interest rate swap and forward rate agreements. As on 31st March, 2010, the total foreign currency liabilities are USD 541.84 million, JPY 2307.69 million and Euro 28.60 million. On an overall basis, the currency exchange rate risk is covered to the extent of 20% through hedging instruments and lending in foreign currency.

7.3 ENTERPRISE-WIDE INTEGRATED RISK MANAGEMENT

Your Company had constituted the Risk Management Committee of Directors to monitor various risks, examine risk management policies & practices and initiate action for mitigation of risks arising in the operations. To facilitate this, the Company had put in place an Integrated Enterprise – Wide Risk Management Policy (IRM Policy).

The Company has identified 26 risks (15 quantifiable risks and 11 non quantifiable risks) which may have an impact on profitability/business of the Company. In order to implement IRM policy, the Risk Management Committee of Directors constituted Risk Management Compliance Committee and a separate unit namely Corporate Risk Assurance unit (CRA) for monitoring of the identified risk. The identified risks were prioritized and initially top five risks each from quantifiable and non-quantifiable category were considered for mitigating. Further, during the financial year 2009-10, next 10 risks were also considered for monitoring and as such total 20 risks have been monitored. The status report on quarterly basis is being submitted to Audit Committee and Board of Directors.

8.0 GENERATION PROJECTS

8.1 THERMAL PROJECTS

Thermal Power generation comprises a major proportion of India's total installed capacity. During the year 2009-10, the Company has sanctioned loans amounting to ₹38,316 crore and disbursed an amount of ₹16,818 crore. The cumulative financial support provided by the Company for thermal generation scheme is ₹1,55,387 crore out of which ₹64,059 crore has been disbursed till 31st March, 2010.

The major thermal generation projects sanctioned by your Company during the year are: gas based CCPP of Pragati Power Corporation Ltd. in Delhi (1,371 MW), RRVUNL's gas based CCPP Stage-III (160 MW) at Ramgarh, MSPGCL's Replacement Project at Bhusawal TPS (250 MW), APGENCO's coal based Unit - 6 stage - IV at Rayalseema (1x600 MW), WBPDCL's coal based extension unit nos. 3 & 4 at Sagardighi (2x500 MW), DPL's ext unit at Durgapur (1x250 MW), APGCL's gas based project at Namrup (100 MW), Nabinagar TPS (1,000 MW) of Bhartiya Rail Bijlee Company Ltd, 660MW super-critical TPP of Adani Power Maharashtra Ltd. at Tiroda, Gondia distt., Maharashtra, East Coast Energy Pvt. Ltd.'s coal based TPP at Srikakulam (1,320 MW), Indian Metals & Ferro Alloys coal based captive Power Plant at Choudwar(120 MW), Ind Barath Energy Utkal Limited's coal based TPP at Jharsuguda (2x350 MW), IRL's Thermal Power Project at Nasik (5x270 MW), Jhajjar Power Ltd's coal based Thermal Power Project in Jhajjar (2x660 MW), ONGC Tripura Power Co. Ltd.'s CCGT project at Pallatana (726.6 MW), Pipavav Energy Pvt. Ltd.'s imported coal based thermal power project in distt. Amreli, Gujarat (2x600 MW), Raichur Power Corporation Ltd.'s (2x800 MW) super-critical Yermarus TPS in Karnataka, 2x660 MW coal based TPS in Nellore being set up by Thermal Powertech Corporation India Ltd. and Wardha Power Company Private Ltd.'s 3,600 MW TPS in Chhattisgarh.

8.2 HYDRO GENERATION PROJECTS

Hydro generation capacity in the country needs significant augmentation for overall systems to have optimal energy mix. During the year 2009-10, loans amounting to ₹2,758 crore were sanctioned and an amount of ₹2,221 crore was disbursed by your company.

During the current financial year financial assistance was provided to the following hydro generation projects: Shahpurkandi HEP(4x40MW+1x8 MW) of PSEB, KSEB's

Sengulam Tail Race Scheme (2x1.8 MW) and Vilangad Small Hydro Electric Project (3x2.5 MW), Dans Energy's Jorethang Loop HEP (96MW) in Sikkim, Jal Power Corporation Ltd.'s Rangit-IV HEP (3x40MW), Madhya Bharat Power Corporation Ltd.'s Rongnichu HE Project (2x48 MW), Nirgazini SHEP (7 MW) of UPJVNL in Uttar Pradesh, Periyar Vaigai 1 & 2 and 3 & 4 (13 MW) of TNEB in Tamil Nadu, Ganol HEP (3x7.5 MW) and Myntdu Leshka Stage-I Extension (1x42 MW) of MeSEB in Meghalaya and Rellichu HEP (3x4 MW) of SPDCL in Sikkim.

9.0 RENOVATION, MODERNISATION AND LIFE EXTENSION

9.1 THERMAL PROJECTS

During the year 2009-10, loans worth ₹1,950 crore were sanctioned for R&M and life extension of thermal power plants and an amount of ₹423 crore was disbursed. Cumulatively, an amount of ₹8,448 crore has been sanctioned and ₹4,991 crore stands disbursed till 31st March, 2010.

9.2 HYDRO PROJECTS

During the year 2009-10, the Company sanctioned ₹74 crore for R&M of hydro power projects and ₹73 crore was disbursed. Cumulatively, an amount of ₹1,497 crore has been sanctioned and ₹957 crore stands disbursed till 31st March, 2010.

10.0 ACCELERATED POWER DEVELOPMENT AND REFORM PROGRAMME (APDRP)

Government of India (GoI) had introduced the Accelerated Power Development and Reforms Programme (APDRP) in X Plan to induce state power utilities to undertake reforms in power distribution.

Government of India (GoI) financed 90% of the project cost as grant in special category states. In respect of other states (non-special category states), GoI financed 25% of the project cost as grant. SEBs/ Utilities have to arrange remaining 10% of the fund in respect of special category states and 75% in respect of non-special category states from financial institutions, including PFC.

As on 31st March 2010, your Company had sanctioned an amount of ₹2,319.41 crore as APDRP counterpart loan towards 120 loans and has disbursed an amount of ₹1,730.67 crore. The eleven States funded by PFC under APDRP are Haryana, Rajasthan, Uttar Pradesh, Delhi, Bihar, West Bengal, Jharkhand, Orissa, Maharashtra and Goa. During financial year 2009-10, counterpart funds amounting to ₹58.53 crore was disbursed towards APDRP counterpart loans.

11.0 RESTRUCTURED ACCELERATED POWER DEVELOPMENT AND REFORM PROGRAMME (R-APDRP)

Ministry of Power, Government of India, has launched the Restructured Accelerated Power Development and Reforms Programme (R-APDRP) in July 2008 with focus on establishment of base line data, fixation of accountability, reduction of AT&C losses upto 15% level through strengthening & up-gradation of Sub Transmission and Distribution network and adoption of Information Technology during XI Plan. Project area shall be towns and cities with population of more than 30,000 (10,000 in case of special category states) as per census 2001. Projects under the scheme shall be taken up in two parts. Part-A shall include the projects for establishment of baseline data and IT applications for energy accounting/auditing & IT based consumer service centres. Part-B shall include regular distribution strengthening projects and will cover system improvement, strengthening and augmentation etc.

The programme size is ₹51,577 crore out of which ₹10,000 crore is for Part A activities, ₹40,000 crore is for Part B activities and the remaining ₹1,177 crore is for enabling activities to be implemented by Ministry of Power/PFC under Part-C which shall include capacity building and development of franchisees in Distribution Sector. The entire amount of GoI loan (100%) for part A of the project shall be converted into grant after establishment of the required Base-Line data system (IT implementation) within a stipulated time frame and duly verified by Third Party Independent Evaluation Agency. For Part B Projects upto 50% (90% for special category States) loan provided shall be converted into grant progressively on achievement of AT&C loss reduction targets. If the utility fails to achieve or sustain the 15% AT&C loss target in a particular year, that year's tranche of conversion of loan to grant will be reduced in proportion to the shortfall in achieving 15% AT&C loss target w.r.t the starting base-line figure. There is a provision of ₹400 crore as grant towards incentive for utility staff in project areas where AT&C loss levels are brought below 15%.

Your company has been designated as the nodal agency to operationalise the programme and shall act as a single window service under R-APDRP. As nodal agency PFC shall receive a fee as well as the reimbursement of expenditure in implementation of the progarmme as per the norms to be decided by the RAPDRP Steering Committee.

Sanctions and Disbursements

Your Company, as nodal agency, has contributed significantly during the year in implementation of RAPDRP programme. Part A schemes of almost all the towns 1387 in number, out of eligible 1400 towns have been sanctioned. During the year, PFC appraised projects and RAPDRP Steering Committee has sanctioned ₹6,237 crore of project during the financial year 2009-10 against the MoU target of ₹1,900 crore set for PFC. The sanctions include ₹3,112 crore for Part-A (IT) covering projects of 781 towns, ₹66 crore for 3 projects of Part-A (SCADA) and ₹3,059 crore for projects of 239 towns under Part-B.

PFC has also disbursed the entire amount of ₹1,321 crore released by Ministry of Power(MoP) during the financial year 2009-10 upto 31st March, 2010 to the state utilities for the projects sanctioned by the RAPDRP Steering Committee.

During the financial year 2009-10, validation of baseline data of 28 towns were completed as against the MoU target of 25 towns.

PFC/MoP recognizing the need and to keep pace with technology and contemporary knowledge and skill, imparted training on various themes for various levels of Power Utility personnel across the country. The broad categorizations of utility personnel are Group A&B and Group C&D. PFC has imparted training to approximately 6100 Group C&D and 625 Group A&B power distribution utility personnel across the country, against the MoU target of 2500 and 500 for Group C&D and Group A&B respectively.

Progress of Implementation of R-APDRP

As a result of the efforts made by your Company during the year, significant progress has been achieved by the state utilities in implementation of the programme. About 39 utilities out of 50 utilities have appointed IT Consultants for Part-A and 5 utilities are having their in-house team. IT Implementing Agencies (ITIA) have been appointed by 9 States covering 26 utilities i.e. WB/Sikkim, Rajasthan, Gujarat, Karnataka, Madhya Pradesh, UP, Uttrakhand and AP have issued LoI/appointed ITIA. Further, 10 States are in different stages of bidding for appointment of ITIA.

Programme for FY 2010-11

To accelerate the pace of reforms in distribution sector for reduction of AT&C losses of towns and improvement of power supply, PFC under the aegis of Ministry of Power have drawn an ambitious programme of sanction of ₹9,000 crore and disbursement of ₹2,500 crore under R-APDRP during the financial year 2010-11.

12.0 ULTRA MEGA POWER PROJECTS (UMPPs)

12.1 GENERATION PROJECTS

Your Company has been designated as the 'Nodal Agency' by Ministry of Power (MoP), Government of India, for development of Ultra Mega Power Projects (UMPPs), with a capacity of about 4,000 MW each. So far, 16 such UMPPs have been identified to be located at Madhya Pradesh (Sasan), Gujarat (Mundra), Chhattisgarh (Surguja), Karnataka, Maharashtra (Munge), Andhra Pradesh (Krishnapatnam), Jharkhand (Tilaiya), Tamil Nadu (Cheyyur), Orissa (Sundergarh), 2 Additional UMPPs in Orissa and 2nd UMPPs in Andhra Pradesh, Tamil Nadu, Gujarat and Jharkhand and 3rd UMPP in Andhra Pradesh.

As on 31st March, 2010, twelve (12) Special Purpose Vehicles (SPVs) have been established for these UMPPs to undertake preliminary site investigation activities necessary for conducting the bidding process for these projects. Ministry of Power is the 'facilitator' for the development of these UMPPs while Central Electricity Authority (CEA) is the 'Technical Partner'. These SPVs shall be transferred to successful bidder(s) selected through Tariff Based International Competitive Bidding Process for implementation and operation.

Four (4) SPVs namely Coastal Gujarat Power Ltd. for Mundra UMPP in Gujarat, Sasan Power Ltd. for Sasan UMPP in Madhya Pradesh, Coastal Andhra Power Ltd. for Krishnapatnam UMPP in Andhra Pradesh and Jharkhand Integrated Power Ltd. for Tilaiya UMPP in Jharkhand have been transferred to the successful bidders as indicated below:

S. No.	Name of SPV	Successful Bidder	Date of Transfer
1.	Coastal Gujarat Power Ltd.	The Tata Power Company Ltd.	22.04.2007
2.	Sasan Power Ltd.	Reliance Power Ltd.	07.08.2007
3.	Coastal Andhra Power Ltd.	Reliance Power Ltd.	29.01.2008
4.	Jharkhand Integrated Power Ltd.	Reliance Power Ltd.	07.08.2009

In addition, Request for Qualification (RfQ) for Surguja UMPP in Chhattisgarh was issued in March, 2010 and RfQ for Sundargarh UMPP in Orissa was issued in June, 2010.

12.2 INDEPENDENT TRANSMISSION PROJECTS (ITPs)

Ministry of Power has also initiated Tariff Based Competitive Bidding Process for development and strengthening of Transmission system through private sector participation.

The objective of this initiative is to develop transmission capacities in India and to bring in the potential investors after developing such projects to a stage having preliminary survey work, identification of route, preparation of survey report, initiation of process of land acquisition, initiation of process of seeking forest clearance, if required and to conduct bidding process etc.

So far 4 Special Purpose Vehicles (SPVs), two by PFC namely East North Interconnections Company Limited (ENICL) and Bokaro-Kodarma Maithon Transmission Company Limited (BKMTCL) and other two i.e. Jabalpur Transmission Company

Limited (JTCL) and Bhopal Dhule Transmission Company Limited (BDTCL) by PFC Consulting Limited, a wholly owned subsidiary of PFC, have been incorporated.

East North Interconnections Company Limited (ENICL) was established for enabling import of NER/NR surplus power by NR, has been transferred to the successful developer i.e. M/s Sterlite Technologies Limited on 31st March, 2010. Bokaro-Kodarma Maithon Transmission Company Limited (BKMTCL) was established for evacuation system for Maithon RB, Kodarma and Bokaro Extension. Ministry of Power, Govt. of India, has directed Power Grid Corporation of India Limited for taking up the said project. Thus, an application for closure of the company has been filed by PFC with Registrar of Companies.

PFC Consulting Limited (PFCCL), a wholly owned subsidiary of PFC, has been nominated as 'Bid Process Coordinator' by Ministry of Power, Govt. of India for the development of independent transmission projects. Two other SPVs namely, Jabalpur Transmission Company Limited (JTCL) and Bhopal Dhule Transmission Company Limited (BDTCL) have been incorporated by PFCCL. Request for qualification (RfQ) for these two SPVs have been issued in February, 2010 and March, 2010 respectively.

13.0 DISTRIBUTION REFORMS, UPGRADES & MANAGEMENT (DRUM)

The Distribution Reform, Upgrades and Management (DRUM) project is an Indo-US initiative designed jointly by the Ministry of Power (MoP) and United States Agency for International Development (USAID) that complements the MoP's Accelerated Power Development and Reform Programme (APDRP). DRUM addresses the critical development challenge of providing commercially viable and dependable power.

The overall goal of the DRUM project is to demonstrate commercially viable electricity distribution systems that provide reliable power of sufficient quality to consumers and to establish a commercial framework and a replicable methodology adopted by Indian Financial Institutions for providing non-recourse financing for DRUM activities and programmes.

Your Company has been appointed as Principal Financial Intermediary responsible for technical assistance and training under DRUM components. The roles and responsibilities of PFC for DRUM project are to i) provide management and implementation support, ii) co-ordinate with all stakeholders, iii) act as a financial intermediary and banker for controlling and directing funds (loans and grants) and iv) design mechanism for leveraging resources of other FIs/ Bankers.

DRUM Technical Assistance

DRUM team consists of USAID, MoP & PFC and the beneficiary States are Maharashtra, Delhi, Gujarat and Karnataka. PFC provides financial assistance in the form of loan while USAID provides the grant component for creating Centre of Excellence in Distribution area.

So far, your Company has sanctioned total amount of ₹ 164.55 crore for three DRUM Pilot Projects costing total of ₹ 216.52 crore pertaining to Bangalore Electricity Supply Co. Ltd. (BESCOM), Maharashtra State Electricity Distribution Co. Ltd. (MSEDCL) and Madhya Gujarat Vij Co. Ltd. (MGVCL) and has disbursed an amount of ₹ 148.19 crore towards these projects as loan under DRUM scheme.

Further, the cumulative grant sanctioned from USAID is $3.278 million(i.e. ₹ 14.94 crore at an exchange rate of $1=₹ 45.58 as on 31.03.10) for aforesaid three DRUM Pilot Projects and an amount of $0.16 million(i.e. ₹ 0.78 crore at an exchange rate of $1=₹ 49 as on 12.11.08, the date of approval for disbursement by USAID) is disbursed as USAID grant through PFC. The projects are under various stages of implementation.

DELIVERY THROUGH DECENTRALISED MANAGEMENT (DDM)

DDM is a scheme sponsored by Ministry of Power with the objective of showcasing participatory models of excellence in distribution predominantly in rural area, which are sensitive to the local aspirations and requirements.

PFC has been appointed as carrier agency for successful implementation of DDM Schemes. So far, Government of India (GoI) grant of ₹ 5.03 crore has been sanctioned for 14 schemes of NTPC Ltd. and ₹ 0.89 crore for 1 scheme of West Bengal Renewable Energy Development Agency (WBREDA) totaling ₹ 5.92 crore. An amount of ₹ 2.80 crore is disbursed to NTPC Ltd. towards their 8 schemes. NTPC Ltd. has already commissioned 8 schemes and other schemes are under implementation.

14.0 EXTERNALLY AIDED PROJECTS

Your Company has a Line of Credit of Euro 100.56 million from KfW to finance RM&U of Hydro Electric Projects. Funds from the facility would be used to finance RM&U schemes of six HEPs of Uttrakhand Jal Vidyut Nigam Ltd. (UJVNL). The contract for detailed feasibility studies of these projects has been awarded by UJVNL and the studies are in advanced stage of completion.

15.0 INITIATIVE TOWARDS REFORMS AND RESTRUCTURING

Your Company has been encouraging reforms for overall improvement in the financial and technical performance of the State Power Utilities (SPUs). During the year, PFC has disbursed an amount of more than ₹1 crore of grant for reform related studies to MeSEB and KSEB. Government of Meghalaya vide their notification dt. 31st March, 2010 has unbundled/ corporatized Meghalaya State Electricity Board into four bodies namely Meghalaya Energy Corporation Limited, the Holding Company, Meghalaya Power Distribution Company Ltd, the distribution utility, Meghalaya Power Generation Company Ltd., the generation utility, Meghalaya Power Transmission Company Ltd., the transmission utility.

Your company is also encouraging IT initiatives in the SPUs for their overall operational improvement. During the year, an amount of ₹52 crore has been sanctioned for computerization schemes of State Power Utilities (other than computerization schemes covered under R-APDRP).

The status of reform and restructuring as on 31st March, 2010 is as under:-

SERC's	No. of States
Constituted	29
Operationalised	26
Unbundling/Corporatisation Implemented	16
Privatization of Distribution	2
Open access guidelines issued	23

Categorization of Utilities

Your Company classifies State Power Utilities, its principal borrowers, into A+, A, B and C categories. The categorization is based on the pre-determined parameters including operational & financial performance of the utilities. The categorization enables PFC to determine credit exposure limits and pricing of loans to the state power utilities. As on 31st March, 2010, 90 utilities were categorized, 20 as "A+", 29 as "A", 20 as "B" and 21 as "C"

Category	No. of Utilities
A+	20
A	29
B	20
C	21

PFC is also stipulating appropriate conditions relating to implementation of reforms and improvement of performance while sanctioning financial assistance to its borrowers based on their appraisal.

Quarterly Performance Research Report

Your Company is bringing out one page performance report of each state power utility (SPUs) on a quarterly basis. The report contains key operational and financial performance parameters, reforms status, the status of implementation of Electricity Act 2003, areas of concern and conditions for improvement. The report is sent to the stakeholders in the Power Sector. In order to disseminate the quarterly performance reports and its importance, PFC has organized 5 regional workshops in financial year 2009-10 and made presentations on the Quarterly Performance report to the SPUs. The workshops were organized at Shillong, Kolkata, New Delhi, Bangalore and Pune. It is the endeavor of PFC to make the utilities realize the importance of preparing the quarterly report and compare performance of their utility vis-à-vis other utilities and taking the mid term corrective measures for the overall improvement of the sector.

Annual Performance Report of State Power Utilities

Your Company brings out a Report on the Performance of State Power Utilities (SPUs) annually. The 6th Report for the year 2005-06 to 2007-08 covering 90 SPUs has already been published. The report contains analysis of various financial and operational performance utility wise, state wise, region wise and at the national level. This is an outcome of our effort to provide quality database to help to find out reform process outcome and the direction in which the Power Sector is progressing. The report is also recognized by various stakeholders as an useful source of information on the SPUs. The report analysis the financial and operational performance e.g. profitability, gap between average cost of supply and average revenue realization (₹/kwh), net worth/capital employed, receivables, payables, capacity (MW), generation (MKWH), AT&C losses etc. and consumption pattern of the sector at utility, state, regional and national level. The Report for the year 2006-07 to 2008-09 covering 77 utilities out of total 93 utilities has been prepared and submitted to Ministry of Power as per the targets set in MoU. The final report (7th) on the performance of all SPUs for the period 2006-07 to 2008-09 is under finalization.

16.0 POLICY INITIATIVES

Your Company constantly reviews and revises its lending & operational policies/ procedures to suitably align these with market requirements as also with its corporate objectives. PFC introduced policy guidelines relating to financing of projects having backward linkage to power sector in the area of fuel sources development & its distribution and equipment manufacturing for power sector. In order to facilitate the capacity addition/ expansion programme at a faster pace and enable the experienced utilities/promoters to leverage their operational strengths, PFC also launched a new financial product to provide financial assistance for equity infusion in new projects on the strength of internal resources being generated from the commissioned projects.

PFC also reviewed its policy guidelines relating to debt-equity ratio, terms of subordinate debt, premature repayment of loans, issue of comfort letter, interest resetting methodology, ceding of charge on project assets, short term loan, mini short term loan etc. during the year with a view to make the same borrower friendly.

In spite of growing competition in the market as well as concerns on account of factors like high government borrowings, increase in RBI policy rates, rising inflation etc, PFC has maintained healthy spreads balancing its objectives of business growth & profitability during the year. Further, the policies of extending special interest rates for large generation loans and renewable energy projects as per Ministry of New and Renewable Energy (MNRE) were continued during the current financial year.

17.0 ACTIVITIES UNDERTAKEN BY PROJECTS DIVISION

Your Company had reorganized its project division in the financial year 2008-09, in order to increase the focus on appraisal of projects as well as to provide better services to our customers. The major activities undertaken by the units during the financial year are:

17.1 CONSORTIUM LENDING GROUP

Consortium Lending Group (CLG) is primarily responsible for administering loans for the private(power) projects where the Company is the lead FI. The unit is also coordinating with developers of IPPs, corporate bodies, prospective lenders for identifying loan syndication proposals and coordinate with members of Power Lenders Club for providing single window facility to power project developers. CLG is thus, dedicated to the needs of those private sector borrowers who have reposed faith in the services of the Company. During the financial year 2009-10, CLG unit has achieved financial closure for 350 MW TPP of M/s RKM Ph-I, 1,350 MW TPP of M/s Indiabulls Power Ltd., 10MW Biomass project of M/s ASN Power Ltd., 96 MW HEP M/s Dans Energy Pvt. Ltd., 120 MW HEP of M/s Jal Power Corporation Limited, 545 MW co-gen power project of M/s Vadinar Expansion Ph-I&II and 700 MW TPP of M/s Ind Barath Energy Utkal Ltd. An interactive meeting of IPPs was also organized to get the suggestions and feedback to cater the growing requirements of IPPs in the financial year 2009-10.

CLG has revived the Power Lenders Club (PLC) and has been regularly holding meeting of its members to discuss the methodology of a common approach required for sorting out issues in funding of power projects, requirement of balance debt funds for the power projects sanctioned by the company and sharing of debt among members of PLC. During the financial year, CLG has achieved to successfully tie up ₹350 crore from Federal Bank and Corporation bank through PLC.

In order to increase the share balance debt tie up through PLC with the approach to tie up required balance debt to the maximum for the projects, whether private or state, sanctioned by PFC as lead, CLG is planning to float separate subsidiary company with the objective to syndicate loans for projects, by providing complete end-to-end project finance solutions as well as generating business proposals by understanding the current trends in market and their regulatory environment.

17.2 FACILITATION GROUP

Facilitation Group (FG) has successfully grown business operation in its second year of operations in the emerging areas of power equipment manufacturing financing and fuel linkage financing.

During the year, facilitation group developed 2 new financial products to enable financing in the areas of Equipment Manufacturing (EM) for Power Sector and Fuel Sources Development & its Distribution (FSD&D) for Power Sector.

During the year, your company was actively involved in financing of the wind equipment manufacturer, Suzlon Group for its ₹11,040 crore rupee debt , as part of a pan India consortium of Banks and FI's.

In the second year since inception (2009-10), FG was successful in business development efforts and sanctioned its first loan proposal. The sanction is made as an equipment manufacturing loan by way of RTL of ₹250 crore to KSK Suyra Photovoltaic Venture Pvt. Ltd. (KSK Surya) for setting up 146 MWp thin film based solar PV panels manufacturing facility. Discussion has been initiated with NTPC BHEL JV, RITES, NPCIL among others for extending financial assistance.

In order to give a fillip to regional co-operation, your company has initiated dialogue with M/s Feedback Ventures for exploring participation in proposed Nepal Infrastructure Bank, being promoted by Nepal Rastra Bank along with ADB, IFC & DEG-KfW, for financing Hydel Projects in Nepal.

While the company continues to finance equipment manufacturing and fuel linkages for the power sector in India, it is also exploring the possibility of extending services in the areas of financing of Nuclear Power Schemes, Hydel projects being developed in Nepal with linkage to India and Hydel projects being developed in Bhutan by Indian entities under Indo Bhutan bilateral treaty.

17.3 RE & CDM GROUP

The potential of Renewable Energy to provide clean and sustainable energy is universally accepted. Government of India is giving high focus for promotion of Renewable Energy through Electricity Act 2003 and National Electricity Policy 2006. Renewable Energy has been given a central place in Government of India's National Action Plan on climate change. The National Solar Mission is a major initiative of Government of India and State Governments to give impetus to the development of solar power in India. The Mission has set a target of 20,000 MW under phase-I (upto 2013)

The SERCs in various states are making it mandatory for distribution utilities to procure minimum percentage of energy from Renewable Energy generation sources and notifying special tariffs for solar, wind, biomass and small hydro generation projects for purchase of power by State Power Utilities. To tap the Renewable Energy business in state and private sector, the Company is giving enhanced focus on financing of Renewable Energy Projects.

During the current financial year, loans amounting to ₹ 603 crore were sanctioned to support a capacity of 234 MW for wind and small hydro generation projects in State and Private sector. Energy Efficiency Services Limited (EESL) is a Joint Venture of PFC, NTPC, REC & PGCIL formed with equal equity participation amounting to ₹ 190 crore among them with an objective of implementing Energy Efficiency Projects. PFC has played a leadership role in formation of the company. The new company has commenced its operations on 11th February, 2010.

Your Company is also facilitating SPUs for CDM benefits for R&M of old Thermal & Hydro projects as per mandate from MoP. Ten projects in the States of Meghalaya, Andhra Pradesh, Punjab, Himachal Pradesh, Madhya Pradesh, Kerala and Maharashtra have been identified for registration with UNFCCC. The Project Design Documents (PDD) for 5 projects has been prepared through the consultant appointed by ADB. The PDD for R&M of Machkund Hydro Power project, Umiam HEP (Meghalaya), Giri HEP (Himachal Pradesh) has been submitted to the DNA (MoEF).

18.0 ADDITIONAL INITIATIVES

18.1 ACQUISITION ADVISORY SERVICES

As India is committed to its vision 'Power for all', the share of private sector is likely to increase to 28% in the XI Plan and to 63% in the XII Plan in terms of capacity addition. This would usher in competition among the private sector players. Besides, current requirement of procurement of power from private sector through competitive bidding as well as from state power utilities from January 2011 would result in lower tariff. The resulting low tariff regime coupled with open access and power trading is likely to bring in fierce competition in future.

The above situation is likely to lead to consolidation in the power sector and hence, the need for assistance and advice in identifying suitable projects/partners for mergers & acquisitions in order to bring in synergies & economies of scale. It is in this backdrop that your company recently took the initiative of creating 'Acquisition Advisory Services' unit in the company. The broad scope of services offered by your company through this unit would include (a) Identification of target project/company for acquisition/mergers (b) preliminary due diligence on the projects and (c) detailed techno-commercial appraisal of projects etc. It will assist its clients in sale and acquisition of power projects, keeping in view the specific needs of its clients. Besides this, the unit has been mandated to explore the possibility of acquisition of a bank/FI, for which action for engaging a consultant is in progress.

18.2 POWER TRADING THROUGH POWER EXCHANGE

In the financial year 2008-09, the Central Electricity Regulatory Commission had granted its permission to set up power exchanges in the country. As on date two power exchanges, namely, Power Exchange India Ltd. (PXIL) and Indian Energy Exchange Ltd. (IEX) are in operation. These power exchanges have a nationwide presence in the form of electronic exchange for trading in power. The trading through power exchanges have certainly lent an impetus for power sector development since it acts as an open and transparent mechanism for buyers and sellers and provides investment signal to the prospective investors. Further with the presence of these exchanges, the available resources shall be used optimally.

In order to promote short term trading through power exchange, your company had promoted National Power Exchange Ltd (NPEX), jointly with NTPC, NHPC and TCS during 2008-09. Your company has contributed ₹ 83.30 lakh (being 16.66% of paid up equity upto 31st March, 2010) towards equity contribution. NPEX has obtained the in-principle approval for setting up of Power Exchange from CERC. This exchange is yet to start its operation.

Your company has also contributed ₹ 1.75 crore (being 5.1% of paid up equity upto 31st March, 2010) towards equity contribution in Power Exchange India Ltd., promoted by NSE and NCDEX.

In order to further boost the short term trading volumes through power exchange, PFC had decided to provide credit facility for purchase of power through Power Exchange India Ltd. (PXIL) in addition to playing the role of Professional Clearing Member (PCM). But the company had discontinued its credit and PCM facility to PXIL in compliance with the 'Power Market Regulations, 2010', governing power trading activities, among others, notified by CERC in the month of January 2010. However, the company is likely to resume the credit facility to the buyers/sellers in its new role i.e. Financial Associates'. In this regard PXIL has already submitted revised Business Rules and ByeLaws, defining the role of 'Financial Associates', to CERC for its approval.

18.3 EQUITY FINANCING

Equity investment business is generally considered as a logical extension of debt business. Your Company is endeavoring to make a mark in the area of equity investment so as to capitulate on its vast domain experience that it has attained during its over 20 years of operations in power sector debt financing. PFC aims to leverage its financial strength, large debt providing capability and power sector expertise to invest in equity of attractive power projects. Over a period of time, your company proposes to build an equity portfolio of power assets which could provide consistent gains in the form of dividend and/or capital appreciation.

19.0 SUBSIDIARIES

As a nodal agency designated by Government of India for development of Ultra Mega Power projects, your Company has so far established fourteen (14) wholly owned subsidiaries out of which twelve (12) are to facilitate the development of UMPPs and two (2) for the development of ITPs. On completion of the bidding process, so far five (5) subsidiaries have already been transferred to the successful bidder for implementation of the projects.

In addition, the Company had also incorporated on 25th March, 2008, PFC Consulting Limited, a wholly owned subsidiary company to promote, organize and carry on consultancy services and for undertaking the work related to the development of UMPPs and ITPs.

19.1 PFC CONSULTING LIMITED

Background

As you are aware, your Company had been offering consultancy support to the Power Sector through its Consultancy Services Group (CSG) since October 1999. Leveraging the experience of the CSG Unit and appreciating the growth in the services offered by the Group and recognizing the potential of such services in the reforming Power Sector, your Company decided to organize the services as a distinct dedicated business entity. Accordingly, PFC Consulting Limited (PFCCL) was incorporated in the form of a wholly owned subsidiary on 25th March, 2008, in order to give it requisite autonomy in functions and flexibility in operations. PFCCL is mandated to promote, organize and carry on consultancy services to the Power Sector and is also undertaking the work related to the development of UMPPs. PFCCL has been nominated as the 'Bid Coordinator' for selection of developer for the Independent Transmission Projects (ITPs) by Ministry of Power, GoI.

Range of Services Offered

The Services being offered by PFCCL in the following areas include:

- Procurement of Power by Distribution Licensees
- Govt. of India initiatives like UMPPs, ITPs etc.
- New & Renewable Energy Sources
- Selection of Developers for Power Projects linked to Coal Blocks & Joint Venture Partners for Coal Blocks
- Project Advisory Services including Selection of EPC Contractor
- Reform, Restructuring and Regulatory Aspects
- Capacity Building and Human Resource Development

While PFCCL continues to undertake various assignments, its focus is on assignments relating to:-

- Procurement of power through 'Case 1' and 'Case 2' of "Guidelines for Determination of Tariff by Bidding Process for Procurement of Power by Distribution Licensees", issued by MoP, GoI.
- Overall advisory services for development of a new Thermal Power Station.
- Computerization of Accounting Systems for State Utilities.
- Restructuring/Implementation of reforms for State Utilities.

Client Base

Till date, consultancy services have been provided to 37 Clients spread across 20 States. Assignments have been undertaken in various states, which include Punjab, Rajasthan, Jharkhand, West Bengal, Himachal Pradesh, Bihar, Jammu & Kashmir, Meghalaya, Assam, Andhra Pradesh, Uttar Pradesh, Haryana, Chhattisgarh, Meghalaya, Madhya Pradesh, Kerala, Maharashtra, Karnataka and Delhi. The numbers of states including the profile of clients are given below:

Clients	Nos.
States/ UTs	20
Total No. of Clients	37
State Utilities	15
Public Sector Undertakings	4
State Governments	7
Regulatory Commissions	3
Licensees/ IPPs	8

During the financial year 2009-10, PFCCL has more than doubled the turnover (₹45.27 crore as compared to ₹22.39 crore of the previous year) and net profit (₹21.66 crore as compared to ₹9.75 crore in the previous year).

19.2 SUBSIDIARIES OF PFC CONSULTING LIMITED

19.2.1 JABALPUR TRANSMISSION COMPANY LIMITED (JTCL)

SPV, Jabalpur Transmission Company Limited was incorporated on 8th September, 2009. It is a transmission system project for 'System Strengthening Common for Western Region (WR) and Northern Region (NR)'. The project includes 756 kV Single D/C line from Dhramjaygarh to Jabalpur and 765 kV S/C line from Jabalpur Pool to Bina.

Request for Qualification (RfQ) for the project was issued in February, 2010. RfQ responses were received from 33 developers. Evaluation of RfQ responses is in progress.

19.2.2 BHOPAL DHULE TRANSMISSION COMPANY LIMITED (BDTCL)

SPV, Bhopal Dhule Transmission Company Limited was incorporated on 8th September, 2009. It is a transmission system project for 'System Strengthening for Western Region (WR)'. The project includes system Strengthening for WR (Jabalpur-Bhopal, Bhopal-Indore, Aurangabad-Dhule, Dhule-Vadodra, all 765 kV S/C lines with associated 765 kV substation at Bhopal and Dhule.

Request for Qualification (RfQ) for the project was issued in March, 2010. RfQ responses were received from 28 developers. Evaluation of RfQ responses is in progress.

20.0 JOINT VENTURES AND ASSOCIATE COMPANIES

20.1 NATIONAL POWER EXCHANGE LIMITED

In order to promote short term trading through power exchange, your company had promoted National Power Exchange Ltd (NPEX), jointly with NTPC, NHPC and TCS during 2008-09. Your company has contributed ₹ 83.30 lakh (being 16.66% of paid up equity upto 31st March, 2010) towards equity contribution. NPEX has obtained the in-principle approval for setting up of Power Exchange from CERC. This exchange is yet to start its operation.

The Power Exchange will have a nationwide presence in the form of electronic exchange for trading in power. Apart from power trading, transmission clearance will also be taken care of by power exchange simultaneously. It will provide its members a transparent, neutral and efficient electronic platform for power trading.

20.2 POWER EQUITY CAPITAL ADVISORS PRIVATE LIMITED

An advisory company namely Power Equity Capital Advisors Private Limited (PECAP) was incorporated to provide advisory services related to equity investments in Indian power sector, where our Company is the largest shareholder.

20.3 POWER TRADING CORPORATION OF INDIA

Power Trading Corporation of India (PTC) was jointly promoted by Power Grid, NTPC, NHPC and PFC. PFC has invested ₹12 crore which is 4.07% of total equity of PTC. PTC is the leading provider of power trading solutions in India, a Government of India initiated public-private partnership, whose primarily focus is to develop a commercial vibrant power market in the country.

20.4 ENERGY EFFICIENCY SERVICES LIMITED

Energy Efficiency Services Limited (EESL) was incorporated on 11th February, 2010. EESL was jointly promoted by Power Grid, NTPC, REC and PFC with equal equity participation for implementation of Energy Efficiency projects in India and abroad. EESL would be one of the main implementation arms of the National Mission on Enhanced Energy Efficiency (NMEEE), which is one of the eight National Missions announced by the Hon'ble Prime Minister as a part of "National Action Plan on Climate Change".

21.0 MEMORANDUM OF UNDERSTANDING WITH GOVT. OF INDIA

For the Financial Year 2009-2010, your Company has surpassed all the 'Excellent' level MoU targets in respect of the various performance parameters and is likely to be accorded 'Excellent' rating.

22.0 PRESIDENTIAL DIRECTIVES (REGARDING SALARY)

Your Company has implemented wage-revision w.e.f. 01.01.2007 for the employees in the Executive Cadre as per Presidential Directives issued on 26.11.2008 and 02.04.2009. However, wage-revision for the employees in the Non-Executive cadre is under the process of negotiation.

23.0 HRD INITIATIVES

TRAINING & DEVELOPMENT

In the field of Human Resource Development, PFC stresses on the need to continuously upgrade the competencies of its employees and equip them to keep abreast of latest developments in the sector and industry practices. The Company is in a knowledge intensive business and is committed to enhance the professional skills and knowledge of its employees. As a step towards this, it has a systematic training plan where the training needs are assessed and professional skills are imparted at all levels of employees through customized training interventions. PFC, in its role as a Development Financial Institution has also been supporting State Power Utilities (SPUs) through a variety of capacity building measures. One such initiative is in the area of need-based training and capacity development to build up their institutional and managerial capacities in keeping with the increased commercial orientation of these entities.

Employee Training

During the year 2009-10, PFC organized 16 in-house programs. A total of 1085 mandays were achieved through in-house programs. In addition, 601 training mandays, including 276 mandays of foreign training, were achieved through training programs organized by other training institutes.

DRUM and Utility Training

During the financial year 2009-10, 161 training programmes were organized through which 3524 number of personnel were trained from various utilities. Apart from short-term training (5 days & less), the DRUM program also supports longer duration courses through collaborations with leading Institutes such as the Management Development Institute, Gurgaon, for an MBA in Power Distribution Management, The Energy Research Institute, New Delhi, for an MBA in Infrastructure and with Indira Gandhi National Open University for Advanced Certificate in Power Distribution Management.

To further enhance the reach of its training activities PFC had initiated the distance learning mode. In a collaboration agreement with the Indira Gandhi National Open University, in which PFC is the major sponsor, a certificate in Power Distribution Management of six months duration has been initiated for utility linesmen/ technicians located at remote centers who would otherwise not have access to training for upgradation of their skills.

24.0 RESERVATION OF POSTS FOR SC/ST/OBC/EX-SERVICEMEN AND PHYSICALLY HANDICAPPED PERSONS IN THE SERVICES OF COMPANY

Your Company as a part of its social responsibility makes all-out efforts to ensure compliance of the Directives and Guidelines issued by the Government for the reservation to be allowed for SC/ST/OBC/Persons with disabilities. The steps taken include due reservations and relaxation as applicable under the various directives.

In the year 2009-10, total 18 new employees were recruited out of which 11.11% are SC (2) and ST (2), 16.67% are PWD (3) and 50% are OBC(9).

25.0 VIGILANCE

During the financial year 2009-10, the Vigilance unit functioned as an effective tool of management with the thrust being on preventive vigilance. This aspect was emphasized by conducting periodic & surprise inspections of various units and by issuing effective guidelines to streamline systems with the aim of eliminating loopholes and ensuring transparency in day to day operations. Vigilance Unit undertook the review of operational manuals of various activities of the Company. A number of comprehensive manuals on different areas of company's activities have already been notified after review and some other manuals are in process of finalization. Further during this period detailed investigation was carried in several cases of registered complaints.

In accordance with the directives of CVC, Vigilance Awareness Week was observed from 3rd to 7th November, 2009 in the head office and regional offices of the Company. In order to increase scope of e-procurement in the Company and borrowers of the Company and to disseminate a strong message of integrity and transparency in public spending, interactive two days programme on "E-procurement in power Sector" was held for the benefit of the executives and borrowers of the Company so as to reap benefits of e-procurement and increase of transparency in procurement process and also to educate them on the initiatives taken for improvement in systems procedures.

Slogan writing, essay writing and pictorial theme representation competitions were organized on themes relating to preventive vigilance, e-procurement and use of information technology in fighting corruption with the aim of involving employees and encouraging them to come forward with innovative ideas for prevention of corrupt practices. Internal Audit system in the company was reviewed and a report entitled "Review of Internal Audit System in PFC: A suggestive framework for effectiveness" was prepared.

26.0 OFFICIAL LANGUAGE

In your Company, Official Language Policy Implementation has been taken as an integral part of Management Operations. To enhance the environment of Rajbhasha Hindi, "Hindi Fortnight" was observed from 14th September, 2009 to 30th September, 2009. During the period, several Hindi Promotional activities were organized. On the occasion of Hindi Day on 14th September, 2009, the messages of Hon'ble Minister of Home Affairs, Hon'ble Minister of Power and Chairman and Managing Director of Company were distributed to all the employees of PFC. During the year, various competitions, like 'Katha Vistaran', 'Vartani Shodhan', 'Nibandh', 'Samsmaran', 'On the Spot Chitrabhivyakti', 'Shrutlekhan for drivers and attendants only' were organized. A 'Kavi Sammelan' was organized wherein renowned Hindi and Urdu poets and poetess, like Shri Vaseem Baraelavi, Shri Rahat Indori, Shri Kunwar Baichen, Shri Surendra Dubey, Shri Popular Merathi and Ms. Kirti Kale recited their poems.

In accordance with the statutory requirement and as per the directions of MoP, Corporate version of 'Saransh' bilingual package was purchased and installed on the computers of all the employees to help them to do their work in Hindi.

During the year, six workshops on Official Language Policy were organised to address the practical difficulties being faced by the employees in performing their day to day work in Hindi. These workshops were attended by 50 participants. Two training programmes on use of 'Saransh' package were also organized wherein 40 employees participated. A personal contact programme was also initiated to inspire each of the employees personally to do their work in Hindi.

Internal inspections as part of personal contact programme were conducted in 26 units to enhance the scope of work in Hindi in their respective units. To help employees to do their day to day work in Hindi, several standard formats and other documents being used in various units of PFC were made available on Intranet of PFC. A glossary of the words being used in PFC was also uploaded on intranet.

The bilingual quarterly in-house magazine 'Urja Deepti' was brought out regularly. The employees and their family members were encouraged to send their articles and incentive was given to all those who contributed. This magazine was adjudged first and received award in an Inter PSU in-house magazine competition conducted by Town Official Language Implementation Committee, wherein 86 organisations had participated. The magazine was conferred First Prize in 'All India Official Language In-House Magazine Competition' held by 'Akhil Bharatiya Rashtrabhasha Vikas Sangathan' and also received 'Rajbhasha Patrika Rashtriya Shield Samman' from Rashtriya Hindi Academy, Rupambara.

27.0 AUDITORS

M/s. K.K.Soni & Co., Chartered Accountants and M/s. Raj Har Gopal & Co., Chartered Accountants were appointed as Joint Statutory Auditors of the Company for the financial year 2009-2010 by the Comptroller & Auditor General of India.

28.0 FOREIGN EXCHANGE EARNINGS AND OUTGO

The Foreign exchange outgo aggregating ₹132.40 crore was made on account of debt servicing, financial & other charges, travelling and other miscellaneous expenses.

29.0 PARTICULARS OF EMPLOYEES U/S 217 (2A) OF THE COMPANIES ACT, 1956.

Particulars of employees as required to be furnished pursuant to Section 217(2A) of the Companies Act, 1956, read with the rules thereunder, forms part of this Report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the reports and accounts are being sent to all the shareholders of the Company excluding the statement of particulars of employees. Any shareholder interested in obtaining a copy may write to the Company Secretary.

30.0 HUMAN RESOURCE MANAGEMENT

Your Company places utmost importance on its Human Resources. It benchmarks its practices with the best practices being followed by other corporate in the World. This along with the other interventions in the effective management of Human Resources, ensures a high level productivity in its employees. It enjoys a very cordial and harmonious relationship with its employees. The employees, in turn have aligned their individual goal with that of the organization. There were no man-days lost during the year under review.

31.0 WELFARE MEASURES

Your Company has ensured the welfare of the employees through a process of inclusive development. The participation of the employees and their constructive suggestions are encouraged in all major activities pertaining to the overall improvement in the functioning of the company. There is a systematic mechanism through which the employees can air their opinions and suggest to the top management various ideas regarding the improvement in its function. The employees are being provided with state of art facilities to ensure optimum productivity. Employees are encouraged to maintain a healthy lifestyle by providing them with facilities of regular workouts in the office premises. They are also being provided with world class medical facilities.

32.0 CORPORATE SOCIAL RESPONSIBILITY

Your Company is in the process of streamlining its Corporate Social Responsibility (CSR) activities through implementation of Corporate Social Responsibility Policy in the Company. These CSR activities shall support initiatives which will bring qualitative change in the daily life of the society/community without compromising on ecological conditions. Your company has entered into a Memorandum of Understanding (MoU) with Govt. of India for spending 0.05% of PAT(Profit after Tax) towards CSR Activities as a part of its Corporate Social Responsibility.

33.0 REPRESENTATION OF WOMEN EMPLOYEES

Your Company provides equal growth opportunities for its women employees and today the Company can boast of having important and critical functional areas which are manned by women employees. There is no discrimination of employees on the grounds of gender. The women employees represent 19.75% of the total work force.

34.0 GLOBAL COMPACT

Your Company has always been a socially conscious organization and fully endorses the nine principles of Global Compact enunciated by United Nations Organisation (UNO) and encompassing areas of human rights, environmental protection and labour rights. These principles of Global Compact are embedded in our various organizational policies and thus facilitate their implementation in a natural way. PFC has been an active participant in various endeavors of Global Compact and apart from implementing Global Compact Principles on organizational level, it also provides sponsorship aid and support to other endeavors which are in line with the principles of Global Compact.

PFC lays special emphasis on medical facilities and health care for its employees and their families whereby they can avail best health care facilities. In pursuit of making PFC a learning organization it also supports integrated learning of its employees through a variety of measures. Other aspects like promotion of sports, cultural heritage, community development etc. are also given due importance in our working by organizing various events etc. and also by providing sponsorship support on relevant occasions.

35.0 GRIEVANCE REDRESSAL

Your Company has a Grievance Redressal System for dealing with the grievances of the employees and the public at large. The systems are duly notified and the Nodal Officers ensure quick redressal of grievances within the permissible time frame. The company also has a notified Citizen's Charter to ensure transparency in its work activities. This Charter is available on the website of the Company to facilitate easy access.

36.0 CORPORATE GOVERNANCE

A detailed report on Corporate Governance and Management Discussion & Analysis report, pursuant to the requirement of Clause 49 of the Listing Agreement forms part of the Annual Report. A certificate obtained from a practicing company secretary, confirming compliance of conditions of Corporate Governance as stipulated under the aforesaid Clause 49 is annexed to the Report on Corporate Governance.

37.0 DEBENTURE TRUSTEES:

The Company in line with the requirements of SEBI, appointed following Debenture Trustees for their different series of Bonds:

Sl. No.	Name & Address of Trustee	Bond Series
1.	**United Bank of India** P-90/8, Connaught Circus New Delhi-110001	8.70% TAX FREE PFC Bonds(2009)-II Series 8.20% TAX FREE PFC Bonds(2010)-III Series 9.70% TAXU PFC Bonds(2011)-X Series 9.25% TAX U PFC Bonds(2012)-XI Series 5.85% TAX U PFC Bonds(2010)-XX Series
2.	**IL&FS Trust Company Limited** The IL&FS Financial Centre,Plot C-22, G-Block, Bandra Kurla Complex, Bandra East, Mumbai- 400 051	9.60% TAXU PFC Bonds (2017)-XIII Series 9.10% TAXU PFC Bonds (2009)-XIV Series 9.00% TAXU PFC Bonds (2009)-XV Series 7.50% TAXU PFC Bonds (2009)-XVI Series 8.21% TAXU PFC Bonds (2017)-XVII Series 7.87% TAXU- PFC Bonds (2017)-XVIII Series Zero Coupon Bonds-(2022) XIX Series
3.	**IDBI Trusteeship Services Ltd,** Asian Building, Ground Floor, 17, R. Kamani Marg, Ballard Estate, Mumbai- 400 001	6.80% TAXU PFC Bonds (2011)-XXI-A Series 7.00% TAXU PFC Bonds (2011)-XXI-B Series 7.00% TAXU PFC Bonds (2011)-XXII Series 6.00% PFC Infrastructure Bonds(u/s 88)-I Series 8.85% TAXU PFC Bonds (2021)-XXVIII Series 8.80% TAXU PFC Bonds (2016)-XXIX-A Series 8.55% TAXU PFC Bonds (2011)-XXIX-B Series 8.49% TAXU PFC Bonds (2011)-XXX Series 8.78% TAXU PFC Bonds (2016)-XXXI-A Series 8.38% TAXU PFC Bonds (2009)-XXXI-B Series 9.25% TAXU PFC Bonds (2012)-XXXII Series 9.80% TAXU PFC Bonds (2012)-XXXIII-A Series 9.90% TAXU PFC Bonds (2017)-XXXIII-B Series 9.90% TAXU PFC Bonds (2017)-XXXIV Series MIBOR Linked TAXU PFC Bonds (2011)-XLVI- Series 9.55% TAXU PFC Bonds (2011)-XLVII- A Series 9.60% TAXU PFC Bonds (2013)-XLVII- B Series 9.68% TAXU PFC Bonds (2018)-XLVII- C Series 10.75% TAXU PFC Bonds (2011)-XLVIII- A Series 10.70% TAXU PFC Bonds (2013)-XLVIII- B Series 10.55% TAXU PFC Bonds (2018)-XLVIII- C Series 10.90% TAXU PFC Bonds (2013)-XLIX- A Series

		10.85% TAXU PFC Bonds (2018)-XLIX- B Series 10.85% TAXU PFC Bonds (2011)-50- A Series 10.75% TAXU PFC Bonds (2013)-50- B Series 10.70% TAXU PFC Bonds (2015)-50- C Series 11.15% TAXU PFC Bonds (2011)-51- A Series 11.10% TAXU PFC Bonds (2013)-51- B Series 11.00% TAXU PFC Bonds (2018)-51- C Series 11.40% TAXU PFC Bonds (2013)-52- A Series 11.30% TAXU PFC Bonds (2015)-52- B Series 11.25% TAXU PFC Bonds (2018)-52- C Series 8.70% TAXU PFC Bonds (2010)-53 Series 8.90% TAXU PFC Bonds (2014)-54-A Series 6.90% TAXU PFC Bond (2012)-55-A-Series 7.50% TAXU PFC Bonds(2014)-55-B-Series 7.20% TAXU PFCBonds(2012)-56 Series 8.60% TAXU PFCBonds(2014)-57-B Series 8.60%TAXUPFC Bonds(2019)-57-B-Series 8.60%TAXU PFC Bonds(2024)-57-B-Series 7.75% TAXU PFC Bonds(2012)-58-A-Series 8.45% TAXUPFC Bonds(2014)-58-B-Series 8.45%TAXU PFC Bonds(2014)-Series-59A 8.80%TAXU PFC Bonds(2019)-59B-Series INCMTBMK linked TAXU PFC Bonds(2012)-60-A-Series INCMTBMK linked TAXU PFC Bonds(2019)-60-B-Series 8.50% TAXU PFC Bonds(2014)-61- Series 8.50%TAXU PFC Bonds (2019)-61- Series 8.50%TAXU PFC Bonds(2024)-61-Series 8.70% TAXU PFC Bonds (2020)-62-A-Series 8.80%TAX U PFC Bonds(2025)-62-B-Series 8.90% TAXU PFC Bonds(2015)-63-Series 8.90% TAXU PFC Bonds (2020)-63-Series 8.90% TAXU PFC Bonds (2025)-63-Series 8.95% TAXU PFC Bonds(2015)-64-Series 8.95% TAXU PFC Bonds(2020)-64-Series 8.95% TAXU PFC Bonds(2025)-64-Series
4.	**The Western India Trustee & Executor Co. Ltd.** c/o IDBI Trusteeship Services Limited, Asian Building, Ground Floor, 17, R.Kamani Marg, Ballard Estate, Mumbai-400 001	7.00% TAXU PFC Bonds (2012)-XXIII Series TAXU PFC Bonds (2010)-XXIV Series 7.60% TAXU PFC Bonds (2015)-XXV Series TAXU PFC Bonds (2016)-XXVI Series 8.20% TAXU PFC Bonds (2016)-XXVII-A Series 8.09% TAXU PFC Bonds (2013)-XXVII-B Series 9.96% TAXU PFC Bonds (2017)-XXXV Series 9.90% TAXU PFC Bonds (2010)-XXXVI-A Series 10.00% TAXU PFC Bonds (2012)-XXXVI-B Series 9.80% TAXU PFC Bonds (2012)-XXXVIII Series 9.22% TAXU PFC Bonds (2012) – XL –B Series 9.28% TAXU PFC Bonds (2017) – XL –C Series 8.94% TAXU PFC Bonds (2013) – XLI –B Series 9.01% TAXU PFC Bonds (2011) - XLII –A Series 9.03% TAXU PFC Bonds (2013) - XLII –B Series 9.30% TAXU PFC Bonds (2011) –XLIII-A Series 9.30% TAXU PFC Bonds (2013) – XLIII-B Series 9.40% TAXU PFC Bonds (2013) – XXXIV Series

38.0 REPLIES TO THE REPORT/COMMENTS OF AUDITOR

Under Section 217 (3) of the Companies Act, 1956 the information/explanation to the Auditor's observations are submitted as under:-

1(a) On the Report of Statutory Auditors:-	
Observations	**Replies**
(a) Power Finance Corporation Limited (The Company) pursuant to the opinion of the Expert Advisory Committee (EAC) of the Institute of Chartered Accountants of India (ICAI) provided "Deferred Tax Liability" (DTL) on special reserve created under section 36(1) (viii) of the Income Tax Act, 1961 in the year 2004-05, by charging Profit & Loss Account with ₹ 142.87 crores and debiting the Free Reserves by ₹ 745.14 crores (for creating DTL for the years 1997-98 to 2003-04). Since, then the Company continued to provide DTL till the end of March, 2008 by charging Profit & Loss Account. The total amount towards DTL upto 31st March, 2008 comes to ₹ 1228.38 crores. The Company during the year 2008-09 reversed the DTL provided in earlier years amounting to ₹ 1228.38 crores and also did not provide DTL amounting to ₹ 291.21 crores (including ₹ 133.28 crores for the year 2008-09)in the current year, contrary to, opinions expressed by the EAC of the ICAI on two occasions dated 23.11.2004 and 18.05.2006, clarification furnished in July, 2009 by the ICAI on the request of the Comptroller and Auditor General of India and mandatory provisions of Accounting Standard-22. In view of the facts and circumstances placed before us, the profits and Free Reserves of the company are overstated by ₹ 774.45 crores and ₹ 745.14 crores (previous year ₹ 616.52 crores and ₹ 745.14 crores), respectively and DTL has been understated by ₹ 1519.59 crores (previous year ₹ 1361.66 crores). (Refer Note No. 19 of Schedule 18). Further, the amount of capital considered in the calculation of Capital Risk Adjusted Ratio (CRAR) is overstated to the above extent. (Refer Note No. 27 of Schedule 18)	On a representation made by the Company (after receipt of Opinions of the EAC of ICAI) regarding the creation of DTL on Special Reserve created and maintained under section 36(1) (viii) of the Income Tax Act, 1961, the Company received a clarification from Accounting Standard Board of Institute of Chartered Accountants of India vide letter dtd. 02.06.2009. In accordance to the above, from the financial year 2008-09, the Company stopped creating DTL on special Reserve created and also reserved the DTL on special Reserve created in earlier years. This has also been suitably explained in the Accounting policy No. 13.2 of Accounting policy (Schedule-17) and Note No.19 of Notes to Accounts (Schedule-18) which are self explanatory. Now, the Comptroller and Auditor General of India vide letter No. CA-IV/80/2010 dated 09.08.2010 has stated the following: *"In order to ensure consistency in the accounting treatment of provision of DTL on special reserve created u/s 36(1) (viii) of the Income Tax Act, 1961, this department is of the view that non provision of DTL on special reserve is acceptable in case the company demonstrate their intension of not withdrawal of the reserve by passing a resolution that it has no intention to withdraw this special reserve. In other cases where no such resolution is passed by the management, the provision of DTL on special reserve should be made in the annual accounts."* As discussed in the Accounting policy No. 13.2 of Accounting policies supra, the Company has passed a Board resolution that it has no intension to make withdrawal from the Special Reserve created and maintained under section 36(1)(viii) of the Income Tax act, 1961. Hence, there is no violation of Accounting Standard 22 or overstatement of Profits and Free Reserves and understatement of Deferred Tax Liability.
(b) As regards the liability of ₹ 663.49 crores (previous year ₹ 908.94 crores) shown as "Interest Subsidy Fund from GOI" in the Balance Sheet, received under Accelerated Generation and Supply Program (AG&SP) Scheme from the Ministry of Power, Government of India, the Company has estimated the net excess amount of ₹ 166.25 crores (previous year ₹ 283.14 crores) and ₹ 209.97 crores (previous year ₹ 44.27 crores) as at 31st March 2010, for IX and X plan respectively. This net excess amount is worked out on overall basis and not on individual basis and may vary due to change in assumptions, if any, during the projected period such as changes in moratorium period, repayment period, loan restructuring,	Note No. 15 of Schedule No. 18 of Notes on Accounts is self explanatory and explains the method of claiming Interest Subsidy Fund, utilization, and excess worked out on overall basis based on projections made for loans sanctioned during IX & X plans, etc. The actual/exact excess due to difference between the indicative rate, period and assumptions considered at the time of drawl and at the time of actual disbursement can be ascertained only after the end of the respective schemes. The Company will however return the net excess amount to Ministry of Power, if any, at the end of the respective schemes.

pre payment, interest rate reset, etc. Hence, the impact of this excess, if any could not be determined. As such we are not in a position to express our opinion thereon (Note No.15 of Schedule 18).	
1(b) On the annexure to Auditors Report	
➢ As explained to us, the management is carrying out the physical verification of fixed assets at the year end in a phased manner, except certain EDP equipments and Furniture & Fixtures for which no physical verification was conducted. In our opinion, the frequency of physical verification is reasonable having regard to the size of the Company and nature of its assets. No material discrepancies were noticed by the management on such physical verification.	Certain EDP equipments and Furniture & Fixtures are provided to the officers for official use which are normally returned to the company or otherwise written off upon expiry of useful life of the assets. Hence, physical verification of such items has not been considered necessary. Further, amount involved in the said items is also not material.
➢ In our opinion and according to the information and explanations given to us, the Company has an internal audit system, which is commensurate with the size and nature of business of the Company. However, the IT Audit needs to be further streamlined and strengthened.	The information system audit is being conducted periodically and also the company is implementing the oracle ERP financials.

2. On the Comments of Comptroller & Auditor General of India:-

The Comptroller and Auditor General of India has mentioned that on the basis of audit, nothing significant has come to their knowledge which would give rise to any comment upon or supplement to Statutory Auditors' Report under Section 619(4) of the Companies Act, 1956.

39.0 DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217(2AA) of the Companies Act, 1956, your Directors confirm that:

- In the preparation of the annual accounts for the financial year 2009-10, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- The Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2009-10 and of the profit of the Company for that period;
- The Directors had taken proper and sufficient care 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; and
- The Directors had prepared the Annual Accounts on going concern basis.

40.0 ACKNOWLEDGEMENT

Your Directors acknowledge and place on record their appreciation for the assistance, co-operation and encouragement extended to the Company by the Central and State Governments, Reserve Bank of India and various Government agencies, the World Bank, the Asian Development Bank, Institute of Chartered Accountants of India, USAID, KfW of Germany, EDC of Canada and various international financial institutions/ banks, agencies. The Company is also thankful to the Comptroller & Auditor General of India, the Statutory Auditors and the bankers for their constructive suggestions and co-operation.

Your Directors would also like to convey their gratitude to the investors, clients and customers for their unwavering trust and support. Last but not the least the directors would like to thank the employees for their continuing support and contribution in ensuring an excellent all round performance.

For and on behalf of the Board of Directors

Satnam Singh

Place : New Delhi
Dated : 20/08/2010

(Satnam Singh)
Chairman & Managing Director

REPORT ON CORPORATE GOVERNANCE

For your Company, the corporate governance is to ensure fairness and transparency in all dealings and in the functioning of the management. The Spirit of Power Finance Corporation Limited (PFC) is derived from this philosophy and has been articulated through the Company's various policies. These guidelines and policies seek to focus on enhancement of long-term shareholder value without compromising on Ethical Standards and Corporate Social Responsibilities. These practices form an integral part of the Company's operating plans.

Your company firmly believes that Corporate Governance is a very essential mechanism to enhance stakeholders value. Corporate Governance ensures transparency and accountability which ensures strong and balanced economic development. This also ensures that the interests of all shareholders (majority as well as minority shareholders) are safeguarded, all shareholders fully exercise their rights and that the organization fully recognizes their rights.

The presence of strong governance standards earns faith of all the stakeholders which is very essential for successfully running any organization and contributes in a best possible manner in sustaining and enhancing economic growth. Corporate governance also has broader social and institutional dimensions. Properly designed rules of governance focuses on implementing the values of fairness, transparency, accountability, and responsibility to all the stakeholders.

Corporate governance is concerned with the morals, ethics, values, parameters, conduct and behavior of the company and its management.

We at PFC think that Corporate governance mainly consists of two elements i.e., one, long-term relationship, which has to deal with checks and balances, incentives and proper communication between management and investors. The second element is a transactional relationship involving matters relating to disclosures and authority.

In other words, 'good corporate governance' is simply 'good business'.

As per the requirements of the listing agreement with the Stock Exchanges, and also in tune with our practice of sharing the things with the shareholders, government, clients, employees and society at large, a report on the Corporate Governance is given below as a part of the Director's Report along with the Certificate issued by a practicing company secretary regarding compliance with the provisions of Corporate Governance.

1. Brief Statement on company's philosophy on the code of governance

Company's Corporate Governance initiative is based on two core principles. These are:

i. Management must have the executive freedom to drive the enterprise forward without undue restraints; and

ii. This freedom of management should be exercised within a framework of effective accountability.

PFC is committed to achieve the best standards of the Corporate Governance which emphasizes on authority and freedom of the management coupled with transparency, accountability and professionalism in their working with the aim of enhancing long term economic value of all the stakeholders and the society at large.

The Company has built up a strong foundation for making Corporate Governance a way of life by having an independent board with experts of eminence and integrity, forming a core team of top level executives with proper delegation of executive powers, inducting competent professionals across the organization and putting in place best systems, process and technology.

PFC does not limit itself only to the regulatory and legal compliances as a part of its Corporate Governance practices but has gone beyond this by adopting practices of high level of business ethics and integrity.

Our corporate structure, conduct of business and disclosure practices has been aligned to our Corporate Governance Philosophy.

2. Board of Directors

The Board of Directors of PFC provide leadership and strategic guidance, objective judgement independent of management and exercises control over the Company, while remaining at all times accountable to the stakeholders.

Composition

As on 31st March, 2010 the Company's Board comprised of nine (9) Directors out of which four were (4) Whole Time Functional Directors including the Chairman and Managing Director, two (2) Government Nominee Directors and three (3) Independent Directors.

During the year 2009-10, Shri G.P. Gupta, Prof. P.G. Apte, Shri Subodh Bhargava and Shri B.K. Mittal, Independent Directors appointed by Ministry of Power, Govt. of India on the Board of the Company ceased to be the Directors w.e.f. 28th June, 2009 consequent upon completion of their three year tenure. Further during the year, Shri Rakesh Jain was appointed as Director (Government Nominee) and Shri R. Nagarajan as Director (Finance) w.e.f. 25th June, 2009 and 31st July, 2009 respectively. The Ministry of Power, Government of India also appointed three Independent Directors i.e. Prof. Ravindra H. Dholakia and Shri P. Murali Mohana Rao w.e.f 22nd December, 2009 and Shri S.C. Gupta w.e.f 25th February, 2010. Brief profile of the Directors is set out elsewhere in the Annual Report.

The Listing Agreement with the Stock Exchange stipulates that in case the Chairman of the Board is an Executive Director, at least half of the Board should comprise of Independent Directors. The Company has requested Government of India to initiate necessary steps to fill the vacancies on the Board of the Company, so that the composition of the Board of the Company is in compliance with the Listing Agreement.

The composition of Board of Directors as on 31st March, 2010 is as follows:

Whole Time Directors		
i)	Shri Satnam Singh	Chairman and Managing Director
ii)	Shri M.K. Goel	Director (Commercial)
iii)	Shri Rajeev Sharma	Director (Projects)
iv)	Shri R. Nagarajan	Director (Finance)
Government Nominee Directors		
v)	Shri Devender Singh	Director (Government Nominee)
vi)	Shri Rakesh Jain	Director (Government Nominee)
Independent Directors		
vii)	Shri Ravindra H. Dholakia	Independent Director
viii)	Shri P. Murali Mohana Rao	Independent Director
ix)	Shri S.C. Gupta	Independent Director

Number of Board Meetings

There were 13 Meetings of the Board of Directors held during the year 2009-2010 i.e. on 17th April 2009, 11th May 2009, 4th June 2009, 15th June 2009, 14th July 2009, 20th July 2009 , 11th August 2009, 15th September 2009, 27th October 2009 & 11th December 2009*, 17th December 2009, 29th January 2010 & 19th February 2010*, 15th March 2010 and 26th March 2010.

** Date of Adjourned Board Meeting*

Annual General Meeting

The last Annual General Meeting of the Company was held on 23rd September, 2009

The Composition of Board, Directors' attendance at the Board Meetings during the year and also at the last Annual General Meeting, number of directorships in other companies and Membership/Chairmanship in other committees etc. are as follows:

Name and Designation	Board Meetings		No of other Directorships as on 31.03.2010*	Membership in the committees of other companies as on 31.03.2010 **		Attendance at the last AGM held on 23rd September, 2009
	Held during the tenure	Attended		As Member	As Chairman	
Shri Satnam Singh Chairman and Managing Director	13	13	1	NIL	NIL	Present
Shri M.K. Goel Director (Commercial)	13	13	7	NIL	NIL	Present
Shri Rajeev Sharma Director (Projects)	13	13	3	NIL	NIL	Present
Shri R. Nagarajan Director (Finance) (appointed w.e.f. 31st July, 2009)	7	7	5	NIL	1	Present
Shri Devender Singh Director (Govt. Nominee)	13	12	2	0	1	Present
Shri Rakesh Jain Director (Govt. Nominee) (appointed w.e.f. 25th June, 2009)	9	9	4	3	1	Present

Shri Ravindra H. Dholakia Independent Director (appointed w.e.f. 22nd December, 2009)	3	3	NIL	NIL	NIL	N.A.
Shri P. Murali Mohana Rao Independent Director (appointed w.e.f. 22nd December, 2009)	3	3	1	NIL	NIL	N.A.
Shri S.C. Gupta Independent Director (appointed w.e.f. 25th February, 2010)	2	2	NIL	NIL	NIL	N.A.
Shri G.P. Gupta Independent Director (ceased w.e.f. 28th June, 2009)	4	4	N.A	N.A.	N.A	N.A.
Shri P. G. Apte Independent Director (ceased w.e.f. 28th June, 2009)	4	3	N.A.	N.A.	N.A.	N.A.
Shri Subodh Bhargava Independent Director (ceased w.e.f. 28th June, 2009)	4	4	N.A.	N.A.	N.A	N.A.
Shri B.K. Mittal Independent Director (ceased w.e.f. 28th June, 2009)	4	3	N.A.	N.A.	N.A	N.A.

N.A. indicates that concerned person was not a Director on PFC's Board on the relevant date.

* Does not include Directorship in Private Companies, Section 25 Companies and Foreign Companies.

** Does not include Chairmanship/Membership in Board Committees other than Audit Committee and Shareholders' Grievance Committee.

None of the Directors on the Board is a member of more than 10 Committees and Chairman of more than 5 Committees (as specified in Clause 49 of the Listing Agreement), across all the companies in which he is a Director.

None of the Directors of the Company are in any way related to each other.

Information available to the Board

Detailed Agenda Notes with information as enumerated in the Listing Agreement were circulated in advance to the Board.

During the year, all the relevant information as mentioned in clause 49 of the Listing Agreement have been placed before the Board for its consideration. The information regularly supplied to the Board Specifically includes :

- Annual operating plans, budgets and any updates therein.
- Capital budgets and any updates therein.
- Quarterly results for the Company and its operating divisions or business segments.
- Minutes of meetings of Audit Committee and other Committees of the board.
- Information on recruitment/remuneration of senior officers just below the Board level
- Material show cause, demand, prosecution notices and penalty notices, if any.
- Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems, if any.
- Any material default in financial obligations to and by the Company or substantial non-payment for services provided by the Company.
- Any issue, which involves possible public or product liability claims of substantial nature, if any.
- Details of any joint venture or collaboration agreement.
- Transactions involving substantial payment towards goodwill, brand equity or intellectual property.
- Significant labour problems and their proposed solutions, if any. Any significant development in human resources/ industrial relations front like signing of wage agreement, implementation of voluntary retirement scheme etc, if any.
- Sale of material nature, of investments, subsidiaries, assets which is not in the normal course of business.
- Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.
- Non-compliance of any regulatory, statutory nature or listing requirements and shareholders service.
- Other materially important information.

3. a) Code of Conduct

Code of Conduct for Board Members and Senior Management Personnel is a comprehensive code applicable to all Directors and Members of Senior

Management of the Company. It is in alignment with Company's vision and values to achieve the Mission & Objectives and aims at enhancing ethical and transparent process in managing the affairs of the Company. A copy of the Code has been put on the website of the Company i.e. www.pfcindia.com.

Based on the affirmation received from Board Members and Senior Management Personnel, declaration regarding compliance of Code of Conduct made by the Chairman & Managing Director is given below:

All the members of the Board and Senior Management Personnel have affirmed compliance of the Code of Conduct for the financial year ended 31st March, 2010.

Satnam Singh
Chairman & Managing Director

b) Code for Prevention of Insider Trading

In terms of Securities and Exchange Board of India (Insider Trading) Regulations, 1992 the Company has formulated a comprehensive Code for Prevention of Insider Trading to preserve the confidentiality and to prevent misuse of un-published price sensitive information. Every director, officer and designated employees of the Company has a duty to safeguard the confidentiality of all such information obtained in the course of his or her work at the company and not to misuse his or her position or information regarding the Company to gain personal benefit or to provide benefit to any third party. The code lays down guidelines and procedures to be followed and disclosures to be made while dealing with the shares of the Company and the consequences of non-compliance. The Company Secretary has been appointed as Compliance Officer and is responsible for adherence to 'Code for Prevention of Insider Trading'.

In line with the requirement of Code for Prevention of Insider Trading, trading window was closed from time to time, whenever some price sensitive information was submitted to the Board and other Committees of Directors. Notice of closure of trading window was issued to all the employees well in advance and proper announcements were also made from PA system, restraining all the employees not to deal in the shares of the Company when the window is closed.

4. Committees of the Board of Directors

The Board functions either as a full Board or through various committees constituted to oversee specific operational areas. The Board of Directors and its committees meet at regular intervals.

As on 31st March, 2010 the Board had seven committees:

i) Audit Committee
ii) Remuneration Committee
iii) Shareholders'/Investors' Grievance Committee
iv) Loans Committee
v) Committee of Functional Directors
vi) Risk Management Committee
vii) Committee for Investment in IPO of Central Power Sector Undertakings (CPSUs)

4.1 Audit Committee

The role and terms of reference of Audit Committee is in line with the requirements of Clause 49 of the Listing Agreement read with Section 292A of the Companies Act, 1956.

The terms of reference of the Audit Committee includes the following:

- To investigate any activity within its terms of reference.
- To seek information from any employee.
- To obtain legal or other professional advice.
- To secure attendance of outsiders with relevant expertise, if it is considered necessary.
- Oversight of the company's financial reporting process and disclosure of its financial information to ensure that the financial statement is correct, sufficient and creditable.
- Recommending the appointment and removal of external auditors, fixation of audit fee and also approval for payment for any other services.
- Reviewing with management the annual financial statement before submission to the Board, focusing primarily on :-
  - ➢ Any change in accounting policy and practices.
  - ➢ Major accounting entries based on exercise of judgment by the management.
  - ➢ Qualification in draft audit report.
  - ➢ Significant adjustment arising out of audit.
  - ➢ Compliance with accounting standard.
  - ➢ Compliance with Stock Exchange and Legal requirement concerning financial statement.
  - ➢ Any related party transaction i.e. transaction of the Company of material nature, with promoters or the management, their subsidiary or relatives etc. that may have potential conflict with the interest of the company at large.
  - ➢ Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956
- Reviewing with management, external and internal auditor, the adequacy of internal control system and suggestion for implementation for the same.
- Reviewing the adequacy of internal audit function including the structure of internal audit department, staffing and seniority of the officials heading the

departments, reporting structure coverage and frequency of internal audit.

- Discussion with internal auditor and significant finding and follow up thereon.
- Reviewing the findings of any internal investigation by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control system of a material nature and reporting the matters to the Board.
- Discussion with external auditor before the audit commences, and nature of scope of audit as well as post audit discussion to ascertain any area of concern.
- Reviewing the companies financial and risk management policy.
- To look into the reasons for substantial default in the payment to the depositors, debentures holders, shareholders and creditors.
- It shall have discussion with auditors periodically about internal control system, the scope of audit including the observation of the auditors & review the quarterly, half yearly & annual financial statement before submission to the Board, it shall ensure compliance of internal control system.
- Approval of payment to statutory auditors for any other services rendered by statutory auditors.
- Reviewing the Management discussion and analysis of financial condition and results of operations.

As on 31st March, 2010, the Audit Committee comprised of the following members:

1. Shri P. Murali Mohana Rao — Member & Chairman
2. Prof. Ravindra H. Dholakia — Member
3. Shri Rajeev Sharma — Member

During the financial year 2009-10 seven (7) meetings of the Audit Committee were held i.e. 17th April 2009, 4th June 2009, 15th June 2009, 14th July 2009, 26th October 2009, 29th January 2010 and 18th February 2010.

During the year 2009-10, Shri G.P. Gupta, Prof. P.G. Apte and Shri B.K. Mittal, Independent Directors appointed by Ministry of Power, Government of India on the Board of the Company and members of the Audit Committee ceased to be the Directors w.e.f. 28th June, 2009 consequent upon completion of their three year tenure. The Company had re-constituted the Audit Committee, comprising of two Nominee Directors from Ministry of Power and a Whole Time Director from PFC. However, on appointment of two (2) Independent Directors on the board of PFC, the company in its board meeting held on 29th January, 2010, reconstituted its Audit Committee comprising of two (2) Independent Directors and a Whole Time Director from PFC in line with the requirements of Listing Agreement.

The details of the meetings attended by members during the year 2009-10 is as follows.

Name of Members	Designation	No. of Meetings	
		Held during the tenure	Attendance
Shri P. Murali Mohana Rao (appointed as Chairman of the Audit Committee w.e.f 29th January, 2010)	Chairman/Independent Director	1	1
Shri Ravindra H.Dholakia (appointed as a member of the Audit Committee w.e.f 29th January, 2010)	Independent Director	1	1
Shri Rajeev Sharma	Director (Projects)	7	7
Shri Devender Singh (Member of the Audit Committee from 7th July, 2009 to 29th January, 2010)	Director (Govt. Nominee)	3	3
Shri Rakesh Jain (Chairman of the Audit Committee from 7th July, 2009 to 29th January, 2010)	Chariman/Director (Govt. Nominee)	3	3
Shri G.P. Gupta (ceased w.e.f. 28th June, 2009)	Chariman/Independent Director	3	3
Shri P.G. Apte (ceased w.e.f. 28th June, 2009)	Independent Director	3	2
Shri B.K. Mittal (ceased w.e.f. 28th June, 2009)	Independent Director	3	3

The Minutes of Audit Committee meetings were noted by the Board of Directors of the Company at the subsequent Board Meetings.

The Chairman of the Audit Committee was present at the Annual General Meeting held on 23rd September, 2009.

The Company Secretary of the Company acts as the Secretary to the Committee.

The Chairman of the Audit Committee possesses financial management expertise and all other members of the committee are financially literate.

4.2 Remuneration Committee

The appointment of Directors and payment of their remuneration are decided by President of India as per the Articles of Association of the Company. However, in line with the requirement under Department of Public Enterprises (DPE) guidelines for implementation of revised pay scales, the company constituted a Remuneration Committee on 29th January, 2010 headed by an Independent Director to decide the quantum of annual/variable pay and policy for its distribution across the executives and non unionized supervisors, within the prescribed limits.

As on 31st March, 2010, the Remuneration Committee comprised of the following members:

1. Prof. Ravindra H. Dholakia — Member & Chairman
2. Shri P. Murali Mohana Rao — Member
3. Shri M.K. Goel — Member
4. Shri R. Nagarajan — Member

During the financial year 2009-10 three (3) meetings of the Remuneration Committee were held i.e. 18th February 2010, 4th March 2010, & 25th March 2010.

Name of Members	Designation	No. of Meetings	
		Held during the tenure	Attendance
Prof. Ravindra H. Dholakia	Chairman/Independent Director	3	3
Shri P. Murali Mohana Rao	Member/Independent Director	3	3
Shri M.K. Goel	Member/Director (Commercial)	3	3
Shri R. Nagarajan	Member/Director (Finance)	3	3

4.2A Remuneration of Whole Time Directors

Details of remuneration of Whole Time Directors of the company during the year 2009-10 are given below:

Name of the Director	Salary (₹)	Benefits (₹)	Bonus/ Commission ex-gratia (₹)	Performance linked incentives (₹)	Total (₹)
Shri Satnam Singh	18,55,118.00	20,34,068.00	NIL	14,73,129.00	53,62,315.00
Shri M.K. Goel	16,64,069.00	21,22,679.00	NIL	13,66,162.00	51,52,910.00
Shri Rajeev Sharma	12,32,595.00	13,82,860.00	NIL	8,32,053.00	34,47,508.00
Shri R. Nagarajan	10,42,365.74	6,94,568.16	NIL	1,83,434.00	19,20,367.90

Notes:

1. The Company does not have any Stock Option Scheme in operation.
2. The appointment of Directors and payment of their remuneration are decided by President of India as per the Articles of Association of the Company. Therefore, there is no provision for notice period and severance fees for the directors.

4.2B Remuneration of Independent and Government Nominee Directors

The Independent Directors do not have any material pecuniary relationship or transactions with the Company. However, they were paid only the sitting fees for attending the meetings of the Board of Directors within the limits as prescribed under the Companies Act, 1956 and dividend as members of the Company.

Details of payments towards sitting fees to Independent Directors during the year 2009-10 are given below:

Name of the Independent Director	Sitting Fees		Total (₹)
	Board Meeting (₹)	Committee Meeting (₹)	
Prof. Ravindra H. Dholakia	60,000	60,000	1,20,000
Shri P. Murali Mohana Rao	60,000	75,000	1,35,000
Shri S.C. Gupta	30,000	Nil	30,000
Shri. G.P. Gupta	60,000	75,000	1,35,000
Shri. P.G. Apte	45,000	30,000	75,000
Shri Subodh Bhargava	60,000	Nil	60,000
Shri. B.K. Mittal	45,000	45,000	90,000

Shri Devender Singh & Shri Rakesh Jain, being Government nominees were not entitled to any remuneration or sitting fee by the Company.

4.3 Shareholders'/Investors' Grievance Committee

The Company has a Shareholders'/Investors' Grievance Committee of Directors to look into the redressal of the complaints of investors such as delay in transfer of shares, non-receipt of annual report/dividend etc.

Shri P. Murali Mohana Rao, Independent Director is the Chairman of the committee.

Shri J.S. Amitabh, Company Secretary, is the Compliance officer.

As on 31st March, 2010 the Shareholders' Grievance Committee comprised of the following members:

Shri P. Murali Mohana Rao	Chairman of the Committee/Independent Director
Shri M. K. Goel	Director (Commercial)
Shri R. Nagarajan	Director (Finance)

Information on investor complaints pursuant to Clause 49 of the Listing agreement for the year ended 31st March, 2010 is as follows:

Pending at the beginning of the year	Nil
Received during the year	219
Disposed off during the year	219
Lying unresolved at the end of the year	Nil

4.4 Loans Committee

The Loans Committee of the Directors has been constituted for sanctioning of financial assistance upto ₹500 crore to individual schemes or projects including enhancement of financial and lease assistance and relaxation of eligibility conditions, subject to overall ceiling of ₹ 10,000 crore in a financial year.

As on 31st March, 2010 the Committee comprised the following members:

Shri Satnam Singh	Chairman & Managing Director
Shri Devender Singh	Director(Govt.Nominee)
Shri Rakesh Jain	Director(Govt.Nominee)
Shri M.K. Goel	Director(Commercial)
Shri Rajeev Sharma	Director(Projects)
Shri R. Nagarajan	Director(Finance)

4.5 Committee of Functional Directors

The Committee of Functional Directors has been constituted for sanctioning of financial assistance upto ₹100 crore to individual schemes or projects including enhancement of financial and lease assistance and relaxation of eligibility conditions, subject to overall ceiling of ₹4,000 crore in a financial year.

As on 31st March, 2010, the Committee comprised the following members:

Shri Satnam Singh	Chairman & Managing Director
Shri M.K. Goel	Director(Commercial)
Shri Rajeev Sharma	Director(Projects)
Shri R. Nagarajan	Director(Finance)

4.6 Risk Management Committee

The Risk Management Committee's main function is to monitor various risks likely to arise and to examine the various risk management policies and practices adopted by the Company. Also to initiate action for mitigation of risk arising in the operation and other related matters of the Company.

As on 31st March, 2010, the Committee comprised the following members:

Shri M.K. Goel	Chairman/Director(Commercial)
Shri Rajeev Sharma	Member/Director(Projects)
Shri R. Nagarajan	Member/ Director(Finance)

4.7 Committee of Directors for Investment in IPO of Central Power Sector Undertakings (CPSUs)

The Committee for Investment in IPO of Central Power Sector Undertakings (CPSUs) is formed for approving equity investment in IPOs of CPSUs and also other related matters like exit/sale decisions, the number of shares to be applied through IPO, individual investment limit in each company on case to case basis, etc.

As on 31st March, 2010 the Committee comprised the following members:

Shri Satnam Singh	Chairman & Managing Director
Shri Rakesh Jain	Director(Govt. Nominee)
Shri R. Nagarajan	Director(Finance)

5. General Body Meeting

The details of the last three Annual General Meetings of the company are as under:

AGM	Date	Day	Time	Location	Special Resolution
21st	25th September, 2007	Tuesday	10.00 A.M	Siri Fort Auditorium, August Kranti Marg, Khel Gaon Road, New Delhi-110049	No Special Resolution was passed.
22nd	30th July, 2008	Wednesday	10.00 A.M	Air Force Auditorium, Subroto Park, New Delhi-110010	No Special Resolution was passed
23rd	23rd September, 2009	Wednesday	10:00 A.M.	Air Force Auditorium, Subroto Park, New Delhi-110010	No Special Resolution was passed

No resolution was passed by postal ballot during the financial year 2009-10. None of the business proposed to be transacted in the ensuing Annual General Meeting require passing a special resolution through Postal Ballot.

6. Subsidiary Companies

Under Clause 49 of the Listing Agreement, a 'material non-listed Indian subsidiary' is defined as an unlisted subsidiary, incorporated in India, whose turnover or net worth (i.e. paid up capital and free reserves) exceeds 20% of the consolidated turnover or net worth respectively, of the listed holding company and its subsidiaries in the immediately preceding accounting year.

The Company does not have any material non-listed Indian subsidiary.

7. Disclosures

(1) There were no materially significant transactions with related parties i.e. promoters, directors or the management, conflicting with the Company's interest, subsidiaries or relatives etc. that may have any potential conflict with the interest of the Company. Further, the details of related party transactions are presented in Note no. 10 in schedule 18-Notes to Accounts to Annual Accounts in the Annual Report.

(2) There were also no instances of non-compliance on any matter related to the Capital Markets during the last three years. There were no penalties imposed or strictures passed against the Company by the statutory authorities in this regard.

(3) The Company's Whistle Blower policy is in built in system of Grievance Redressal which deals with grievances of employees. Under this system grievances of the employees are redressed effectively in accordance with the guidelines issued by Department of Administrative Reforms and Public Grievance. The Company affirms that no personnel have been denied access to the audit committee.

(4) The Company has fully complied with all the mandatory requirements prescribed under Clause 49 of the Listing Agreement of the stock exchange relating to Corporate Governance and adopted all suggested items to be included in the Report on Corporate Governance.

(5) Adoption/non adoption of the non mandatory requirements of the Clause 49 of the Listing Agreement are given under **Annexure I**.

(6) In the preparation of financial statements, the Company has followed the Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI) and Companies (Accounting Standards) Rules, 2006 to the extent applicable.

8. Means of Communication

PFC recognizes communication as a key element of the overall Corporate Governance framework and therefore emphasizes continuous, efficient and relevant communication to all external constituencies. Quarterly/annual financial results are published in financial and national newspapers like The Economic Times, Business Standard, The Financial Express, The NavBharat Times, The Hindustan Times (Hindi), Dainik Jagran etc. The same are also available on the website of the Company, viz. www.pfcindia.com and has also been submitted to stock exchanges. The Company also communicates with its institutional shareholders through investor conferences.

All important information pertaining to the Company is also mentioned in the Annual Report of the Company containing *inter-alia* audited accounts, consolidated financial statements, directors' report, auditors' report, report on corporate governance which is circulated to the members and others entitled thereto for each financial year.

9. CEO/CFO certification

As required by the revised Clause 49 of the Listing Agreement, the Certificate duly signed by Shri Satnam Singh, Chairman & Managing Director and Shri R. Nagarajan, Director (Finance) was placed before the Board of Directors at the meeting held on 18th June, 2010.

10. Shareholders Information

1) Annual General Meeting

Date	Time	Venue
21st September, 2010	10.00 A.M.	Air Force Auditorium, Subroto Park, New Delhi-110010

2) Financial calendar for FY 2010-11

Particulars	Date
Financial year	1st April, 2010 to 31st March, 2011
Un-audited financial results for the first three quarters Fourth Quarter results	Will be announced within 45 days from the end of each quarter. Audited Accounts will be announced on or before 30th June, 2011
AGM(Next year)	September 2011 (Tentative)

3) Date of Book Closure

The Register of Members and Share Transfer Books of the Company will remain closed from 7th September, 2010 to 21st September, 2010 inclusive of both days.

4) Payment of Dividend

The Board of Directors of the Company has recommended payment of a final dividend of ₹ 1.50 per share for the financial year ended 31st March, 2010 in addition to the Interim Dividend of ₹ 3 per share paid in February 2010. Thus, the Total Dividend for the financial year 2009-10 amounts to ₹ 4.50 per share.

The record date for the payment of Final Dividend for year 2009-10 is 6th September, 2010. The Dividend, if declared at the AGM, would be paid to the shareholders within 30 days from the date of AGM.

5) Dividend History

Year	Total Paid-up Capital (₹ in Crore)	Total Amount of Dividend paid (₹ in Crore)	Rate of Dividend (%)	Date of Payment(Interim & Final)
2004-05	1030.45	385.00	37.36%	31st August, 2004 (Interim), 2nd March, 2005 (Interim) & 17th August, 2005 (Final)
2005-06	1030.45	361.53	35.08%	17th August, 2005 (Interim), 8th February, 2006 (Interim) & 22nd May, 2006(Interim)
2006-07	1147.77	259.78	22.63%	9th January, 2007 (Interim) & 28th September, 2007 (Final)
2007-08	1147.77	401.72	35.00%	19th February, 2008 (Interim) & 5th August, 2008 (Final)
2008-09	1147.77	459.11	40.00%	5th March, 2009 (Interim) & 29th September, 2010 (Final)

6) **Listing on Stock Exchanges**

PFC shares are listed on the following stock exchanges:

National Stock Exchange of India Limited	Bombay Stock Exchange Limited
Scrip Code: PFC EQ	Scrip Code: 532810
Stock Code: INE134E01011	

The annual listing fees for the financial year 2010-11 have been paid to NSE and BSE.

7) **Market Price Data**

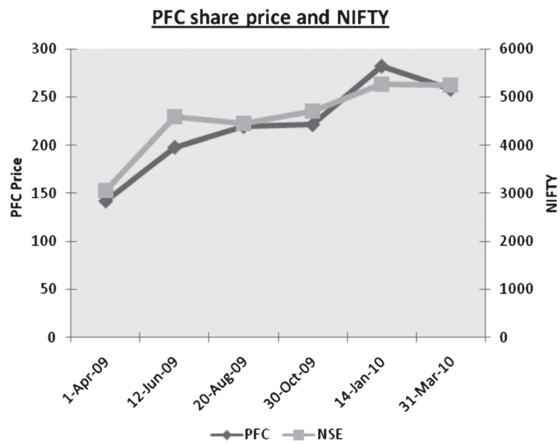
NSE

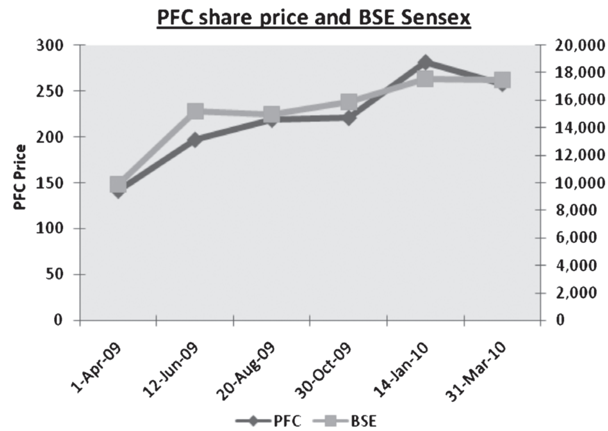
Month	High (₹)	Low (₹)	Closing (₹)
April'09	165.00	132.50	153.85
May'09	226.90	151.90	193.65
June'09	214.00	179.25	194.05
July'09	239.00	185.00	233.95
August'09	251.50	207.10	241.20
September'09	245.00	222.00	229.00
October'09	240.00	215.25	221.70
November09	262.40	205.25	251.15
December'09	272.00	242.10	261.45
January'10	285.00	234.25	242.15
February'10	259.90	227.70	250.30
March'10	269.50	245.00	258.35

BSE

Month	High (₹)	Low (₹)	Closing (₹)
April'09	165.45	133.00	154.35
May'09	227.00	152.10	193.95
June'09	214.00	180.00	194.75
July'09	239.85	185.00	232.75
August'09	250.50	200.00	242.25
September'09	245.00	219.25	229.50
October'09	239.85	216.00	221.25
November'09	262.45	205.50	250.95
December'09	272.20	243.20	261.10
January'10	284.90	234.00	242.20
February'10	258.85	227.50	249.95
March'10	268.40	245.05	258.25

8) Performance in comparison to indices





9) Registrar and Transfer Agents

Registered Office	Communication Address
Karvy Computershare Private Limited	17-24, Vittal Rao Nagar
"Karvy House",	Madhapur
46, Avenue 4,	Hyderabad-500 081
Street No. 1, Banjara Hills,	Andhra Pradesh, India
Hyderabad 500034, India	Tel:+91 40 23420815-28
Tel: +91 40 23312454	Fax:+91 40 23420814/59
Toll Free: 1800 4258282	Email: mailmanager@karvy.com
Fax: +91 40 23311968	Website: www.karvycomputershare.com

10) Share Transfer System

The shares under physical segment are transferred through Karvy Computershare Private Limited. It receives the shares to be transferred along with the transfer deed from transferee, verifies it, and prepares the Memorandum of Transfer etc. Pursuant to Clause 49 of the Listing Agreement, a Share Transfer and Investor Services Committee has also been constituted to take note and approve the transfer of shares of the Company.

A qualified practicing Company Secretary carried out secretarial audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The secretarial audit report confirms that the total issued / paid-up capital is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.

11) Details of Escrow Account

Sl.No	Description	No.of Cases	No.of Shares
i)	Aggregate number of shareholders and the outstanding shares in the escrow account lying at the beginning of the year i.e. 1st April, 2009	95	9324
ii)	Number of shareholders who approached issuer for transfer of shares from escrow account during the year 2009-2010	29	2712
iii)	Number of shareholders to whom shares were transferred from escrow account during the year 2009-2010	27	2552
iv)	Aggregate number of shareholders and the outstanding shares in the escrow account lying at the end of the year i.e. 31st March, 2010	68	6772

In view of SEBI's directions the Company is in the process of opening a separate account so that the aforesaid shares may be credited in the said account. The voting rights in respect of the said shares will be frozen till the time rightful owner claims such shares.

12) Distribution of shareholding

- Distribution of shareholding as on 31st March, 2010

Number of shares	Number of shareholders	% of shareholders	Total No. of shares	Amount	% of shares
1 - 5000	157463	98.33%	14181288	141812880	1.24%
5001 - 10000	1354	0.85%	1049135	10491350	0.09%
10001- 20000	542	0.34%	819057	8190570	0.07%
20001 - 30000	180	0.11%	446949	4469490	0.04%
30001 - 40000	70	0.04%	251246	2512460	0.02%
40001 - 50000	84	0.05%	390981	3909810	0.03%
50001 - 100000	144	0.09%	1048874	10488740	0.09%
100001 & Above	295	0.19%	1129579170	11295791700	98.42%
Total	**160132**	**100%**	**1147766700**	**11477667000**	**100%**

- Shareholding pattern as on 31st March, 2010

Category	Total no. shares	% to Equity
President of India	1030450000	89.78%
Foreign Institutional Investors	44242640	3.86%
Indian Financial Institutions	23745003	2.07%
Bodies Corporate	18324115	1.60%
Resident Individuals	16532343	1.44%
Mutual Funds	12087757	1.05%
Employees	944667	0.08%
HUF	610090	0.05%
Banks	369213	0.03%
Non Resident Indians	349535	0.03%
Clearing Members	82843	0.01%
Trusts	28397	0.00%
Foreign Nationals	97	0.00%
Total	**1147766700**	**100%**

13) Dematerialization of shares

Number of shares held in dematerialized and physical mode as on 31st March, 2010.

Category	No. of shares	% of total capital issued
NSDL	1143577736	99.64%
CDSL	4180606	0.36%
Physical	8358	0.00%
Total	**1147766700**	**100%**

14) Outstanding GDRs/ADRs/Warrants or any convertible instruments, conversion date and likely impact on equity

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

15) Address for correspondence

Registered Office
'Urjanidhi',
1, Barakhamba Lane,
Connaught Place,
New Delhi- 110001

Company Secretary
Shri J.S. Amitabh
Tel: +91 11 23456740
Fax: +91 11 23456740
e-mail: ipo@pfcindia.com

Annexure I

Non-Mandatory Requirements

The status of non-mandatory requirements of Clause 49 of the Listing Agreement is as follows:

1. **The Board:** The Company is headed by an executive Chairman. None of the Independent Directors on the Board of the Company has been appointed for a period exceeding, in aggregate, a period of nine years.
2. **Remuneration Committee :** The appointment of Directors and payment of their remuneration are decided by president of India as per the Articles of Association of the Company. However, in line with the requirement under Department of Public Enterprises (DPE) guidelines for implementation of revised pay scales, the company constituted a Remuneration Committee on 29th January, 2010 headed by an Independent Director to decide the quantam of annual/variable pay and policy for its distribution across the Executives and Non unionized supervisors, within the prescribed limits.
3. **Shareholder Rights:** The quarterly financial results of the Company are published in leading newspapers as mentioned under the heading 'Means of Communication' of the Corporate Governance Report and also hosted on the website of the Company. These results are not separately circulated to the shareholders.
4. **Audit Qualifications:** The audit qualifications and reply of the management for the financial year 2009-10 has been given in para 38 of Directors' Report.
5. **Training to Board members:** Various seminars, conferences, training programmes etc. are attended by the Board members from time to time.
6. **Mechanism for evaluating non-executive Board Members:** Not yet adopted by the Company.
7. **Whistle Blower Policy:** The Company's Whistle Blower policy is in-built in the system of Grievance Redressal which deals with grievances of employees. A suggestion box has also been kept at the registered office of the Company. All the employees of the Company are encouraged to bring to the Managements notice concerns about suspected unethical behavior, malpractice, wrongful conduct, fraud and violation of Company's policies without fear of reprisal.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The Management of the Company is pleased to present its Report on Industry scenario including Company's performance during the year 2009-10.

Industry Structure and Development

In the year 2009-10 the power sector recorded its best performance in the past six decades with an aggregate capacity addition of 9,585 MW or two thirds of its target i.e. 14,507 MW. This was enabled by the massive contribution of the thermal sector that constituted 95% of the total capacity addition. Even nuclear power contributed an impressive 4.6% against the contribution of the hydro power sector that added only 0.4% during the year.

This improved performance was also facilitated by the improved availability of gas for the power sector. Out of the total installed generation capacity in the country, about 11% is based on gas or liquid fuel (excluding diesel). The availability of gas from KG (Krishna Godavari) basin (D6) and utilization of surplus gas available on fallback basis resulted in better utilization of capacity and higher plant load factor (PLF) as also high growth in electricity generated from gas based plants.

As on 31st March, 2010 the country had an installed generation capacity of 1,59,399 MW. The Government of India, Ministry of Power in the Eleventh plan has set a target of 78,700 MW capacity addition out of which 59,693 MW would be from thermal power projects, 15,627 MW from hydro projects and 3,380 MW from nuclear projects. A greater role was envisaged for the Government, whose contribution would be 81%.

In the light of delays in project implementation, the Central Electricity Authority (CEA) estimated that about 62,374 MW of capacity could be added by the end of eleventh plan. Further, additional 12,590 MW could be possible in the best effort scenario resulting in total 74,964 MW of capacity addition during the XI plan.

During the first three years of the plan period, 22,302 MW of new capacity has been added, which is more than the entire capacity addition of 21,180 MW during the five years of the tenth plan.

Ministry of Power, Govt. of India recognizes the fact that private investors have important role to play in the power sector growth of India. The stipulation under Section 63 of Electricity Act 2003 has provided impetus to the participation of private sector in Generation and Transmission. Provision of open access and tariff framework under Tariff Policy has been put in place to create an enabling environment for the private investors.

Private investors have responded to the policy initiatives very positively. As a result, out of 19,797 MW envisaged under private sector during XIth Plan, a capacity of 4,990 MW has already been commissioned and capacity of 14,807 MW is likely to be commissioned during the remaining Plan period with a high level of certainty.

The Government of India has set an ambitious mission of **'POWER FOR ALL BY 2012'**. This mission would require that the installed generation capacity should be at least 2,00,000 MW by 2012. To be able to reach this, an expansion of the regional transmission network and inter regional capacity to transmit power would be essential. The latter is required because resources are unevenly distributed in the country and power needs to be carried great distances to reach areas where load centers exist.

Efficient Distribution of electricity is also essential for achieving the above mission. Bringing down the AT&C losses which are very high is another big challenge. High technical losses in the system are primarily due to inadequate investments over the years for system improvement works, which has resulted in unplanned extensions of the distribution lines, overloading of the system elements like transformers and conductors, and lack of adequate reactive power support. The commercial losses are mainly due to low metering efficiency, theft and pilferages.

The Government of India has launched the Restructured Accelerated Power Development and Reforms Programme (R-APDRP) in the XIth Five Year Plan. The focus of the Programme is on actual, demonstrable performance in terms of reduction in Aggregate Technical and Commercial (AT&C) losses. Projects under the scheme shall be taken up in two parts. Part – A shall include the projects for establishment of base line data and IT applications for energy accounting/auditing and IT based consumer service centre. Part – B shall include regular distribution strengthening projects. Further, there is an enabling component under Part – C for implementation of R-APDRP and for facilitating the process of reform in power sector. The programme size is ₹ 51,577 crore, out of which ₹ 10,000 crore is for Part - A and ₹ 40,000 crore is for Part – B activities and the remaining ₹ 1,177 crore for Part - C enabling activities to be implemented by Ministry of Power.

Energy is an important input required for economic and social development. India ranks as the world's sixth largest energy consumer in the world, but, per capita consumption of energy is very low as compared to world consumption which needs to be increased to meet the goals of economic and social development. The National Electricity Policy (NEP) stipulates power for all and per capita consumption of envisages electricity to rise to 1,000 units by 2012. This entails provision of adequate reliable power, at affordable cost with access to all citizens. Electricity is in the Concurrent List of the Constitution and the primary responsibility of structuring its availability and distribution is that of States. However, both the Centre and the States have to play a decisive and positive role. The installed power generation capacity has grown many times since independence, however, there is still a peak demand shortage and energy deficit is very high in the country. To mitigate shortage of energy in general and electricity in particular, in addition to augmenting the capacity of energy supply, its efficient use and conservation is also essential. Keeping this in view and to maintain GDP growth of atleast 8 to 10%, the Government is initiating several policy measures to accelerate power generation and promote energy efficiency to meet power requirements which will necessitate huge funds requirement.

Growing concern about pollution and global warming has led many individuals and nations to consider the nuclear power as an excellent alternative for future power generation. Apart from technological advancements and increased public awareness, heavy investments are critical to the success of the nuclear industry. Investments by the nuclear industry in both technology and education will likely be seen in the near future. It is definite that the future power reforms will be in the field of nuclear energy.

The devastating impact of climate change has become an issue of critical importance. Energy production using fossil fuels is the major contributor to green house gas emission. The solution lies in effecting an accelerated transition to a low carbon energy economy, which means large scale development of renewable energy. India has huge potential for producing electricity from renewable sources which needs to be explored with adequate funding.

The funding requirement of Power Sector i.e. for Generation, Transmission, Distribution and R&M Projects for the 11th five year plan has been estimated about ₹ 10,59,515 crore which includes ₹ 4,24,259 crore as debt and ₹ 2,13,614 crore as equity thus leaving a funding gap of ₹ 4,21,642 crore which is required particularly to complete the transmission and Distribution projects. For 12th plan period fund requirement is estimated about ₹ 11,00,000 crores for estimated capacity generation of 1,00,000 MW.

This huge requirement of funds simply indicates about the future opportunities for Power Financing sector including the PFC.

The Electricity Act, 2003 is an umbrella regulation towards creating a favorable policy environment for development of the power sector. Various power sector reforms have been undertaken under the Electricity Act, 2003 which will bring the positive change in the Power Sector scenario.

Opportunities /Threats/Risks/Concerns

Power Finance Corporation (PFC) is a leading power sector public financial institution providing fund based and non fund based support for development of Indian Power Sector. Its primary objective is to provide financial resources and encourage flow of investments to the power and associated sectors.

PFC draws upon its vast knowledge of the power sector and its financing expertise to provide tailor made products and services to its clients. In addition, PFC provides technical, management advisory and consultancy services related activities through its subsidiary Company namely PFC Consulting Limited. PFC's clients include the power utilities of state, central and private sector. These clients are involved in various aspects of the power sector in India including generation, transmission and distribution and other related activities.

PFC's priorities include not only accelerating the pace of existing business of funding generation, transmission and distribution projects, but also to exploit the new opportunities available in the sector . With this Philosophy PFC has established different strategic business units, focusing on different business segments, conventional & consortium lending to generation, transmission and distribution projects, lending to power equipment manufacturers and fuel producers and suppliers, renewable energy and CDM.

PFC is a key agency in various Govt. of India's power sector schemes and programmes and has implemented and/or is implementing schemes like Re-structured Accelerated Power Development & Reform Programme (R-APDRP), Accelerated Generation and Supply Programmes (AG&SP), Distribution Reform, Upgrades and Management (DRUM) and Delivery through Decentralized Mechanism (DDM). In addition Govt. of India has designated PFC as the nodal agency to develop Ultra Mega Power Projects (UMPPs) and Independent Transmission Projects (ITPs), based on tariff based competitive bidding process.

In order to promote short term trading through Power Exchange, PFC took the initiative by promoting National Power Exchange Limited jointly with NTPC, NHPC and TCS. Further, PFC also participated in the equity of Power Exchange India Limited (PXI), a company promoted by NSE and NCDEX.

PFC is focusing on renewable energy and accelerating the development of business in Renewable Energy Generation Projects such as Wind, Biomass, Small Hydro, Solar projects so as to give thrust to funding of Renewable Energy Projects in the country. PFC is taking higher exposure in Renewable Energy Generation Projects and offers special interest rates for such projects.

In order to accelerate implementation of Energy Efficiency Projects, a new company by the name of Energy Efficiency Services Limited (EESL) has been incorporated as a Joint Venture Company of PFC, NTPC, Power Grid and REC. PFC has taken lead role in incorporating the company.

PFC is also facilitating State Power Utilities in availing CDM benefits of R&M of old thermal and hydro projects.

The general health of the power sector utilities in India and maintaining a high standard of assets quality are the other areas of concern for PFC.

Inadequate availability of Coal and dismal hydel generation owing to the failure of monsoons, attests to its potential is also a constraint in the way of sustained growth of power sector. The power sector is a major consumer of coal using 74% of the total coal production. Coal based power generation projects are put to a stiff test of proving their matter due to shortage in domestic supply of coal.

Of late the competition scenario from the banks is increasing with the increasing bank credit to the infrastructure sector (including power sector). Interest spread of the banks is higher than PFC, even when yield on assets are higher in cases of PFC. The main reason is that banks are having cheaper source of funds in the form of CASA (current accounts & saving accounts).

The risk levels in power projects are quite high. Due to long gestation period and large capital outlay, it makes them susceptible to changes in various factors such as interest rates, statutory regulations and policies, the cost and availability of raw materials and other key inputs and general economic conditions which could affect projects' viability in the implementation and operation stages with impact on the ability of borrowers to service the loans. The various risks involved are credit risk, market risk, poor financial health of power sector utilities, regulatory restrictions, forex risk, operational risk and the ability to maintain its recovery performance and asset quality.

Outlook

Large funds needed for setting up power infrastructure augurs well for PFC, which has strong domain expertise and a good track record.

The power deficient situation in the country has seen various governments, both past and present, lay emphasis on attracting investments across the generation, distribution and transmission segments of the power sector. While the initiatives have led companies to commit to setting up new capacities, it entails huge investments. Thus, it has enhanced opportunities for PFC. While concerns pertaining to higher interest rate, tight liquidity conditions and fears over deteriorating asset quality haven't spared most of the sectors including infrastructure financing, PFC has been relatively insulated with stable growth in loans, greater expertise, dominant position and, an ability to sustain spreads and asset quality.

Even as huge investments are being made towards setting up power-related infrastructure, the growing energy requirements are relatively unmet demand-supply gap pegged at close to 10 per cent. As India's economy is expected to grow at a reasonably good rate for many years, the current low per capita energy consumption should inch towards international benchmarks. The Government has already envisaged plans to add around 78,700 MW of power generation capacity by the end of eleventh plan period to cover the demand-supply mismatch. This will require huge funds. Likewise, the addition of new generation capacity would require an equivalent amount towards allied activities in the transmission and distribution segments, which put together indicates enormous funds requirement.

PFC has a dominant position in the power financing business with over 20 per cent market share and PFC's loans sanctioned to the power sector grew substantially in the last five years. Also, considering that a power project which takes long time to complete sees maximum disbursements happening towards the end of a project implementation cycle, this indicates robust disbursement in the future as well.

PFC has been designated as the nodal agency for implementation of various power schemes as well as Ultra Mega Power Projects (each costing around ₹16,000 crore); this enables the company to undertake all activities necessary to obtain the appropriate clearances required to establish the UMPPs for a fee. Four UMPPs have already been awarded to successful bidders. With PFC being closely associated with the passage of these projects, there is also possibility to lend to these projects.

PFC has also been designated as the nodal agency to operationalise the R-APDRP programme and shall act as a single window service. As nodal agency PFC shall receive a fee as well as the reimbursement of expenditure in implementation of the programme as per the norms to be decided by the R-APDRP Steering Committee.

As a specialized power financier with a sound track record, PFC has vast domain expertise. As power projects involve a large portion (around 70 per cent) of debt financing, PFC ensures easier accessibility of funds as a single source compared to banks, which typically have to adhere to caps on the amount of loans given to a single sector/company/business group. Being a NBFC, PFC is also not required to maintain statutory funds (like CRR, SLR in case of banks) thus, enjoys an exemption from blocking significant portion of funds in low-yielding assets. Despite the movement in interest rates, PFC has been able to maintain a good interest spreads (difference between lending and borrowing rates) as well as good asset quality.

Overall the future of the power sector as well as the Company seems very promising.

Internal control system and its adequacy

The Company maintains a robust system of Internal Control including suitable monitoring procedures which ensures accurate and timely financial reporting of various transactions, efficiency of operations and compliance with statutory laws, regulations and company policies. Suitable delegation of power and guidelines for accounting has been issued for uniform compliance. In order to ensure that all checks and balances are in place and all internal control systems are in order, regular and exhaustive internal audits are conducted by experienced firms of Chartered Accountants in close co-ordination with Company's own Internal Audit Department. Besides, Company's Audit Committee periodically reviews the important findings of different Audits keeping a close watch on compliance with Internal Control System.

PFCs internal audit system is strong and independent and works on a continuous basis, covering the entire gamut of operations and services. The Internal control system has been designed to ensure that the financial and other records are reliable for preparing financial statements and other data and for maintaining accountability of assets. The internal control systems are supplemented by management reviews and documented policies, guidelines and procedures. There exists a reliable internal check system, which helps in improving the efficiency and effectiveness of internal control system.

PFC is an ISO 9001:2008 certified Company. These stringent internal control processes and credit review mechanisms reduce the number of defaults and ultimately contribute in gaining the faith of all the stakeholders.

Segment–wise or product-wise performance

Company's main business is to provide financial assistance to the power sector and Company does not have any separate reportable segment.

Financial and Operational Performance

The Company continued to accomplish a healthy growth during the financial year 2009-10. The total revenues grew by 22.68 % from ₹ 6,583.54 crore to ₹ 8,076.86 crore in financial year 2009-10. Profit before Tax (PBT) grew by 51.40% from ₹ 1,990.47 crore to ₹ 3,013.48 crore. Profit after Tax (PAT) grew by 19.66 % from ₹ 1,969.96 crore to ₹ 2,357.25 crore. However, Profit after Tax (PAT) grew by 58.55% from ₹ 1,486.72 crore (without taking into consideration of ₹ 483.24 crore due to reversal of Deferred Tax Liability (DTL) on Special Reserve created and maintained u/s 36(i) (viii) of Income Tax Act) to ₹ 2,357.25 crore.

Further, Net Worth of the company grew by 15.10% in 2009-10 to ₹ 12,419 crore as compared to ₹ 10,790 crore in 2008-09 and the total loan assets (net) as at 31st March, 2010 grew by 23.94% to ₹ 79,855.76 crore from ₹ 64,428.99 crore as at 31st March, 2009. However, the gross Non Performing Assets (NPAs) remain constant at ₹ 13.16 crore in 2009-10.

Human Resources

Your Company recognizes the employees as the real assets of the organization and lays due emphasis on all around development of its human recources. Since the company is in knowledge intensive business, it has always been an endeavour of the company to update the competencies of the employees and equip them to handle the challenges and intricacies of the power sector. As a step towards this, the company has a systemic training plan where the training needs are assessed and professional skill are imparted at all levels of employees through customized training programmes. The Company has very cordial and harmonious relationship with its employees and are committed to keep them satisfied at all time. There were no man-days lost during the period under review. The Company had 324 employees on its rolls as on 31.03.2010.

Cautionary Note

Certain statements in the "Management Discussion and Analysis" section may be forward looking and are stated as required by applicable laws and regulations. Many factors may affect the actual results, which could be different from what the Management envisages in terms of future performance and outlook.

CERTIFICATE ON CORPORATE GOVERNANCE

To,

The Members,

Power Finance Corporation Limited,

We have examined the compliances of conditions of Corporate Governance by **POWER FINANCE CORPORATION LIMITED**, for the Financial Year ended March 31, 2010, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

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

In our opinion and to the best of our information and according to the explanations furnished to us, we certify that the Company has complied with the conditions of the said Clause 49 of the Listing Agreement.

We further state that such certificate is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

FOR SANJAY GROVER & ASSOCIATES
COMPANY SECRETARIES

Date: 18/08/2010 **Sanjay Grover**

Place: New Delhi **CP No. 3850**

POWER FINANCE CORPORATION LIMITED
BALANCE SHEET AS AT 31ST MARCH, 2010

(₹ in crore)

Description	Schedule Number	As at 31.03.2010		As at 31.03.2009	
I . SOURCES OF FUNDS					
(1) Share Holder's Funds					
(a) Share Capital	1	**1147.77**		1147.77	
(b) Reserves & Surplus	2	**12113.02**	**13260.79**	10360.05	11507.82
(2) Loan Funds					
Unsecured Loans	3		**67108.41**		52160.15
(3) Deferred Tax Liablity (Net of Asset)	4		**46.95**		55.48
(4) Interest Subsidy Fund from GOI			**663.49**		908.94
Total			**81079.64**		**64632.39**
II . APPLICATION OF FUNDS					
(1) Fixed Assets	5				
(a) Tangible Assets					
Gross Block		**90.80**		95.33	
Less : Depreciation		**19.62**		21.79	
Net Block			**71.18**		73.54
(b) Intangible Assets					
Gross Block		**2.41**		2.00	
Less : Amortisation		**0.82**		0.39	
Net Block			**1.59**		1.61
(c) Capital Works in Progress - Intangible Assets			**1.73**		0.00
(2) Investments	6		**31.43**		35.86
(3) Loans	7		**79855.76**		64428.99
(4) Net Current Assets					
Current Assets, Loans & Advances	8				
(a) Cash & Bank Balances		**1394.30**		392.83	
(b) Other Current Assets		**1592.76**		1340.57	
(c) Loans & Advances		**1828.41**		1935.75	
		4815.47		3669.15	
Less : Current Liabilities & Provisions	9				
(a) Current Liabilites		**2124.52**		1861.19	
(b) Provisions		**1573.00**		1715.57	
		3697.52		3576.76	
Net Current Assets			**1117.95**		92.39
Total			**81079.64**		**64632.39**
ACCOUNTING POLICIES	17				
NOTES ON ACCOUNTS	18				

Schedules 1 to 18 form integral part of Accounts.

For and on behalf of the Board of Directors

J S AMITABH
Company Secretary

R NAGARAJAN
Director (Finance & Financial Operations)

SATNAM SINGH
Chairman and Managing Director

Signed in terms of our report of even date

For K.K. SONI & Co.
Chartered Accountants
Firm Regd. No - 000947N

(S S SONI)
PARTNER
Membership No - 94227

For RAJ HAR GOPAL & Co.
Chartered Accountants
Firm Regd. No - 002074N

(G K GUPTA)
PARTNER
Membership No - 81085

Place : New Delhi
Date : 18.06.2010

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

(₹ in crore)

Description	Schedule Number	Year ended 31.03.2010	Year ended 31.03.2009
INCOME			
Operating Income	10	**8002.10**	6557.37
Other Income	11	**74.76**	26.17
Total		**8076.86**	6583.54
EXPENSES			
Interest and other charges	12	**4912.24**	4432.92
Bonds Issue Expenses	13	**43.79**	65.68
Personnel & Administration and Other Expenses	14	**105.76**	86.71
Depreciation	5	**3.38**	3.84
Amortization of Intangible Assets	5	**0.43**	0.28
Provision for Contingencies		**-0.57**	2.17
Provision for decline in value of investments		**-1.52**	1.49
Total		**5063.51**	4593.09
Profit for the year		**3013.35**	1990.45
Prior Period adjustments	15	**0.13**	0.02
Profit before tax		**3013.48**	1990.47
Less(-) / Add(+) : Provision for Taxation			
- Current Year :-			
- Tax		**-800.27**	-492.02
- Interest		**-0.28**	0.00
- Earlier Years :-			
- Tax		**135.79**	32.61
Less / Add : Deferred tax liability(-) / Asset(+)			
- Current Year		**8.53**	-43.61
- Reversal of DTL of Earlier Years (Refer Note No.19 of Schedule-18, Notes on Accounts)		**0.00**	483.24
Less(-) / Add(+) : Provision for fringe benefit tax		**0.00**	-0.73
Profit after tax available for appropriations	16	**2357.25**	**1969.96**
Basic & Diluted Earning Per Share of ₹ 10/- each - Refer Note No.20 of Schedule-18, Notes on Accounts - (Amount in ₹)		**20.54**	17.16
Accounting Policies	17		
Notes on Accounts	18		
Schedules 1 to 18 form integral part of Accounts			

For and on behalf of the Board of Directors

J S AMITABH	R NAGARAJAN	SATNAM SINGH
Company Secretary	Director (Finance & Financial Operations)	Chairman and Managing Director

Signed in terms of our report of even date

For K.K. SONI & Co.	For RAJ HAR GOPAL & Co.
Chartered Accountants	Chartered Accountants
Firm Regd. No - 000947N	Firm Regd. No - 002074N
(S S SONI)	**(G K GUPTA)**
PARTNER	PARTNER
Membership No - 94227	**Membership No - 81085**

Place : New Delhi
Date : 18.06.2010

SCHEDULE - 1

SHARE CAPITAL

(₹ in crore)

Description	As at 31.03.2010	As at 31.03.2009
Authorised :		
200,00,00,000 Equity shares of ₹10/- each (Previous year 200,00,00,000 shares of ₹10/- each)	2000.00	2000.00
Issued, subscribed and paid up :		
114,77,66,700 Equity shares of ₹10/- each fully paid-up (Previous year 114,77,66,700 shares of ₹10/- each fully paid)	1147.77	1147.77
TOTAL	**1147.77**	1147.77

SCHEDULE - 2

RESERVES & SURPLUS

(₹ in crore)

Description	Opening Balances as at 01.04.2009	Additions / Adjustments during the year	Deductions/ Adjustments during the year	Closing Balance as at 31.03.2010
Reserve for Bad & doubtful debts u/s 36(1)(viia)(c) of Income-Tax Act,1961	718.15	123.92	0.00	**842.07**
Special Reserve created u/s 36(1)(viii) of Income Tax Act, 1961 upto Financial Year 1996-97	599.85	0.00	0.00	**599.85**
Special Reserve created and maintained u/s 36(1)(viii) of Income Tax Act, 1961 from Financial Year 1997-98	4006.03	568.61	0.00	**4574.64**
Securities Premium Account	851.10	0.00	0.00	**851.10**
General Reserve	1795.97	236.00	0.00	**2031.97**
Profit and Loss Account	2388.95	824.44	0.00	**3213.39**
TOTAL	10360.05	1752.97	0.00	**12113.02**

SCHEDULE - 3
UNSECURED LOANS

(₹ in crore)

Description		As at 31.03.2010			As at 31.03.2009	
I. Bonds						
a) Bonds Guaranteed by the Government of India (Refer Note No. 1)		**42.00**			62.00	
b) Other Bonds (Refer Note Nos. 2 to 14)		**45759.43**			35417.15	
c) Foreign Currency Notes (Refer Note Nos. 16)		**820.44**	**46621.87**		1402.42	36881.57
II. Loans						
a) Long Term Loans (Refer Note No. 17)						
(i) Foreign Currency Loans from Foreign banks (Guaranteed by the Govt. of India)	**389.04**			505.28		
(ii) Syndicated Foreign Currency Loans from banks	**1367.40**			476.00		
(iii) Foreign Currency Loans (FCNR(B) from banks)	**181.98**			205.80		
(iv) Rupee Term Loans (From Banks)	**14793.00**			11891.50		
(v) Rupee Term Loans (From Financial Institutions)	**1430.00**	**18161.42**		800.00	13878.58	
b) Short Term Loans						
(i) Rupee Term Loans (From Banks)	**0.00**			400.00		
(ii) Commercial Paper	**650.00**			1000.00		
(iii) Working Capital Demand Loan/OD/CC/Loan Against FD/Line of Credit	1675.12	2325.12	20486.54	0.00	1400.00	15278.58
TOTAL			**67108.41**			**52160.15**

Notes :

1 The details of Government guaranteed bonds outstanding as at 31.03.2010 are as follows:

Bond Series	Amount(₹ in crore)	Date of Redemption
11.50 % Bonds - III Series	20.00	07.01.2011
12.00 % Bonds - IV Series	22.00	10.02.2012

2 8.20% Tax Free non-cummulative Unsecured Redeemable Bonds 2010 - III Series of ₹ 50.00 crore are Redeemable at par on 19.07.2010.

3 9.70% Taxable Unsecured Redeemable bonds 2011 - X series of ₹354.00 crore are issued with separately transferable Redeemable principal parts (STRPP) with each bond bearing a total face value of ₹10000000 each comprising 7 detachable and separately transferable principal parts - I and VII parts of ₹1500000/- each and II to VI parts of ₹1400000/- each. The separate principal parts are designated as A,B,C,D,E,F and G. Parts A,B,C, D & E amounting to ₹ 53.10 crore, ₹ 49.56 crore, ₹ 49.56 crore, ₹ 49.56 crore & ₹ 49.56 crore respectively have been redeemed on 23.11.2005, 23.11.2006, 23.11.2007, 23.11.2008 & 23.11.2009 respectively. The separate principal parts designated as F and G would be redeemed at par as follows:

PART	Date of Redemption	Amount (₹ in crore)
F	23.11.2010	49.56
G	23.11.2011	53.10

4 9.25% Taxable non-cummulative Unsecured Redeemable Bonds 2012- XI Series of ₹774.97 crore are issued and are Redeemable at par on the expiry of 10 years from the date of allotment i.e. 20.02.2002 and/or are Redeemable at par after expiry of 7 years on exercising the 'put or call option' by the bondholders or by the Company. Put option for ₹ 30.89 crore has been exercised by the Bondholders on 20.02.2009.

5 9.60% Taxable non-cummulative Unsecured Redeemable Bonds 2017 - XIII Series of ₹ 125.00 crore and ₹ 65.00 crore are Redeemable at par on the expiry of 15 years from the date of allotment i.e. 16.5.2002 and 24.5.2002 respectively.

6 8.21% Taxable non-cummulative Unsecured Redeemable Bonds 2017 - XVII Series of ₹ 250.00 crore are Redeemable in 10 equal annual instalments beginning from the date next to the expiry of the 6th year after an initial moratorium period of 5 years from the date of allotment i.e. 3.10.2002. An amount of ₹ 25.00 crore & ₹ 25 crore have been redeemed on 03.10.2008 and 03.10.2009 respectively. The date and the amount of the bonds to be redeemed are as follows :-

Date of Redemption	Amount (₹ in crore)
3.10.2010	25.00
3.10.2011	25.00
3.10.2012	25.00
3.10.2013	25.00
3.10.2014	25.00
3.10.2015	25.00
3.10.2016	25.00
3.10.2017	25.00

7 7.87% Taxable non-cummulative Unsecured Redeemable Bonds 2017 - XVIII Series of ₹ 250.00 crore are Redeemable in 10 equal annual instalments beginning from the date next to the expiry of the 6th year after an initial moratorium period of 5 years from the date of allotment i.e. 13.11.2002. An amount of ₹ 25.00 crore & ₹25.00 crore have been redeemed on 13.11.2008 & 13.11.2009 repectively. The date and the amount of the bonds to be redeemed are as follows :-

Date of Redemption	Amount (₹ in crore)
13.11.2010	25.00
13.11.2011	25.00
13.11.2012	25.00
13.11.2013	25.00
13.11.2014	25.00
13.11.2015	25.00
13.11.2016	25.00
13.11.2017	25.00

8 Zero Coupon Unsecured Taxable Bonds 2022-XIX Series of ₹ 278.04 crore (previous year ₹ 257.20 crore) are Redeemable at face value of ₹ 750.00 crore on 30.12.2022 [(net of Unamortised Interest of ₹ 471.96 crore (previous year ₹ 492.80 crore)].

9 5.85% Taxable non-cummulative Unsecured Redeemable Bonds 2010 - XX Series of ₹725.00 crore are Redeemable at par on expiry of 7 years from the date of allotment i.e, 01.08.2003 and /or are Redeemable at par after the expiry of 5 years on exercising the ' put or call option ' by the bondholders or by the Company. Put option for ₹545.05 crore has been exercised by the bondholders on 01.08.2008.

10 6.80% Taxable non cummmulative Unsecured Redeemable Bonds 2011 - XXI - A Series of ₹301.00 crore are Redeemable at par on expiry of 7 years from the date of allotment i.e, 02.11.2004 and /or are Redeemable at par after the expiry of 5 years on exercising the ‘ put or call option ‘ by the bondholders or by the Company. Put option for ₹ 215 crore has been exercised by the bondholders on 02.11.2009.

11 7.00% Taxable non cummmulative Unsecured Redeemable Bonds 2014 - XXI-B Series of ₹168.80 crore are Redeemable at par on expiry of 10 years from the date of allotment i.e, 02.11.2004 and /or are Redeemable at par after the expiry of 7 years on exercising the ‘ put or call option ‘ by the bondholders or by the Company.

12 7.00% Taxable non cummmulative Unsecured Redeemable Bonds 2011 - XXII Series of ₹1040.70 crore are Redeemable at par on expiry of 7 years from the date of allotment i.e, 24.12.2004 and /or are Redeemable at par after the expiry of 5 years on exercising the ‘ put or call option ‘ by the bondholders or by the Company. Put option for ₹346.40 crore has been exercised by the bondholders on 24.12.2009.

13 7.00% Taxable non cummmulative Unsecured Redeemable Bonds 2012 - XXIII Series of ₹349.90 crore are Redeemable at par on expiry of 7 years from the date of allotment i.e, 05.07.2005 and /or are Redeemable at par after the expiry of 5 years on exercising the ‘put or call option ‘ by the bondholders or by the Company.

14 The details of Unsecured Taxable (Non cumulative) Bonds series XXIV to LXIV are as follows :

Bond Series	**Coupon Rate**	**Date of Redemption**	**Amount(₹ in crore)**
XXIV Series	6.70%	01.09.2010	475.00
XXV Series	7.60%	30.12.2015	1734.70
XXVI Series	7.95%	24.02.2016	1261.80
XXVII - A Series	8.20%	17.03.2016	1000.00
XXVII - B Series	8.09%	17.03.2013	850.00
XXVIII Series	8.85%	31.05.2021	600.00
XXIX - A Series	8.80%	07.09.2016	250.00
XXIX - B Series	8.55%	07.09.2011	300.00
XXX Series	8.49%	09.10.2011	480.00
XXXI - A Series	8.78%	11.12.2016	1451.20
XXXII Series	9.25%	19.02.2012	578.50
XXXIII - A Series	9.80%	22.03.2012	122.00
XXXIII - B Series	9.90%	22.03.2017	561.50
XXXIV Series	9.90%	30.03.2017	500.50
XXXV Series	9.96%	18.05.2017	530.00
XXXVI - A Series	9.90%	15.06.2010	253.00
XXXVI - B Series	10.00%	15.06.2012	436.30
XXXVIII Series	9.80%	20.09.2012	1862.00
XL - B Series	9.22%	28.12.2012	510.00
XL - C Series	9.28%	28.12.2017	650.00
XLI - B Series	8.94%	15.01.2013	265.00
XLII - A Series	9.01%	15.02.2011	825.00
XLII - B Series	9.03%	15.02.2013	319.00
XLIII - A Series	9.30%	12.03.2011	76.10
XLIII - B Series	9.30%	12.03.2013	271.60
XLIV Series	9.40%	25.03.2013	1260.30
XLVI Series	MIBOR +215 bps	29.05.2011	475.00
XLVII - A Series	9.55%	09.06.2011	450.60
XLVII - B Series	9.60%	09.06.2013	495.30
XLVII - C Series	9.68%	09.06.2018	780.70
XLVIII - A Series	10.75%	15.07.2011	571.50
XLVIII - B Series	10.70%	15.07.2013	217.40
XLVIII - C Series	10.55%	15.07.2018	259.70
XLIX - A Series	10.90%	11.08.2013	313.60
XLIX - B Series	10.85%	11.08.2018	428.60
L - A Series	10.85%	25.08.2011	143.00

Bond Series	Coupon Rate	Date of Redemption	Amount(₹ in crore)
L - B Series	10.75%	25.08.2013	78.40
L - C Series	10.70%	25.08.2015	80.80
LI - A Series	11.15%	15.09.2011	495.20
LI - B Series	11.10%	15.09.2013	594.00
LI - C Series	11.00%	15.09.2018	3024.40
LII - A Series	11.40%	28.11.2013	662.70
LII - B Series	11.30%	28.11.2015	5.80
LII - C Series	11.25%	28.11.2018	1950.60
LIII Series	8.70%	09.07.2010	1585.10
LIV - A Series	8.90%	16.02.2014	196.50
LV - A Series	6.90%	11.05.2012	877.00
LV - B Series	7.50%	11.05.2014	146.90
LVI Series	7.20%	09.07.2012	525.00
LVII - B Series	8.60%	07.08.2014	866.50
	8.60%	07.08.2019	866.50
	8.60%	07.08.2024	866.50
LVIII - A Series	7.75%	17.09.2012	100.00
LVIII - B Series	8.45%	17.09.2014	331.10
LIX - A Series	8.45%	15.10.2014	288.20
LIX - B Series	8.80%	15.10.2019	1216.60
LX - A Series	INCMTBMK + 135 bps	20.11.2012	175.00
LX - B Series	INCMTBMK + 179 bps	20.11.2019	925.00
LXI - Series	8.50%	15.12.2014	351.00
	8.50%	15.12.2019	351.00
	8.50%	15.12.2024	351.00
LXII - A Series	8.70%	15.01.2020	845.40
LXII - B Series	8.80%	15.01.2025	1172.60
LXIII - Series	8.90%	15.03.2015	184.00
	8.90%	15.03.2020	184.00
	8.90%	15.03.2025	184.00
LXIV - Series	8.95%	30.03.2015	492.00
	8.95%	30.03.2020	492.00
	8.95%	30.03.2025	492.00

15 As at 31.03.2010, Bonds for ₹ 3.42 crore (previous year ₹ 3.52 crore) are held by PFC Ltd. Employees Provident Fund Trust and Bonds for ₹ 0.70 crore (previous year ₹0.70 crore) are held by PFC Ltd. Gratuity Trust.

16 Foreign currency 6.61 % Senior Notes (USPP - I) of USD 180 million amounting to ₹ 820.44 crore (previous year ₹ 926.10 crore) are redeemable at par on 05.09.2017.

17 Long Term Loans due for repayment within one year are ₹ 5256.62 crore (previous year ₹ 4524.83 crore).

SCHEDULE - 4

DEFERRED TAX LIABILITY (NET OF ASSET)

(₹ in crore)

Description	As at 31.03.2010		As at 31.03.2009	
Opening Balance	**55.48**		1240.25	
Additions/Deductions during the year	**-8.53**	**46.95**	-1184.77	55.48
TOTAL *		**46.95**		55.48

* (Refer Note Nos.18 and 19 of Schedule-18, Notes on Accounts)

SCHEDULE - 5
FIXED ASSETS

(₹ in crore)

Description	GROSS BLOCK				DEPRECIATION					NET BLOCK	
	Opening Balance as at 01.04.2009	Additions/ Adjustments	Deductions/ Adjustments	**Closing Balance as at 31.03.2010**	Opening Balance as at 01.04.2009	For the Period 01.04.2009 to 31.03.2010	Charged to Prior period Adjustments	With drawn/ Written back	**Closing Balance as at 31.03.2010**	**As at 31.03.2010**	As at 31.03.2009
I. TANGIBLE ASSETS :											
Owned Assets											
Land (Freehold)	2.59	0.00	0.00	2.59	0.00	0.00	0.00	0.00	0.00	2.59	2.59
Land (Leasehold)	38.33	0.00	0.00	38.33	0.00	0.00	0.00	0.00	0.00	38.33	38.33
Buildings	24.14	0.00	0.00	24.14	3.30	1.04	0.00	0.00	4.34	19.80	20.84
EDP Equipments	6.68	0.71	0.06	7.33	5.43	0.67	0.00	0.03	6.07	1.26	1.25
Office and other equipments	11.06	0.22	0.07	11.21	4.25	0.97	0.00	0.03	5.19	6.02	6.81
Furniture & Fixtures	6.88	0.17	0.03	7.02	3.20	0.69	0.00	0.02	3.87	3.15	3.68
Vehicles	0.18	0.00	0.00	0.18	0.14	0.01	0.00	0.00	0.15	0.03	0.04
Sub-Total	**89.86**	**1.10**	**0.16**	**90.80**	**16.32**	**3.38**	**0.00**	**0.08**	**19.62**	**71.18**	**73.54**
Leased Assets											
Plant & Machinery	5.47	0.00	5.47	0.00	5.47	0.00	0.00	5.47	0.00	0.00	0.00
Total	**95.33**	**1.10**	**5.63**	**90.80**	**21.79**	**3.38**	**0.00**	**5.55**	**19.62**	**71.18**	**73.54**
Previous Year	374.70	0.76	280.13	95.33	297.75	3.84	0.00	279.80	21.79	73.54	76.95
II. Intangible Assets :											
Purchased Software (Useful Life - 5 years)	2.00	0.41	0.00	2.41	0.39	0.43	0.00	0.00	0.82	1.59	1.61
Previous Year	**0.16**	**1.84**	**0.00**	**2.00**	**0.11**	**0.28**	**0.00**	**0.00**	**0.39**	**1.61**	**0.05**
III. Capital Works in Progress- Intangible Assets	0.00	1.73	0.00	1.73	0.00	0.00	0.00	0.00	0.00	1.73	0.00
Previous Year	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**

Note : The building has been capitalised on the basis of estimated value of work done as Final bills are not yet settled

SCHEDULE - 6
INVESTMENTS

(₹ in crore)

Description		As at 31.03.2010		As at 31.03.2009
A. Long Term Investments (Trade - Unless otherwise specified)				
- Valued at Cost				
1,20,00,000 Equity Shares of ₹10/- each fully paid up of PTC Ltd. (Quoted)		**12.00**		12.00
8,33,000 Equity Shares of ₹10/- each fully paid up of National Power Exchange Ltd. (Unquoted - Non Trade)		**0.83**		0.83
17,50,000 Equity Shares (Face value of ₹10/- each) of Power Exchange India Ltd. (Unquoted - Non Trade)		**1.75**		0.00
625000 Equity Shares (Face value of ₹10/- each) of Energy Efficiency Services (P) Ltd. (Unquoted - Non Trade)		**0.63**		0.00
4,65,000 Equity Shares of ₹10/- each fully paid up of Subsidiaries/Associates (Unquoted - Non Trade)		**0.47**		0.47
8,330 4% Bonds of ₹100/- each of IMP Power Ltd. (Unquoted - Non Trade)		**0.08**		0.08
- Valued at Cost (Less diminution, if any, other than temporary)				
1,20,85,407 Units of " Small is Beautiful " Fund of KSK Investment Advisor Pvt. Ltd. (Face value per unit is ₹ 10) (Unquoted - Non Trade)	**12.08**		14.47	
Less : Provision for Diminution	**0.24**	**11.84**	1.32	13.15
- Valued at Cost (NPAs)				
50,000 Equity Shares of ₹10/- each fully paid up of Subsidiaries (Unquoted - Non Trade)	**0.05**		0.00	
Less : Provision for Contingencies	**0.05**	**0.00**	0.00	0.00
B. Current Investments - Valued scrip wise at Lower of Cost or Market Price (Trade - Unless otherwise specified)				
Equity Shares (Quoted) **	**3.83**		8.01	
Less : Provision for Diminution	**0.00**	**3.83**	0.43	7.58
C. Application Money pending allotment of Shares				
17,50,000 Equity Shares (Face value of ₹ 10/- each) of Power Exchange India Ltd.		**0.00**		1.75
TOTAL		**31.43**		**35.86**
** 5,39,349 Shares (Face value of ₹ 10/- each) of PGCIL purchased at a cost of ₹ 52 (Previous year - 5,39,349 Shares)		**2.80**		2.80
97,952 Shares (Face value of ₹ 10/- each) of REC Ltd. purchased at a cost of ₹ 105 (Previous year - 4,95,917 Shares)		**1.03**		4.78
		3.83		**7.58**

Particulars	**Book Adjusted Value**	Market Value
Aggregate of Quoted Investments	**15.83**	142.69
(Previous year)	**(19.58)**	(93.86)
Aggregate of Unquoted Investments	**15.60**	
(Previous year)	**(14.53)**	
Share Application Money pending Allotment	**0.00**	
(Previous year)	**(1.75)**	
TOTAL	**31.43**	**142.69**
(Previous year)	**(35.86)**	**(93.86)**

SCHEDULE - 7
LOANS

(₹ in crore)

Description	As at 31.03.2010		As at 31.03.2009	
I. Secured - (Considered Good)				
Rupee Term Loans to State Electricity Boards, State Power Corporations,Central Public Sector Undertakings and State Governments	**47082.90**		36710.60	
Rupee Term Loans to Independent Power Producers	**1552.05**		2534.07	
Foreign Currency Loans to Independent Power Producers	**406.11**		587.85	
Buyer's Line of Credit	**19.94**		47.97	
Medium Term Loans	**0.00**		30.80	
Lease Financing to Borrowers *	**300.52**		191.60	
Rupee Loans to Equipment Manufacturers	**3.76**		5.01	
Incomes Accrued & due on Loans	**1.93**		14.70	
		49367.21		40122.60
II. Secured - Others				
RTLs to Independent Power Producers - NPAs	**8.92**		8.92	
Less: Provision for Contingencies	**2.68**	**6.24**	2.68	6.24
III. Un Secured - (Considered Good)				
Rupee Term Loans to State Electricity Boards, State Power Corporations,Central Public Sector Undertakings and State Governments	**25480.00**		21383.23	
Rupee Term Loans to Independent Power Producers	**1955.47**		1064.82	
Working Capital Loans to State Electricity Boards and State Power Corporations	**2948.99**		1604.54	
Foreign Currency Loans to State Electricity Boards and State Power Corporations	**93.65**		128.77	
Buyer's Line of Credit	**4.18**		118.78	
Incomes Accrued & due on Loans	**0.02**		0.01	
		30482.31		24300.15
IV. Un Secured - Others				
Rupee Term Loans to State Power Corporations - NPAs	**4.24**		4.24	
Less : Provision for Contingencies	**4.24**	**0.00**	4.24	0.00
TOTAL		**79855.76**		**64428.99**

* Includes outstanding amount of ₹ 139.89 crore given to one borrower for which Commercial Operation Date (COD) is yet to be achieved.

SCHEDULE - 8

CURRENT ASSETS, LOANS & ADVANCES

(₹in crore)

Description	As at 31.03.2010			As at 31.03.2009		
I CURRENT ASSETS						
(A) CASH AND BANK BALANCES						
a) (i) Cheques in hand	**1.27**			0.00		
(ii) Imprest with postal authority	**0.01**	**1.28**		0.01	0.01	
b) In Current Accounts with :-						
i) Reserve Bank of India	**0.05**			0.05		
ii) Scheduled Banks	**2.55**	**2.60**		2.58	2.63	
c) Fixed Deposits with Scheduled Banks		**1390.42**	**1394.30**		390.19	392.83
(B) OTHER CURRENT ASSETS						
a) Interest accrued but not due on Loan Assets		**1543.23**			1333.31	
b) Other charges accrued but not due on Loan Assets		**38.96**			1.78	
c) Interest accrued but not due on Employee advances		**5.47**			5.36	
d) Interest Accrued but not due on Deposits and Investments		**5.10**	**1592.76**		0.12	1340.57
II LOANS & ADVANCES						
Loans*						
a) to Employees (Secured)	**8.98**			9.08		
b) to Employees (Unsecured)	**8.64**	**17.62**		5.37	14.45	

(₹in crore)

Description		As at 31.03.2010			As at 31.03.2009	
Advances (Unsecured considered good)						
Advances recoverable in cash or in kind or for value to be received						
a) to Subsidiaries (including interest recoverable there on)	**65.39**			66.67		
b) to Employees	**0.40**			0.25		
c) Prepaid Expenses	**1.54**			2.05		
d) Unamortized financial charges on Commercial Paper	**5.15**			54.75		
e) Others	**240.49**			149.58		
f) Advance Income Tax and Tax Deducted at Source	**1495.10**			1642.76		
g) Advance Fringe Benefit Tax	**1.29**			3.51		
h) Security Deposits	**1.43**			1.51		
		1810.79			1921.08	
Advances (Unsecured - Others)						
a) Others - NPAs	**1.17**			2.27		
Less : Provision for Contingencies	**1.17**	**0.00**	**1828.41**	2.05	0.22	1935.75
TOTAL			**4815.47**			**3669.15**

*** Note :-**
Loans and Advances include :

Particulars	**Balance as at 31.03.2010**	**Maximum during 2009-10**	Balance as at 31.03.2009	Maximum during 2008-09
Loans given to Directors	**0.22**	**0.29**	0.22	0.31
Loans given to Officers	**2.73**	**3.54**	2.17	2.92

SCHEDULE - 9
CURRENT LIABILITIES & PROVISIONS

(₹ in crore)

Description	As at 31.03.2010			As at 31.03.2009		
I. CURRENT LIABILITIES						
Creditors for leased assets		**0.00**			0.45	
Unclaimed/Unpaid Bonds *		**22.83**			0.96	
Unclaimed/Unpaid Interest on Bonds **		**4.04**			0.53	
Unclaimed Dividend		**0.55**			0.23	
Interest Accrued but not due :						
On Bonds	**1594.67**			1288.03		
On Loans	**121.82**	**1716.49**		116.60	1404.63	
Interest Differential Fund - KFW		**47.60**			34.19	
Advance received from Subsidiaries (including interest payable thereon)		**186.86**			207.51	
Amount payable to GoI under R-APDRP (Refer note No.17 (i) of Schedule 18)		**0.11**			0.00	
Other liabilities***		**146.04**	**2124.52**		212.69	1861.19
II. PROVISIONS						
Taxation - Income Tax		**1337.29**			1489.88	
Taxation - Fringe Benefit Tax		**0.80**			2.90	
Proposed Wage Revision		**6.20**			21.89	
Leave Encashment		**12.84**			7.15	
Economic Rehabilitation of Employees		**1.31**			1.29	
Staff Welfare Expenses		**8.59**			8.16	
Gratuity / Superannuation Fund		**4.54**			3.02	
Proposed Final Dividend		**172.17**			154.95	
Proposed Corporate Dividend Tax		**29.26**	**1573.00**		26.33	1715.57
TOTAL			**3697.52**			**3576.76**

* Includes an amount of ₹ 0.52 crore (previous year ₹ 0.64 crore) remaining unpaid pending completion of transfer formalities by the Claimants.

** Includes an amount of ₹ 0.04 crore (previous year ₹ 0.04 crore) remaining unpaid pending completion of transfer formalities by the Claimants.

*** Includes Book Overdraft of ₹ 28.35 crore from one bank (previous year ₹ 0.60 crore).

SCHEDULE - 10
OPERATING INCOME

(₹ in crore)

Description		Year ended 31.03.2010		Year ended 31.03.2009
Interest on Loans		**7852.26**		6338.76
Interest restructuring / Prepayment Premium		**14.53**		8.95
Upfront fees on Loans		**22.06**		12.48
Service charges on Loans		**0.11**		0.14
Management, Agency & Guarantee Fees		**48.62**		41.28
Commitment charges on Loans		**4.54**		3.01
Interest on Deposits		**48.81**		112.40
Lease income	**14.90**		23.29	
Less : Lease Equalization	**0.00**	**14.90**	0.27	23.02
Nodal Agency Fees under R-APDRP (Refer note No.17 (ii) of Schedule 18)		**-17.33**		17.33
Advisory Fees - UMPPs		**13.60**		0.00
TOTAL		**8002.10**		**6557.37**

SCHEDULE - 11
OTHER INCOME

Interest on Income Tax Refund		**54.43**		17.97
Miscellaneous Income *		**6.93**		2.79
Excess Liabilities written back		**7.90**		0.00
Dividend / Interest Income on Long term Investments **		**1.59**		5.10
Dividend / Interest Income on Current Investments		**0.12**		0.31
Profit on sale of Long term Investments		**0.53**		0.00
Profit on sale of Current Investments		**3.26**		0.00
TOTAL		**74.76**		**26.17**

* Includes refund of corporate donation of ₹4.98 crore (previous year ₹Nil) from Prime Minister Relief Fund made for Bihar flood victims.

** Includes TDS of ₹ Nil (previous year ₹0.89 crore).

SCHEDULE - 12
INTEREST & OTHER CHARGES

I. Interest				
On Bonds	**3700.99**		2790.15	
On Loans	**1051.21**		1074.27	
to GOI on Interest Subsidy Fund	**80.70**		98.19	
Rebate for Timely Payment to Borrowers	**127.36**		112.78	
Swap Premium (Net)	**-42.31**	**4917.95**	13.89	4089.28
II. Other Charges				
Commitment & Agency Fees	**0.49**		0.85	
Financial Charges on Commercial Paper	**64.49**		81.55	
Guarantee, Listing & Trusteeship fees	**1.98**		2.11	
Management Fees on Foreign Currency Loans	**27.71**		0.00	
Bank/Other charges	**0.00**		0.01	
Net Translation/Actual Exchange Loss/gain (-) on Foreign Currency Loans	**-103.84**	**-9.17**	252.53	337.05
Interest paid on advances received from subsidiaries	**4.28**		7.19	
Less : Interest received on advances given to subsidiaries	**0.82**	**3.46**	0.60	6.59
TOTAL		**4912.24**		**4432.92**

SCHEDULE - 13

BONDS ISSUE EXPENSES

(₹ in crore)

Description	Year ended 31.03.2010	Year ended 31.03.2009
Interest on Application Money	**27.06**	38.18
Credit Rating Fees	**2.24**	1.81
Other Issue Expenses	**10.68**	7.39
Stamp Duty Fees	**3.81**	18.30
TOTAL	**43.79**	**65.68**

SCHEDULE - 14

PERSONNEL, ADMINISTRATION AND OTHER EXPENSES

Salaries, Wages and Bonus	**51.39**	35.08
Contribution to Provident and other funds	**3.69**	1.54
Staff Welfare	**12.56**	5.73
Office Rent	**0.35**	0.33
Rent for Residential accomodation of employees	**4.06**	2.29
Electricity & Water charges	**1.02**	1.11
Insurance	**0.12**	0.11
Repairs & Maintenance	**2.35**	2.48
Stationery & Printing	**0.34**	0.89
Travelling & Conveyance	**4.61**	4.28
Postage, Telegraph & Telephone	**1.11**	0.56
Professional & Consultancy charges	**7.02**	2.63
Miscellaneous	**14.57**	8.20
Loss on sale of assets	**0.02**	0.01
Auditors' remuneration	**0.26**	0.22
Expenditure relating to Consultancy Assignment	**0.00**	12.52
Donation	**0.00**	4.98
Service Tax	**1.26**	0.68
Rates & Taxes	**1.02**	3.06
Wealth Tax	**0.01**	0.01
TOTAL	**105.76**	**86.71**

Note :-

1) Miscellaneous includes :

Books & Periodicals	**0.03**	0.03
Advertisement	**4.88**	3.30
Membership & Subscription	**1.01**	0.39
Entertainment	**0.36**	0.29
Conference & Meeting Expenses	**1.36**	0.51
Security Expenses	**0.67**	0.52
Training	**0.34**	0.51
EDP Expenses	**0.66**	0.18
Business Promotion / Related Expenses	**0.14**	0.10
Equipment Hire Charges	**0.34**	0.14

Description		Year ended 31.03.2010		(₹ in crore) Year ended 31.03.2009
2) Auditors' Remuneration includes :				
Audit fees		**0.12**		0.11
Tax Audit fees		**0.04**		0.03
Other certification services		**0.10**		0.07
Reimbursement of Expenses		**0.00**		0.01
3) Payments made in r/o CMD and Directors:				
Salaries, Wages & Bonus		**0.97**		0.67
Contribution to Provident and other welfare funds		**0.06**		0.03
Other Perquisite payment		**0.56**		0.25
Inland travelling		**0.27**		0.29
Foreign travelling		**0.35**		0.30

SCHEDULE - 15

PRIOR PERIOD ADJUSTMENTS

Prior Period Income :				
Interest & Other charges		**-0.20**		**0.51**
Prior Period Expenses :				
Depreciation	**0.00**		0.00	
Interest & Other charges	**-0.40**		-0.26	
Personnel & Administration Expenses	**0.07**	**-0.33**	0.75	**0.49**
Prior Period Adjustments (Net)		**0.13**		0.02

SCHEDULE - 16

APPROPRIATIONS

Transfer towards Reserve for Bad & Doubtful Debts u/s 36 (1) (viia) (c) of Income Tax Act, 1961	**123.92**	76.46
Transfer to Special Reserve created and maintained u/s 36(1)(viii) of Income Tax Act, 1961	**568.61**	346.23
Dividend & Corporate Dividend Tax :		
Interim Dividend Paid	**344.33**	304.16
Proposed Final Dividend	**172.17**	154.95
Corporate Dividend Tax paid on Interim Dividend	**58.52**	51.69
Proposed Corporate Dividend Tax	**29.26**	26.33
General Reserve	**236.00**	197.00
Balance carried to Balance Sheet	**824.44**	813.14
TOTAL	**2357.25**	1969.96

SCHEDULE - 17

SIGNIFICANT ACCOUNTING POLICIES

1 BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

The Financial Statements have been prepared in accordance with historical cost convention on accrual basis in accordance with Generally Accepted Accounting Principles (GAAP) and Accounting Standards notified by the Companies (Accounting Standards) Rules, 2006 and relevant provisions of the Companies Act, 1956.

The preparation of Financial Statements requires the Management to make estimates and assumptions considered in the reported amounts of assets, liabilities (including contingent liabilities), revenues and expenses of the reporting period. The difference between the actual results and the estimates are recognized in the period in which the results are known and / or materialized.

2 RECOGNITION OF INCOME / EXPENDITURE

2.1 Income and Expenses (except as stated below) are accounted for on accrual basis.

2.1.1 Income on Non Performing Assets and Assets stated in the proviso to paragraph 6.2, infra is recognized in the year of its receipt. However, any unrealized income recognized before the asset in question became non-performing asset or the income recognized in respect of assets as stated in the proviso to paragraph 6.2, infra which remained due but unpaid for a period more than six months is reversed.

2.1.2 Fee for advisory and professional services for developing Ultra Mega Power Projects is accounted for on transfer of the project to the successful bidder.

2.1.3 Premium on interest restructuring is accounted for in the year in which the restructuring is approved.

2.1.4 Premium on premature repayment of loan is accounted for in the year in which it is received by the Company.

2.1.5 Rebate on account of timely payment by borrowers is accounted for, on receipt of entire amount due on time.

2.1.6 Income under the head carbon credit, upfront fees, lead manager fees, facility agent fees, security agent fee and service charges etc. on loans is accounted for in the year in which it is received by the Company.

2.1.7 The discount/financial charges/interest on the Commercial Papers and Zero Coupon Bonds (Deep Discount Bonds) are amortized proportionately over the period of its tenure.

2.1.8 Expenditure on issue of shares is charged off to the Share Premium received on the issue of shares.

2.2 Lease rental is accounted for on accrual basis. Income from Lease Rentals in respect of leases prior to 1.4.2001 is recognized on the basis of implicit interest rate, in the lease, in accordance with 'Guidance Note on Accounting for Leases' issued by the Institute of Chartered Accountants of India. Leases effected from 01.04.2001 are accounted for in accordance with Accounting Standard-19 on "Leases".

2.3 Income from Dividend is accounted for in the year of declaration of dividend.

2.4 Recoveries in borrower accounts are appropriated as per the loan agreements.

2.5 The Company is raising demand of installments due as per loan agreements. The repayment is adjusted against earliest disbursement irrespective of the rate of interest being charged on various disbursements.

2.6 Prior period expenses / income and prepaid expenses upto ₹ 5000/- are charged to natural heads of account.

3 FIXED ASSETS/DEPRECIATION

3.1 Fixed assets are shown at historical cost less accumulated depreciation, except the assets retired from active use and held for disposal, which are stated at lower of the book value or net realizable value.

3.2 The additions to Fixed Assets are being capitalized on the basis of bills approved or estimated value of work done as per contracts in cases where final bills are yet to be received / approved.

3.3 Depreciation on assets other than leased assets is provided on Written Down Value method, in accordance with the rates prescribed in Schedule XIV of the Companies Act, 1956.

3.4 Depreciation on assets leased prior to 01.04.2001 is provided on Straight Line Method at the rates prescribed under Schedule XIV to the Companies Act, 1956 or over the primary balance period of lease of assets, whichever is higher. The value of the net block so arrived at is further adjusted by balance in the lease equalization account. The assets leased after 01.04.2001 are not required to be depreciated as per Accounting Standard-19.

3.5 Items of fixed assets acquired during the year costing up to ₹ 5000/- are fully depreciated.

4 INTANGIBLE ASSETS / AMORTIZATION

Intangible assets such as software are shown at cost of acquisition and amortization is done under straight-line method over life of the assets estimated by the Company.

5 INVESTMENTS

5.1 Quoted current investments are valued scrip wise at lower of Cost or Fair value.

5.2 Unquoted current investments are valued at lower of Cost or Fair value.

5.3 Long term investments are valued at cost. Provision is made for diminution, other than temporary in the value of such investments. However, diminution in value is reversed when there is rise in the value or if the reason for the reduction is no longer exists.

5.4 Investments in Mutual Fund / Venture Capital Fund are valued at cost, less diminution, if any, other than temporary. However, diminution in value is reversed when there is rise in the value or if the reason for the reduction is no longer exists.

6 PROVISIONS/WRITE OFF AGAINST LOANS AND ADVANCES

Prudential Norms

6.1 In terms of Reserve Bank of India's Notification No. DNBS.135/CGM (VSNM) – 2000 dated 13th January 2000, the Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions are not applicable to the Company, being a Govt. Company registered with RBI as NBFC. The Company has however, formulated its own set of Prudential Norms with effect from 1.4.2003 which are revised from time to time.

6.2 As per Prudential Norms approved by the Board of Directors and Ministry of Power, an asset including a lease asset, in respect of which installments of loan, interest and / or other charges remain due but unpaid for a period of six months or more, a term loan inclusive of unpaid interest and other dues if any, when the installment and /or interest remains unpaid for a period of six months or more, any amount which remains due but unpaid for a period of six months or more under bill discounting scheme and any amount due on account of sale of assets or services rendered or reimbursement of expenses incurred which remains unpaid for a period of six months or more are classified as Non-Performing Assets (NPA).

However, the following assets would not be classified as Non-Performing Assets and the income on these loans is recognized on receipt basis.

(i) Loans in respect of projects which are under implementation as per RBI Circular No. ref DBS.FID No. C-11/01.02.00/2001-02 dated February 1, 2002 read with D.O. letter DBS FID No 1285/01.02.00/2001-02 dated May 14, 2002 and RBI letter No.DBOD.BP.No.7675/21.04.048/2008-09 dated 11.11.2008 are classified in line with RBI guidelines for asset classification of Infrastructure projects, as applicable to banks from time to time.

(ii) A facility which is backed by Central / State Government guarantee or by State Government undertaking for deduction from central plan allocation or a loan to State department, for a period not exceeding 12 months from the date from which Company's dues have not been paid by the borrower.

(iii) A loan disbursed to an integrated power entity which is bifurcated on account of division of states, the company shall follow the government order issued for division of assets and liabilities, unless the same is stayed by any court and the case is pending in the court.

(iv) Non servicing of part of dues disputed by the borrower for a period not exceeding 12 months from the date from which the company's dues have not been paid by the borrower. The disputed income shall be recognized only when it is actually realized. Any such disputed income already recognized in the books of accounts shall be reversed. Disputed dues means amount on account of financial charges like commitment charges , penal interest etc. and the disputed differential income on account of interest reset not serviced by the borrower due to certain issues remains unresolved. A dispute shall be acknowledged on case to case basis with the approval of Board of Directors.

6.3 NPA classification and provisioning norms for loans, other credits and lease assets are given as under

(i)	NPA for a period not exceeding 18 months	:	Sub-standard asset
(ii)	NPA exceeding 18 months	:	Doubtful asset
(iii)	When an asset is identified as loss Asset or assets remain doubtful asset exceeding 36 months, which ever is earlier	:	Loss Asset

6.4 The provision against NPAs is made at the rates indicated below: -

(i) Sub-Standard Assets : 10%

(ii) Doubtful Assets:

(a) Secured portion/facility including that guaranteed by state / central government or by state government undertaking for deduction from plan allocation or loan to state department.

Up to 1 year	:	20%
1 – 3 years	:	30%
More than 3 years	:	100%
(b) Unsecured	:	100%
(iii) Loss Assets	:	100%

The entire loss assets shall be written off. In case, a loss asset is permitted to remain in the books for any reason, 100% of outstanding shall be provided for.

6.5 For the purpose of Assets Classification and Provisioning

(i) Facilities granted to Government Sector entities are considered loan-wise.

(ii) Facilities granted to Private sector entities are considered borrower -wise.

7 FOREIGN EXCHANGE TRANSACTIONS:

7.1 The following transactions are accounted for at the exchange rates prevailing on the date of the transaction as per Accounting Standard-11.

(i) Expenses and income in foreign currency; and

(ii) The amounts borrowed and lent in foreign currency.

7.2 The following balances are translated in Indian Currency at the exchange rates prevailing on the date of closing of accounts as per Accounting Standard-11.

(i) Foreign Currency Loan liabilities to the extent not hedged.

(ii) Funds kept in foreign currency account with Banks abroad.

(iii) Contingent liabilities in respect of guarantees given in foreign currency.

(iv) Income earned abroad but not remitted / received in India.

(v) Loans granted in foreign currency.

(vi) Expenses and income accrued but not due on foreign currency loans/ borrowings.

7.3 Where ever the Company has entered into a forward contract or an instrument that is, in substance a forward exchange contract, the difference between the forward rate and exchange rate on the date of transaction is recognized as income or expenses over the life of the contract as per Accounting Standard-11.

7.4 In case of loan from KFW, Germany, exchange loss, if any, at the year-end is debited to Interest Differential Fund Account-KFW as per loan agreement.

8 GRANTS FROM GOVERNMENT OF INDIA:

8.1 Where grants are first disbursed to the grantee, the same are shown as amount recoverable from the Govt. of India and are squared up on receipt of amount.

8.2 Where grants are received in advance from Govt. of India, the same are shown as Current liabilities till the payments are released to the grantee.

9 INTEREST SUBSIDY FUNDS

9.1 Interest Subsidy for eligible borrowers received from Ministry of Power, Govt. of India under Accelerated Generation & Supply Programme (AG&SP) on Net Present Value (NPV) basis is credited to Interest Subsidy Fund on receipt and is passed on to the borrowers over the eligible period of loan on respective dates of interest demands. Any excess / shortfall in the Interest Subsidy Fund is refunded or adjusted / charged off at the completion of respective scheme.

9.2 The Interest Subsidy Fund is credited at the year-end with interest on the outstanding balance in the subsidy fund by debiting Profit & Loss account, at rates specified in the Scheme.

10 R-APDRP FUND

10.1 Loans received from Government of India under Re-structured Accelerated Power Development & Reforms Programme (R-APDRP) as a Nodal agency for on lending to eligible borrowers are back to back arrangements with no profit or loss arising to the Company.

11 INCOME/RECEIPT/EXPENDITURE ON SUBSIDIARIES

11.1 Expenditure incurred on the subsidiaries is debited to the account "Amount recoverable from concerned Subsidiary".

11.2 Expenses in respect of man days (employees) are allocated to Subsidiaries and administrative overheads are apportioned to Subsidiaries on estimated basis. Direct expenses are booked to respective Subsidiaries.

11.3 Interest on amount recoverable from Subsidiaries is accounted for at the rate of interest applicable for term loans to large generation projects, reforming states as per the policy of the Company.

11.4 The amounts received by Subsidiaries as Commitment Advance from Power Procurers are parked with the Company as Inter Corporate Loan and Interest is provided on unused portion of these loans at the mutually agreed interest rates.

11.5 Request for Qualification (RFQ) document / Request for Proposal (RFP) document developed for subsidiaries (incorporated for UMPP) are provided to subsidiary companies at a price equivalent to sale proceeds of RFQ / RFP document received by the subsidiary companies from the prospective bidders. The same is accounted for as income of the company on receipt from subsidiary company.

12 EMPLOYEE BENEFITS

12.1 Provident Fund, Gratuity and post retirement benefits

The Company's Contribution paid / payable during the financial year towards Provident Fund is charged in the Profit and Loss Account. The Company's obligation towards gratuity to employees and post retirement benefits such as medical benefits, economic rehabilitation benefit, and settlement allowance after retirement are actuarially determined and provided for as per Accounting Standard-15 (Revised).

12.2 Other Employee Benefits

The Company's obligation towards sick leave, earned leave, service award scheme are actuarially determined and provided for as per Accounting Standrad-15 (Revised).

13 INCOME TAX

13.1 Income Tax comprising of Current Tax is determined in accordance with the applicable tax laws and Deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period) in accordance with Accounting Standard-22 on 'Accounting for Taxes on Income' of the Institute of Chartered Accounts of India.

The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates that have been enacted or substantially established by the Balance Sheet date. Deferred Tax Assets are recognized and carried forward to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such Deferred Tax Assets can be realized.

13.2 Since the Company has passed a Board resolution that it has no intention to make withdrawal from the Special Reserve created and maintained under section 36(1)(viii) of the Income Tax Act, 1961, the special reserve created and maintained is not capable of being reversed and thus it becomes a permanent difference. The Company does not create any deferred tax liability on the said reserve in accordance with the clarification of Accounting Standard Board of Institute of Chartered Accountants of India.

14 Cash Flow Statement

Cash flow statement is prepared in accordance with the indirect method prescribed in Accounting Standard - 3 on 'Cash Flow Statement'.

Schedule No. 18

NOTES ON ACCOUNTS

1. Contingent liabilities:
   (i) Default Guarantees issued by the Company in foreign currency :
      a) EURO 0.710 million equivalents to ₹ 4.35 crore (previous year EURO 1.066 million equivalent to ₹ 7.29 crore).
      b) US$ 17.745 million equivalent to ₹ 80.88 crore (previous year US$ 21.145 million equivalent to ₹ 108.79 crore).

   (ii) Default Guarantee issued by the Company in Indian Rupee: ₹ 400.00 crore, (previous year ₹ 400.00 crore).

   (iii) Bank Guarantee issued by the Company in Indian Rupee: ₹ 0.04.crore, (previous year ₹ 0.04 crore).

   (iv) Outstanding disbursement commitments to the borrowers for Letter of Comforts issued against the loans sanctioned ₹ 3414.21 crore (Previous year ₹ 394.88 crore).

   (v) (a) The additional demand raised by Income Tax Department of ₹ 44.23 crore and ₹ 1.38 crore for Assessment Year 2006-07 & 2007-08, respectively were paid and are being contested. The management does not consider it necessary to make any provision as the probability of outflow of resources is negligible.

   (b) CIT(A) has granted refund of ₹ 2.97 crore for Assessment Year 1996-97 and ₹ 0.73 crore for Assessment Year 2001-02 against which the Income Tax department has filed appeals before ITAT and are pending, as Income tax department has not yet received permission of the Committee of Disputes (COD).

   (c) The Income tax department has filed appeals before Delhi High Court against its own order and the order of ITAT granting refund of ₹ 0.36 crore & ₹ 0.31 crore for Assessment Year 2001-02 & 2002-03. The Income tax department. has not yet obtained the COD's permission.

   (vi) Claim not acknowledged as debts are ₹ 7.80 crore (previous year ₹ 7.80 crore).

   (vii) Estimated amounts of contracts remaining to be executed on account of capital contracts is ₹ 4.26 crores (Previous Year ₹ Nil).

2. The additional demands raised by Income Tax Department (net of relief granted by Appellate Authorities) of ₹ 0.26 crore for Assessment Year 1996-97, ₹ 3.22 crore for Assessment Year 2000-01, ₹ 5.34 crore for Assessment Year 2001-02, ₹ 4.74 crore for Assessment Year 2002-03, ₹ 4.24crore for Assessment Year 2003-04, ₹ 3.21 crore for Assessment Year 2004-05 and ₹ 23.64 crore for Assessment Year 2005-06 were paid and provided for and are being contested.

3. The Government of India, Ministry of Power, under section 58(4) of the Madhya Pradesh Reorganization Act, 2000 (MPRA) issued an order No 42/8/2000-R&R dated 12.04.2001 through which assets, transfer rights, liabilities, undertaking etc, of erstwhile Madhya Pradesh Electricity Board (MPEB) were passed on to the successor boards namely MPSEB and CSEB after bifurcation of state of Madhya Pradesh. Subsequently, the GOI, Ministry of Power through the Gazette of India Extraordinary-MoP, New Delhi notification dated 04.11.2004 had decided to divide the liability and assets of erstwhile MPEB into MPSEB & CSEB in the ratio of fixed assets of 90:10 respectively. Consequent upon this, CSEB has informed that though it has been clearing the dues of the Company based on the acquired liability of erstwhile MPEB at ₹110.64 crore, it has requested the Company to align the dues in line with MoP order to ₹ 105.23 crore. Nevertheless, the Company will receive the full amount of principal payment either from CSEB or MPSEB. Further, PFC has taken up the matter with MoP and has requested MoP to review and revise the order on a plea that PFC's loans are project specific and the amount disbursed actually goes into the creation of the assets on such projects are not to be allocated in the manner as suggested by MoP in the new order. The decision of MoP is awaited.

4. (i) A project under implementation having principal outstanding of Rs 325.00 crores (previous year ₹ 297.98 crore) has been considered as Standard Asset in terms of RBI Circular No. DBS.FID.No.C-11/01.02.00/ 2001-02 dated 1.02.2002 read with D.O. letter DBS.FID No.1285/ 01.02.00/2001-02 dated 14.05.2002 thereby treating the asset as standard till June, 2008, and RBI vide letter no. DBOD, BP.No.7675/ 21.04.048/ 2008-09 dated 11.11.2008 which advised that the date of commencement of commercial operation should be 31.03.2009 (instead of the deemed date of completion of the project i.e. June 2006 as fixed by an independent group setup by RBI), as decided at the time of actual financial closure of the project in September 2006. Based on above, read with RBI Master Circular DBOD No. BP. BC.3 / 21.04.141/ 2009-10 dated 01.07.2009, the asset may be treated as standard asset not exceeding two years from the date of completion of the project (i.e. 2 years from 31.3.2009). However, the company recognizes the interest on this loan on receipt basis in terms of the Accounting Policy and as per prudential norms approved by Ministry of Power.

Further, the Company has approved and finalized the amendments to the Financial Realignment Plan (FRP), inter-alia, determining the scheduled project Commercial Operation Date (COD) as 01.01.2011. Financial Realignment Plan (FRP) has been accepted by the Project Management and is under implementation.

As per FRP, the Project Company will issue Zero Coupon Bonds (ZCB) (towards interest outstanding for the period from 01.10.2001 to 31.10.2005) valuing ₹ 103.87 crore (excluding waiver of interest, penal interest etc. amounting to ₹ 8.64 crore). During the year, the amount of ₹ 54.93 crores (including the dues of previous year of ₹ 8.72 crore and the guarantee fee for current year of ₹ 4.64 crores) became due on the loan as per FRP, out of which ₹ 31.81 crores were received and accounted for as per accounting policy. The balance of ₹ 23.12 crores being interest and other charges due as on 31.03.2010 and ₹ 103.87 crore against ZCB have not been recognized as per accounting policy.

(ii) One gas based power project, having Principal outstanding of ₹ 401.96 crore could not be commissioned on the scheduled commissioning date (September 2006) due to non availability of gas. Resultantly the company made an intermim reschedulement of the loan account on 07.03.2007, followed by final reshedulement on 03.12.2007 in line with the reshedulement done by lead bank as per which replyment of the principal was to commence from 15.10.2009. As the bottleneck of the non availability of gas continued, the lead Bank again restructured/rescheduled the loan account (in line with the lenders meetings dated 12.02.2009) and classified it as standard asset under special regulatory treatment, in accordance with RBI circular DBOD No. BP.BC.84/21.04.048/2008-09 dated 14.11.2008. The company being one of the consortium member of the lenders also resheduled the loan account on 11.05.2009 and accordingly classified as Standard Asset.

5. During the year, two borrowers had made premature repayment of their loan without prepayment premium including service tax amounting to ₹ 6.75 crores. As per the terms and condition of loan / policy, the demand for prepayment premium has been sent to the borrowers, which they have disputed and not paid so far and thus has not been accounted for. One borrower has made part pre mature repayment of ₹ 131.21 crores (principal- ₹ 125 crores and pre payment premium / interest etc. ₹ 6.21 crores). As per the terms of Loan Agreement, the pre-mature repayment can be made only on the interest payment due date. Since the payment is made before the interest payment date, the Company demanded interest upto interest due date. This is disputed by the borrower. Hence the same has not been accounted for.

6. (i)Assets of ₹ 14.38 crore (Previous year ₹ 15.43 crore) were classified as Non Performing Assets in terms of prudential norms of the Company. Accordingly, a provision of ₹ 8.14 crore is held in the accounts (previous year ₹ 8.97 crore). (ii) Interest Subsidy under AG&SP (including interest upto 31st March, 2010) amounting to ₹ 24.67 crores (previous year ₹ 98.90 crores), became recoverable in respect of one project (previous year two projects) and is yet to be recovered. It became recoverable, as the project was not completed till 31.03.2007 and the subsidy was withdrawn by Ministry of Power. The interest subsidy of ₹ 24.67 crore (previous year ₹ 95.71 crore) is payable to the Ministry of Power and will be paid on its receipt.

7. The Company discontinued interest rate restructuring policy w.e.f. December 2005. However, the loans which were restructured with 3 year reset (after 3 years the loan shall carry original interest rate i.e. the rate before interest restructuring). The borrower was given option to seek further restructuring after 3 years on payment of 50% premium being NPV of difference between original interest rate and Current interest rate for the entire remaining period of Loan. Accordingly the Company has done interest restructuring amounting to ₹ Nil (previous year ₹ 703.35 crore). An amount of ₹ Nil (previous year ₹ 8.95 crore) has been received and credited to Profit and Loss Account as Interest Restructuring Premium (Refer schedule 10).

8. The Company is not required to create Bond Redemption Reserve in respect of bonds by virtue of the Department of Company Affairs' Circular of 18.04.2002 according to which the financial institutions within the meaning of Section 4A of the Companies Act 1956 were not required to create Bond Redemption Reserve in case of privately placed debentures.The Company is not required to maintain Reserve Fund under Section 45-IC of the Reserve Bank of India Act, 1934 by transferring 20 percent of its net profits, as it is exempted by RBI vide its letter dated 24.01.2000.

9. Foreign currency actual outgo and earnings:

(₹ in crore)

S.No.	Description	Year ended 31.03.2010	Year ended 31.03.2009
A.	**Expenditure in foreign currency**		
i)	Interest on loans from foreign institutions	96.91	125.80
ii)	Financial & Other charges	35.08	14.56
iii)	Traveling Expenses	0.26	0.15
iv)	Training Expenses	0.15	0.07
B.	**Earning in foreign currency**	Nil	Nil

10.1 Related Party Disclosures:

Key Managerial Personnel:

Name of the Key Managerial Personnel	
Shri Satnam Singh, CMD	(w.e.f. 01.08.2008)
Shri M K Goel, Director	(w.e.f. 27.07.2007)
Shri Rajeev Sharma, Director	(w.e.f. 09.03.2009)
Shri R. Nagarajan, Director	(w.e.f. 31.07.2009)

Managerial Remuneration: (₹ in crore)

	Chairman & Managing Director		Other Directors	
	For the year ended 31.03.2010	For the year ended 31.03.2009	For the year ended 31.03.2010	For the year ended 31.03.2009
Salaries & Allowances	0.27	0.33	0.70	0.34
Contribution to Provident Fund and other Welfare Fund	0.02	0.01	0.04	0.02
Other Perquisites / Payments	0.18	0.12	0.38	0.13
Total	**0.47**	**0.46**	**1.12**	**0.49**

In addition to the above perquisites, the Chairman & Managing Director and other Directors have been allowed to use staff car including private journey up to a ceiling of 1000 kms per month on payment of ₹780/- per month.

10.2 Investment in Equity Share Capital of Subsidiaries/Associates/Joint Venture Companies including companies promoted as SPVs for Ultra Mega Power Projects are given below:-

	Name of the Companies	Date of Investment	Number of shares subscribed	Percentage of ownership	Amount (₹ in crore)
A	**Subsidiary Company**				
1.	PFC Consulting Limited (*)	09.04.2008	50000	100%	0.05
	Sub-Total (A)		**50000**		**0.05**
B	**Subsidiary Companies promoted as SPVs for Ultra Mega Power Projects (**)**				
1.	Chhattisgarh Surguja Power Ltd. (previously known as Akaltara Power Limited)	31.03.2008	50000	100%	0.05
2.	Bokaro-Kodarma Maithan Transmission Co. Ltd.	13.02.2007	50000	100%	0.05
3.	Coastal Karnataka Power Limited	14.09.2006	50000	100%	0.05
4.	Coastal Maharashtra Mega Power Limited	05.09.2006	50000	100%	0.05
5.	Coastal Tamil Nadu Power Limited	31.01.2007	50000	100%	0.05
6.	Orissa Integrated Power Limited	05.09.2006	50000	100%	0.05
7.	Sakhigopal Integrated Power Limited	27.01.2010	50000	100%	0.05
8.	Ghogarpalli Integrated Power Limited	27.01.2010	50000	100%	0.05
9.	Tatiya Andhra Mega Power Limited	27.01.2010	50000	100%	0.05
	Sub-Total (B)		**450000**		**0.45**
C	**Associate companies and Joint venture**				
1.	Power Equity Capital Advisors (Pvt.) Limited (*)	15.04.2008	15000	30%	0.02
2.	National Power Exchange Limited (*)	18.12.2008	833,000	16.66%	0.83
3.	Energy Efficiency Services Ltd.(*)	21.01.2010	625,000	25%	0.63
	Sub_Total (C)		1473,000		1.48
	TOTAL (A) + (B) +(C)		1973,000		1.98

(*) The Financial Statements are consolidated as per Accounting Standard 21– 'Consolidated Financial Statements', Accounting Standard 27 – 'Financial Reporting of Interests in Joint Ventures' and Accounting Standard -23 "Accounting For Investment in Associates in Consolidated Financial Statements". The Financial Statements of PFC Consulting Limited are attached as required under Section 212 of the Companies Act, 1956.

(**) The subsidiary companies were incorporated as Special Purpose Vehicle (SPVs) under the mandate from Government of India for development of Ultra Mega Power Projects (UMPPs) and Transmission Projects with the intention to hand over the same to successful bidder on completion of the bidding process. The Financial Statements of these subsidiaries (except Bokaro-Kodarma Maithan Transmission Co. Ltd. (BKMTCL) which is under de-registration process) are attached as required under Section 212 of the Companies Act, 1956 without consolidating in accordance with paragraph 11 of Accounting Standard-21.

During the year two subsidiaries viz Jharkhand Integrated power limited and East North Inter Connection Company Limited have been transferred to successful bidders and three new subsidiaries viz, Sakhigopal Integrated Power Limited, Ghogarpalli Integrated Power Limited, Tatiya Andhra Mega Power Limited have been acquired from PFCCL (wholly owned subsidiary) by subscribing hundred percent shares.

10.3The details of amount recoverable (including interest thereon) from the respective subsidiaries are given below:

(₹ in crore)

Name of the Subsidiary Companies	Amount as on 31.03.2010	Amount as on 31.03.2009
Chhattisgarh Surguja Power Ltd. (previously known as Akaltara Power Limited)	33.08	1.60
Bokaro Kodarma Maithon Tr. Co. Ltd.(**)	0.00	1.12
Coastal Karnataka Power Limited	1.83	1.46
Coastal Maharashtra Mega Power Limited	4.28	3.41
Coastal Tamil Nadu Power Ltd.	11.17	4.37
East-North Interconnection Co. Ltd.	0.00	2.14
Ghogarpalli Integrated Power Limited	0.24	-
Jharkhand Integrated Power Ltd	0.00	48.60
Orissa Integrated Power Limited	13.67	4.77
PFC Consulting Limited	-	0.32
Sakhigopal Integrated Power Limited	0.24	-
Tatiya Andhra Mega Power Limited	0.88	-
Total	**65.39**	**67.79**

(**) In respect of Bokaro Kodarma Maithon Transmission Co. Ltd. (BKMTCL), MoP decided to entrust this project to Power Grid Corporation of India Ltd (PGCIL) instead of to PFC. Therefore, PFC requested MoP to advice PGCIL to reimburse PFC ₹ 1.12 crore on account of expenses incurred so far by PFC, so as to close this project in PFC. In addition to this ₹ 0.05 crore was also recoverable from BKMTCL. On advice of MoP, an amount of ₹ 0.82 crore has been recovered from PGCIL as full and final settlement. ₹ 0.05 crore has also been recovered from BKMTCL. The balance amount of ₹ 0.25 crores had been written off. Further, pending de-registration of BKMTCL, a provision of ₹ 0.05 crores has been made against the equity investment in BKMTCL.

10.4 The details of amounts payable to subsidiaries (including interest) in respect of amounts contributed by Power Procurers and other amounts payable are given below:

(₹ in crore)

Name of the Subsidiary Companies	Amount as on 31.03.2010	Amount as on 31.03.2009
Chhattisgarh Surguja Power Ltd. (previously known as Akaltara Power Limited)	41.96	30.13
Coastal Maharashtra Mega Power Limited	42.96	41.40
Coastal Tamil Nadu Power Ltd.	46.88	41.02
Jharkhand Integrated Power Ltd.	—	48.97
Orissa Integrated Power Limited	48.05	45.99
Sakhigopal Integrated Power Limited	5.15	—
PFC Consulting Limited	1.86	
Total	**186.86**	**207.51**

10.5 The Company has made investments in equity (unquoted) of - "National Power Exchange Limited" and "Energy Efficiency Services Ltd".

National Power Exchange Limited (NPEL)

PFC, NTPC, NHPC and TCS have jointly promoted 'National Power Exchange Limited'. The National Power Exchange Ltd (NPEL) will carry out the business of providing platform for trading of power through an organized exchange. The Company has since made the investment of Rs 0.83 crore upto 31st March 2010. NPEL has not commenced its operation.

Energy Efficiency Services Limited (EESL)

Energy Efficiency Services Limited has been jointly promoted by NTPC, PFC, PGCIL and REC with equal participation in equity capital for implementing Energy Efficiency Projects. At the time of incorporation, the authorized equity capital of EESL was ₹10 crores and paid up equity capital was ₹2.50 crores. The company's share in paid up equity capital was ₹ 0.63 crore (25% of paid up capital) comprising of 625,000 equity shares of ₹ 10 each. The authorized share capital of EESL has been enhanced to ₹ 190 crore during the Financial Year ended 31-03-2010. EESL has commenced its operations.

10.6(i) Investment in "Small is Beautiful" Fund: -

The Company had outstanding investment ₹ 12.08 crore (previous year ₹14.47 crore) in units of "Small is Beautiful" Fund. Against this, a sum of ₹ 0.145 crore has been received as dividend during the year. The NAV of the Units of the Fund was ₹ 9.80 per unit of ₹ 10 (face value) as on 31.03.2010. The diminution/ increase (-) in value of NAV amounting to ₹ -1.08 crore (Previous year ₹ 1.32 crore) has been accounted for during the year.

(ii) Investment in equity (unquoted) in Power Exchange India Limited (PXI)

Power Exchange India Ltd. has been promoted by NSE and NCDEX. The authorized capital has been enhanced from ₹ 25 crore to ₹ 50 crore during the financial year ending 31.03.2010. The paid up capital of PXI was ₹ 34.34 crores, as on 31.03.2010. The Company has subscribed ₹ 1.75 crore of the paid up capital consisting of 17,50,000 equity shares of ₹ 10 each into the equity capital of PXI. PXI has commenced its operations.

11. Interest Differential Fund (IDF) – KFW

The agreement between KFW and PFC provides that the IDF belongs to the borrowers solely and will be used to cover the exchange risk variations under this Loan and any excess will be used in accordance with the agreement. The balance in the IDF fund has been kept under separate account head titled as Interest Differential Fund-KFW and shown as a liability. The total fund accumulated as on 31.03.2010 is ₹ 47.60 crore (previous year ₹ 34.19 crore) after adjusting the translation loss of ₹ 13.73 crore (previous year ₹ 24.12 crore).

12. During the current year, exchange gain (net) of ₹ 103.84 crore (previous year exchange loss of ₹ 252.53. crore) on foreign currency assets and liabilities comprising of translation gain of ₹ 92.51 crore (previous year translation loss of ₹ 235.66 crores) and actual gain of ₹ 11.33 crore (previous year actual loss of ₹ 16.87 crores) has been recognised in Profit & Loss account as per Accounting Standard 11.

13. The company was having outstanding forward foreign exchange contracts and principal only swaps (POS) against the Foreign Currency Loan liabilities as per details given hereunder:-

i)	Forward contracts to cover exchange rate risk in USD/INR leg.	:	US$ 13.9795 million
ii)	Forward contracts to cover exchange rate risk in USD/JPY leg.	:	1JPY 454 million
iii)	Forward contracts to cover EURO/USD leg.	:	Euro 0.9662 million

14. **(a) Asset under finance lease after 01.04.2001**

(i) The Gross investment in the leased assets and the present value of the minimum value receivable at the balance sheet date has been given in the table below with the description as total of future minimum lease payments and present value of the lease payments amounting to ₹ 205.01 crore and ₹ 160.63 crore respectively. The reconciliation of these figures has also been indicated under the head "unearned finance charges" with an amount of ₹ 44.38 crore.

The future lease rentals are given below:-

(₹ in crore)

Particulars	As on31.03.10	As on31.03.09
Total of future minimum lease payments (Gross Investments)	205.01	266.51
Present value of lease payments	160.63	189.08
Unearned finance income	44.38	77.43
Maturity profile of total of future minimum lease payments (Gross Investment)		
Not later than one year	45.07	48.04
Later than one year and not later than 5 years	156.99	192.16
Later than five years	2.95	26.31
Total	205.01	**266.51**
Break up of Present Value of Lease Payments		
Not later than one year	29.26	25.41
Later than one year and not later than 5 years	128.49	139.53
Later than five years	2.88	24.14
Total	**160.63**	**189.08**

(ii) The Company had sanctioned an amount of ₹ 88.90 crore in the year 2004 as finance lease for financing Wind Turbine Generator (commissioned on 19.07.2004) which was reduced to ₹ 88.85 crore in December 2006. The Gross Investment stood at the level of ₹ 59.95 crore as on 31.3.2010. The lease rent is to be recovered within a period of 15 Years, which comprises of 10 years as a primary period and 5 years as a secondary period.

(iii) The Company had sanctioned an amount of ₹ 98.44 crore in the year 2004 as finance lease for financing Wind Turbine Generator (commissioned on 18.5.2004). The Gross Investment stood at ₹ 63.79 crore as on 31.3.2010. The lease rent is to be recovered within a period of 20 years, which comprises of 10 years as a primary period and maximum of another 10 years as a secondary period.

(iv) The Company had sanctioned an amount of ₹ 93.51 crore in the year 2004 as finance lease for financing Wind Turbine Generator (commissioned on 09.06.2005). The Gross Investment stood at ₹ 81.27 crore as on 31.3.2010. The lease rent is to be recovered within a period of 19 years 11 months which comprises of 10 years as a primary period and maximum of 9 years and 11 months as a secondary period.

b) Operating Leases:

The Company's operating leases consists:-

Premises for residential use of employees and offices which are leasing arrangements usually renewable on mutually agreed terms but are not non-cancellable. Rent for residential accommodation of employees include ₹ 4.06 crore (Previous year ₹ 1.83 crore) towards lease payments, net of recoveries in respect of premises for residential use of employees. Lease payments in respect of premises for employees are shown as Rent for Residential Accommodation of employees in Schedule 14- Personnel, Administration and Other Expenses. Lease payments in respect of premises for offices are shown as Office Rent in Schedule 14- Personnel, Administration and Other Expenses.

15 Subsidy under Accelerated Generation & Supply Programme (AG&SP):

The Company is claiming subsidy from Govt. of India at Net Present Value calculated at indicative interest rates in accordance with GOI's letter vide D.O.No.32024/17/97-PFC dated 23.09.1997 and O.M.No.32024/23/2001-PFC dated 07.03.2003 irrespective of the actual repayment schedule, moratorium period and duration of repayment. The amount of interest subsidy received and to be passed on to the borrower is retained as Interest Subsidy Fund Account. The impact of difference between the indicative rate and period considered at the time of claims and at the time of actual disbursement can be ascertained only after the end of the respective schemes. However on the basis of the projections made for each project (based upon the certain assumptions that these will remain same over the projected period of each loan / project), the Company estimated the net excess amount of ₹ 166.25 crore and ₹ 209.97 crore (excluding recoverable amount of ₹ 17.65 crore from Irrigation Department of Government of Maharashtra which is subject to decision of Ministry of Power) as at 31/03/2010 for IX & X plan respectively under AG&SP schemes. This net excess amount is worked out on overall basis and not on individual basis & may vary due to change in assumptions, if any during the projected period such as changes in moratorium period , repayment period , loan restructuring , pre payment, interest rate reset etc. However during the year, the Company has refunded an amount of ₹ 150 Crores as estimated net excess amount lying against IX plan on the directions of MoP and balance amount of excess, if any, will be refunded/ adjusted as per further directions of MoP.

The amount of Rs 663.49 crore (previous year ₹ 908.94 . crore) under the head Interest Subsidy Fund represents the amount of subsidy received from Ministry of Power, Govt. of India which is to be passed on to the borrowers against their interest liability arising in future, under Accelerated Generation & Supply Programme (AG&SP), which comprises of the following: -

(₹in crore)

Particulars	As on 31.03.2010	As on 31.03.2009
Opening balance of Interest Subsidy Fund	908.94	1066.75
Add : - Received during the period	—	—
: - Interest credited during the period	80.44	98.19
(Excluding of Rs 0.26 crores pertaining to previous years)		
Less : Interest subsidy passed on to borrowers	169.36	231.17
Refunded to MoP:		
(a) Estimated Net Excess against IX Plan	150.0	0.00
(b) Due to non- commissioning of Project in time	06.53	24.83
Closing balance of Interest Subsidy Fund	**663.49**	**908.94**

16. One borrower – Chattishgarh State Electricity Board (CSEB) has been unbundled into four power utilities on 1st January 2009. However, the Government of Chattishgarh is yet to issue the final notification / order for division of asset and liabilities among all the successor power utilities from the date of unbundling of CSEB. Loan Transfer Agreement shall be executed after issue of the said final order by the Govt. of Chhattisgarh. Pending transfer of loans to respective successor power utilities, the loan liabilities are outstanding in the name of CSEB.

17. (i) The Company has been appointed as the 'Nodal Agency' for the operationalisation and implementation of Re-structured Accelerated Power Development and Reforms Programme (R-APDRP), under the overall guidance of the Ministry of Power (MoP), Government of India (GOI).

Projects under the scheme are being taken up in Two Parts. Part-A includes the projects for establishment of baseline data and IT applications for energy accounting / auditing as well as IT based consumer service centers. Part-B includes regular distribution strengthening projects. GoI provide 100% loan for Part A and 25% (90% for special category States) loan for Part B.

The Loans under R-APDRP are being routed through the Company for disbursement to the borrowers. The amount so disbursed along with accrued interest will be paid to Government of India (GOI) on receipt from the borrowers.

The details are furnished below :

(₹ in crore)

Particulars	Amount	Amount
(A) Amount Due to GOI under R-APDRP		
Funds Received from GOI:-		
Up to 31.03.2009	325.10	
During the current financial year	1320.99	
	1646.09	
Add:- Interest accrued but not due on Loan disbursed		
● Upto 31.03.2010	109.70	
● Add:- Interest earned on fixed deposit	0.11	1755.90
(B) Amount recoverable from borrowers under R-APDRP		
Amount disbursed to borrowers:		
Up to 31.03.2009	325.10	
During the current financial year	1320.99	
	1646.09	
Add:- Interest accrued but not due·		
● Upto 31.03.2010	109.70	1755.79
Net amount payable to GOI under R-APDRP (A-B)		**0.11**

(ii) During the previous year, the Company recognized nodal agency fee (NAF) of ₹ 17.33 crore (net of service tax), i.e. @ 1% of loan sanctioned under R-APDRP, as per minutes of meeting held by MoP in August 2008, out of the total adhoc advance of ₹ 25 crore received from MoP. MoP in the meeting held on 29.03.2010 had constituted the Committee to finalise the norms of payment of NAF and reimbursement of expenditure to nodal agency i.e the Company. As such, income of ₹ 43.74 crore accounted for (current year - ₹ 26.41 crore and previous year - ₹ 17.33 crore) has been reversed during the current financial year. The expenditure incurred by PFC will be dealt with as per the decision of Ministry of Power (MoP). Further, pending finalization of norms for payment of NAF etc., the accounting policy on NAF has been held in abeyance.

18. The net deferred tax liabilities of ₹ 46.95 crores (previous year ₹ 55.48 crore) have been computed as per Accounting Standard 22 on "Accounting for Taxes on Income".

The breakup of deferred tax liabilities is given below: -

(₹ in crore)

Description	As on 31.03.2010	As on 31.03.2009
(a) Deferred Tax Asset (+)		
(i) Provision for expenses not deductible under Income Tax Act	7.06	9.30
(b) Deferred Tax Liabilities (-)		
(ii) Depreciation	-0.12	-0.26
(iii) Lease income on new leases	-53.36	-65.07
(iv) Amortization	-0.53	0.55
Net Deferred Tax liabilities (-)/Assets (+)	**-46.95**	**-55.48**

19. The Company had started creating deferred tax liability on special reserve created and maintained under Section 36(1) (viii) of Income Act, 1961, as per the opinion of Expert Advisory Committee of ICAI in Financial Year 2004-05. Based upon the clarification received from the Accounting Standard Board of Institute of Chartered Accountants of India (ICAI) vide letter dated 02.06.2009 and as explained in Policy No.13.2, the Company had stopped creating DTL on special reserve created and maintained from Financial Year 2008-09. Further, during the financial year 2008-09 the Company reversed the Deferred Tax Liability (DTL) created in earlier years on special reserve created and maintained under Income Tax Act. The reversal of DTL was done by crediting revenue reserve by ₹ 745.14 crore for Financial Year 1997-98 to Financial Year 2003-04 (as DTL was created by debiting revenue reserve), crediting Profit and Loss Account by ₹ 483.24 crores for Financial Year 2004-05 to Financial Year 2007-08 (as DTL was created by debiting Profit and Loss Account for these years) and by debiting DTL by ₹ 1228.38 crores.

Further, DTL on the Special Reserve created and maintained under Section 36(1) (viii) of Income Act, 1961 for the current year amounting to ₹ 157.93 crore (Previous year ₹ 133.28 crore) has not been created as per paragraph 13.2 of Accounting Policy.

20. In compliance with Accounting Standard – 20 on "Earning Per Share" issued by the Institute of Chartered Accountants of India, the calculation of Earning Per Share (Basic and Diluted) is as under:-

Particulars	Current year31.03.2010	Previous year31.03.2009
Net Profit after Tax used as numerator (₹ in crore)	2357.25	1969.96
Weighted average number of equity shares used as denominator (Basic & diluted)	114,77,66,700	114,77,66,700
Earning per share (Basic & diluted) (Rupees)	20.54	17.16
Face value per share (Rupees)	10	10

21. The Company has no outstanding liability towards Micro, Small and Medium enterprises.

22. The value of lease hold land aggregating to ₹ 38.33 crore (previous year ₹ 38.33 crore) comprises of amount of ₹ 31.83 crore (previous year ₹ 31.83 crore) paid towards cost of land to Land and Development Office (L&DO), Ministry of Urban Affairs, Govt. of India, stamp duty liability of ₹ 2.47 crore (previous year ₹ 2.47 crore) and capitalization of ground rent up to the date of completion of building of ₹ 4.03 crore (previous year ₹ 4.03 crore). In accordance with Memorandum of Agreement (MOA) executed with L&DO, the lease deed is yet to be signed. Pending execution of perpetual lease deed, (which does not have limited useful life) the value of leasehold land is not amortized and / or no provision for depreciation has been made on the said leasehold land.

23. Liabilities and Assets denominated in foreign currency have been translated at TT selling rate of SBI at year end as given below: -

S. No.	Exchange Rates	31.03.2010	31.03.2009
1	INR / US$	45.5800	51.4500
2	INR / JPY	0.4900	0.5265
3	INR / EURO	61.3100	68.4300

24. Disclosures as per Accounting Standard-15:-

A. Provident Fund

The Company pays fixed contribution to Provident Fund at prescribed rates to a separate trust, which invests the funds in permitted securities. The contribution to the fund for the period is recognized as expense and is charged to the profit and loss account. The obligation of the Company is to make such fixed contribution and to ensure a minimum rate of return to the members as specified by GOI. Any short fall for payment of interest to members as per specified rate of return has to be compensated by the Company. The Company estimates that no liability will take place in this regard in the near future and hence no further provision is considered necessary.

B. Gratuity

The company has a defined gratuity scheme and is managed by a separate trust. The provision for the same has been made on actuarial valuation based upon total number of years of service rendered by the employee subject to a maximum amount of ₹ 10 lakh.

C. Post Retirement Medical Scheme (PRMS)

The Company has Post-Retirement Medical Scheme (PRMS), under which retired employee and the dependent family members are provided medical facilities in empanelled hospitals. They can also avail reimbursement of Out-Patient treatment subject to a ceiling fixed by the Company.

D. Terminal Benefits

Terminal benefits include settlement in home town for employees & dependents.

E. Leave

The Company provides for earned leave benefit and half-pay leave to the credit of the employees which accrue on half yearly basis @ 15 days and 10 days respectively. 75% of the earned leave is encashable while in service and maximum of 300 days earned leave can be accumulated which is encashable on superannuation/ separation. Half pay leave is encashable on separation after 10 years of service or at the time of superannuation subject to a maximum of 300 days. The liability for the same is recognized based on actuarial valuation.

The above mentioned schemes (C, D and E) are unfunded and are recognized on the basis of actuarial valuation.

The summarised position of various defined benefits recognized in the profit and loss account, balance sheet are as under {Figures in brackets ( ) represents to previous year}

i) Expenses recognised in Profit and Loss Account

(₹ in crore)

	Gratuity	PRMF	Leave
Current Service Cost	0.80 (0.57)	0.24 (0.19)	1.29 (0.68)
Interest cost on benefit obligation	0.59 (0.33)	0.27 (0.22)	0.54 (0.46)
Expected return on plan assets	-0.53 (-0.38)	0.00 (0.00)	0.00 (0.00)
Net actuarial (gain)/Loss recognised in the year	1.90 (2.50)	2.58 (0.27)	5.53 (0.18)
Expenses recognised in Profit & Loss Account	2.76(*) (3.02)	3.09 (0.68)	7.36(*) (1.32)

(*) Includes ₹ 0.08 crore (Previous year ₹ 0.07 crore) and ₹ 0.11 crore (Previous year ₹ 0.11 crore) for gratuity and leave respectively allocated to subsidiaries companies.

ii) The amount recognized in the Balance Sheet

(₹ in crore)

	Gratuity	PRMF	Leave
Present value of obligation as at 31.03.2010 (i)	11.18 (7.96)	6.44 (3.66)	12.84 (7.15)
Fair value of plan assets at at 31.3.2010 (ii)	8.42 (4.94)	0.00 (0.00)	0.00 (0.00)
Difference (ii) – (i)	-2.76 (-3.02)	-6.44 (-3.66)	-12.84 (-7.15)
Net Asset/(Liability) recognized in the Balance Sheet	-2.76 (-3.02)	-6.44 (-3.66)	-12.84 (-7.15)

iii) Changes in the Present Value of the defined benefit obligations

(₹ in crore)

	Gratuity	PRMF	Leave
Present value of obligation as at 01.04.2009	7.96 (4.67)	3.66 (3.17)	7.15 (6.47)
Interest Cost	0.59 (0.33)	0.27 (0.22)	0.54 (0.46)
Current Service Cost	0.80 (0.57)	0.24 (0.19)	1.29 (0.68)
Benefits paid	-0.07 (-0.11)	-0.31 (-0.19)	-1.67 (-0.64)
Net actuarial (gain)/loss on obligation	1.90 (2.50)	2.58 (0.27)	5.53 (0.18)
Present value of the defined benefit obligation as at 31.03.2010	11.18 (7.96)	6.44 (3.66)	12.84 (7.15)

iv) Changes in the fair value of plan assets

(₹ in crore)

	Gratuity	PRMF	Leave
Fair value of plan assets as at 01.04.2009	7.96 (4.67)	0.00 (0.00)	0.00 (0.00)
Expected return on plan assets	0.53 (0.38)	0.00 (0.00)	0.00 (0.00)
Contributions by employer	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
Benefit paid	-0.07 (-0.11)	0.00 (0.00)	0.00 (0.00)
Acturial gain/(loss)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
Fair value of plan assets as at 31.03.2010	8.42 (4.94)	0.00 (0.00)	0.00 (0.00)

v) The effect of one percent increase/decrease in the medical cost of PRMS will impact the liability as under:-

Cost increase by 1% ₹ 0.09 crore

Cost decrease by 1% ₹ 0.07 crore

vi) During the year, the Company has provided liability towards contribution to the Gratuity Trust of ₹ 2.76 crores, to PRMS of ₹ 3.09 crore, to leave ₹ 7.36 crore and to pension ₹ 1.78 crores. (Previous year towards contribution to the Gratuity Trust of ₹ 3.02 crore, to PRMS of Rs 0.68 crore, to leave ₹ 1.32 crore and to pension scheme ₹ NIL).

E. Other Employee Benefits:-

During the year, provision of ₹0.04 crore (previous Year ₹ 1.88 crore) has been made for Economic Rehabilitation Scheme for Employees and provision of ₹ 0.01 crore has been reversed for Long Service Award for Employees (Previous year ₹ 0.27 crore made) on the basis of actuarial valuation made at the year end by charging/crediting the profit and loss account.

F. Details of the Plan Asset:-

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

(₹ in crore)

		2010	2009
i)	State Government Securities	**1.37**	0.88
ii)	Central Government Securities	**2.18**	1.37
iii)	Corporate Bonds/debentures	**4.87**	2.69
	Total	**8.42**	**4.94**

G. Actuarial assumptions

Principal assumptions used for actuarial valuation are:-

Method Used	Projected Unit Credit Method
Discount Rate	7.50 %
Expected rate of return on assets- Gratuity	6.68 %
Future salary increase	5.00 %

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

25. Details of provision as required in AS-29.

(₹in crore)

Particulars	Financial year 2009-10	Financial Year 2008-09
Post Retirement Medical Scheme		
Opening Balance	3.66	3.17
Addition during the year	3.09	0.68
Amount paid/utilized during the year	0.31	0.19
Closing Balance	6.44	3.66
Gratuity		
Opening Balance	3.02	0.08
Addition during the year	2.76	3.02
Amount paid/utilized during the year	3.02	0.08
Closing Balance	2.76	3.02
Pension*		
Opening Balance	0.00	0.00
Addition during the year	1.78	0.00
Amount paid/utilized during the year	0.00	0.00
Closing Balance	1.78	0.00

Leave Encashment		
Opening Balance	7.15	6.47
Addition during the year	7.36	1.32
Amount paid/utilized during the year	1.67	0.64
Closing Balance	12.84	7.15
Wage Revision		
Opening Balance	21.89	17.12
Addition during the year	1.57	4.77
Amount paid/utilized during the year	17.26	0.00
Closing Balance	6.20	21.89
Economic Rehabilitation Scheme for Employee		
Opening Balance	1.29	3.17
Addition during the year	0.04	-1.86
Amount paid/utilized during the year	0.02	0.02
Closing Balance	1.31	1.29
Bonus/Incentive		
Opening Balance	9.76	6.59
Addition during the year	14.32	9.77
Amount paid/utilized during the year	7.75	6.60
Closing Balance	16.33	9.76
Leave Travel Concession		
Opening Balance	2.34	1.91
Addition during the year	0.15	2.20
Amount paid/utilized during the year	2.49	1.77
Closing Balance	0.00	2.34
Baggage Allowances		
Opening Balance	0.05	0.05
Addition during the year	0.00	0.00
Amount paid/utilized during the year	0.00	0.00
Closing Balance	0.05	0.05
Service Award		
Opening Balance	2.11	1.84
Addition during the year	-0.01	0.27
Amount paid/utilized during the year	0.00	0.00
Closing Balance	2.10	2.11
Income Tax		
Opening Balance	1489.88	1049.40
Addition during the year	800.55	492.02
Amount refunded/adjusted	953.14	(51.54)
Closing Balance	1337.29	1489.88
Fringe Benefit Tax		
Opening Balance	2.90	2.91
Addition during the year	0.00	0.73

Amount adjusted during the year	2.10	(0.74)
Closing Balance	0.80	2.90
Proposed Final Dividend		
Opening Balance	154.95	114.78
Addition during the year	172.17	154.95
Amount paid/utilized during the year	154.95	114.78
Closing Balance	172.17	154.95
Proposed Corporate Dividend Tax		
Opening Balance	26.33	19.51
Addition during the year	29.26	26.33
Amount paid/utilized during the year	26.33	19.51
Closing Balance	29.26	26.33

* Pension: In view of the issuance of DPE (Department of Public Enterprise) guidelines for providing superannuation benefits w.e.f. 01.01.07, the Company is in the process of finalizing Pension Scheme for its employee. Pending framing of the scheme, the company has made a provision of ₹ 1.78 crores for the period from 01.01.2007 to 31.03.2010.

26. (i) During the year, the Company has sent letters seeking confirmation of balances as on 31-12-2009 to borrowers. The balance confirmation is received from all the borrowers confirming 99.99% of the total outstanding balance amount sought for confirmation. Some of the balances of debtors, creditors and loan and advances are subject to confirmation / reconciliation / adjustments, if any.

    (ii) Some of the designated bank accounts opened for making interest payment to bondholders/ debenture holders have outstanding balance of ₹ 0.61 crore (remaining unpaid for more than 9 months) are subject to reconciliation/ confirmation.

27. The capital Funds, Risk weighted Assests and CRAR of the company is given hereunder :-

	Items	Current year(*)	Previous year
i)	Capital Fund - a. Tier I (₹ in crore) - b. Tier II (₹ in crore)	12,418.72 842.07	10,789.67 718.15
ii)	Risk weighted Assests (₹ in core)	72,880.84	67,105.89
iii)	CRAR	18.20%	17.15%
iv)	CRAR - Tier I Capital	17.04%	16.08%
v)	CRAR - Tier II Capital (**)	1.16%	1.07%

(*) During the year, RBI vide letter No. DNBS.CO. ZMD-N/4984/14.16.009/2009-10 dated 18.03.2010 has advised the company to assign a risk weight of 20% to State Government guaranteed loans which have not remained in default for a period of more than 90 days.

(**) Reserve for bad and doubtful debuts u/s 36(i) (viia) (c) of Income Tax Act, 1961 is considered as part of tier II capital as advised by RBI vide letter No. DNBS.CO.PD.No. 6774/03-10-01/2009-10 dated 17.06.2010.

The Company has no exposure to real estate sector as on 31.03.2010.

28. The pay revision of non executives (including non-unionized supervisors) of the company is due w.e.f. 01.01.2007. Pending implementation of pay revision, a provision of ₹ 1.57 crore (previous year ₹ 4.77 crore both for executives and non-executives) for the year has been made towards wage revision on an estimated basis in line with office memorandum issued by DPE.

29. The Company does not have more than one reportable segment in terms of Accounting Standard No. 17 on Segment Reporting.

30. Previous year's figures have been re-grouped / re-arranged, wherever practicable, to make them comparable with the current year.

31. Figures have been rounded off to the nearest lakh of rupees.

32. Balance Sheet abstract and Company's General Business Profile as per Part IV of Schedule VI of the Companies Act, 1956 is enclosed as Appendix.

Schedules 1 to 18 form an integral part of Balance Sheet and Profit & Loss Account.

(J.S. AMITABH)	**(R NAGARAJAN)**	**(SATNAM SINGH)**
Company Secretary	Director (Finance & Financial Operations)	Chairman & Managing Director

Signed in terms of our report of even date

For K K SONI & CO.	For RAJ HAR GOPAL & Co.
Chartered Accountants	Chartered Accountants
Firm Regd. No.-000947N	Firm Regd. No.-00207N
(S S SONI)	**(G K GUPTA)**
Partner	Partner
Membership No.94227	**Membership No.81085**

Place: New Delhi
Date: 18th June 2010

BALANCE SHEET ABSTRACT & COMPANY'S GENERAL BUSINESS PROFILE

(Submitted in terms of Part IV of Schedule VI to the Companies Act,1956.)

I. Registration details

Registration No : 24862 State Code : 55

Balance Sheet Date : 31 03 2010

Date Month Year

II. Capital Raised during the year (Amount ₹ in Crore)

Public Issue	Right Issue
Nil	Nil
Bonus Issue	**Private Placement**
Nil	Nil

III. Position of Mobilisation and Deployment of Funds (Amount ₹ in Crore)

Total Liabilities	Total Assets
84777.16	84777.16

Sources of Funds

Paid-up Capital	Reserve & Surplus
1147.77	12113.02
Unsecured Loans	**Deferred Tax Liability**
67108.41	46.95
Interest Subsidy Fund from GOI	**Current Liabilities & Provisions**
663.49	3697.52

Application of Funds

Net Fixed Assets	Investments
74.50	31.43
Current Assets	**Loans**
4815.47	79855.76
Accumulated Loss	**Misc. Expenditure**
Nil	Nil

IV. Performance of Company (Amount ₹ in Crore)

Turnover	Total Expenditure
8076.86	5063.51
Profit/Loss Before Tax	**Profit/Loss After Tax**
(+) 3013.48	(+) 2357.25
Earning per share in ₹	**Dividend Rate %**
20.54	45.00%

V. Generic Names of Three Principal Products/Services of Company (as per Monetary terms) *

Items Code No. (ITC Code) : NA
Product Description : To Finance Power Projects - Generation, Transmission, Distribution and Renovation & Modernization

Items Code No. (ITC Code) :
Product Description : NIL

Items Code No. (ITC Code) :
Product Description : NIL

* In monetary terms, the Company has only one principal product/service.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010

(₹ in crore)

PARTICULARS		Year ended 31.03.2010		Year ended 31.03.2009
I. Cash Flow from Operating Activities :-				
Net Profit before Tax and Extraordinary items	**3013.48**		**1990.47**	
ADD : Adjustments for				
Loss on Sale of Assets	**0.02**		0.01	
Depreciation / Amortisation	**3.81**		4.12	
Amortisation of Zero Coupon Bonds	**20.83**		19.27	
Foreign Exchange Loss/Gain	**(248.27)**		235.66	
Dimunition in value of investments	**(1.52)**		1.49	
Provision for Contingencies	**(0.57)**		2.17	
Provision for Retirement Benefits/Other Welfare Expenses/Wage revision	**16.74**		8.16	
Operating profit before working Capital Changes:	**2804.52**		**2261.35**	
Increase/Decrease :				
Loans Disbursed (Net)	**(15496.04)**		(12701.30)	
Other Current Assets	**(252.19)**		(284.71)	
Loans & Advances	**100.14**		(101.65)	
Current Liabilities and provisions	**216.44**		665.25	
Cash flow before extraordinary items	**(12627.13)**		**(10161.06)**	
Extraordinary items	**0.00**		0.00	
Cash Inflow/Outflow from operations before Tax	**(12627.13)**		**(10161.06)**	
Income Tax & Fringe Benefit Tax Paid	**(811.34)**		(595.85)	
Net Cash flow from Operating Activities		**(13438.47)**		**(10756.91)**
II. Cash Flow From Investing Activities :				
Sale / decrease of Fixed Assets	**0.05**		0.05	
Purchase of Fixed Assets	**(1.51)**		(2.60)	
Increase/decrease in Capital Works in Progress	**(1.73)**		0.00	
Plant & Machinery (Lease Equalisation)	**0.00**		0.27	
Investments in Subsidiaries	**(0.05)**		(0.07)	
Other Investments	**5.95**		28.31	
Net Cash Used in Investing Activities		**2.71**		**25.96**
III. Cash Flow From Financial Activities :				
Issue of Bonds	**12283.30**		12808.90	
Short Term Loans (Net)	**(750.00)**		(1080.00)	

(₹ in crore)

PARTICULARS		Year ended 31.03.2010		Year ended 31.03.2009
Loan Against Fixed Deposits (Net)	**1675.12**		0.00	
Raising of Long Term Loans	**8004.50**		4750.00	
Repayment of Long Term Loans	**(4473.00)**		(4449.00)	
Redemption of Bonds	**(1981.86)**		(892.30)	
Foreign Currency Loans (Net)	**486.88**		(40.46)	
Interest Subsidy Fund from GOI (Net)	**(245.45)**		(157.81)	
Unclaimed Bonds (Net)	21.87		0.09	
Payment of Final Dividend (including Corporate Dividend Tax) of Previous year	**(181.28)**		(134.29)	
Payment of Interim Dividend (including Corporate Dividend Tax) of Current year	**(402.85)**		(355.85)	
Net Cash in-flow from Financing Activities		**14437.23**		**10449.28**
Net Increase/Decrease in Cash & Cash Equivalents		**1001.47**		**(281.67)**
Add : Cash & Cash Equivalents at beginning of the period		**392.83**		674.50
Cash & Cash Equivalents at the end of the period		**1394.30**		**392.83**
Details of Cash & Cash Equivalents at the end of the period:				
Cheques in hand,Imprest with Postal authority & Balances with Banks		**3.88**		2.64
Fixed Deposits with Scheduled Banks		**1390.42**		390.19
		1394.30		**392.83**

For and on behalf of the Board of Directors

J S AMITABH
Company Secretary

R NAGARAJAN
Director (Finance & Financial Operations)

SATNAM SINGH
Chairman and Managing Director

Signed in terms of our report of even date

For K.K. SONI & Co.
Chartered Accountants
Firm Regd. No - 000947N

For RAJ HAR GOPAL & Co.
Chartered Accountants
Firm Regd. No - 002074N

(S S SONI)
PARTNER
Membership No - 94227

(G K GUPTA)
PARTNER
Membership No - 81085

Place : New Delhi
Date : 18.06.2010

AUDITOR'S REPORT

The Members of

Power Finance Corporation Limited,

1. We have audited the attached Balance Sheet of Power Finance Corporation Limited, New Delhi as at 31st March 2010, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Statement on the Companies (Auditors' Report) Order, 2003 (as amended) issued by the Government of India in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments referred to in paragraph 3 above we report as follows:
   (i) Power Finance Corporation Limited (The Company) pursuant to the opinion of the Expert Advisory Committee (EAC) of the Institute of Chartered Accountants of India (ICAI) provided "Deferred Tax Liability" (DTL) on special reserve created under section 36(1) (viii) of the Income Tax Act, 1961 in the year 2004-05, by charging Profit & Loss Account with ₹142.87 crores and debiting the Free Reserves by Rs 745.14 crores (for creating DTL for the years 1997-98 to 2003-04). Since, then the Company continued to provide DTL till the end of March, 2008 by charging Profit & Loss Account. The total amount towards DTL upto 31st March, 2008 comes to ₹1228.38 crores. The Company during the year 2008-09 reversed the DTL provided in earlier years amounting to ₹ 1228.38 crores and also did not provide DTL amounting to ₹ 291.21 crores (including ₹ 133.28 crores for the year 2008-09)in the current year, contrary to, opinions expressed by the EAC of the ICAI on two occasions dated 23.11.2004 and 18.05.2006, clarification furnished in July,2009 by the ICAI on the request of the Comptroller and Auditor General of India and mandatory provisions of Accounting Standard-22.

   In view of the facts and circumstances placed before us, the profits and Free Reserves of the company are overstated by Rs 774.45 crores and Rs 745.14 crores (previous year ₹ 616.52 crores and ₹ 745.14 crores), respectively and DTL has been understated by ₹ 1519.59 crores (previous year ₹ 1361.66 crores). (Refer Note No. 19 of Schedule 18).

   Further, the amount of Capital considered in the calculation of Capital Risk Adjusted Ratio (CRAR) is overstated to the above extent. (Refer Note No. 27 of Schedule 18)

   (ii) As regards the liability of ₹ 663.49 crores (previous year ₹ 908.94 crores) shown as "Interest Subsidy Fund from GOI" in the Balance Sheet, received under Accelerated Generation and Supply Program (AG&SP) Scheme from the Ministry of Power, Government of India, the Company has estimated the net excess amount of ₹ 166.25 crores (previous year ₹ 283.14 crores) and ₹ 209.97 crores (previous year ₹ 44.27 crores) as at 31st March 2010, for IX and X plan respectively. This net excess amount is worked out on overall basis and not on individual basis and may vary due to change in assumptions, if any, during the projected period such as changes in moratorium period, repayment period, loan restructuring, pre payment, interest rate reset, etc. Hence, the impact of this excess, if any could not be determined. As such we are not in a position to express our opinion thereon (Note No.15 of Schedule 18).
5. Attention is drawn to the following Notes in Schedule 18:-
   (a) Note No.3 regarding variation in accepted principal outstanding of a borrower consequent upon transfer of outstanding as per State Government Order.

   (b) Note No.4 (i) and Accounting Policy No 2.1.1 read with 6.2 (i) regarding a Project under implementation, which has been classified as a Standard Asset.

   (c) Note No.4 (ii) regarding Gas Based Power Project which is under implementation and has been classified as a Standard Asset

(d) Note No.6 (ii) regarding default of ₹24.67 crores by one party in refunding the interest subsidy under AG&SP Scheme payable to the Ministry of Power on receipt.

(e) Note No.17 regarding working as Nodal Agency for operationalisation and implementation of the R-APDRP Scheme.

(f) Note No. 24 regarding actuarial valuation for Employee Benefits.

(g) Note No.26 regarding reconciliation/confirmation of balances.

6. Further to above:

a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the 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 appear from our examination of those books;

c) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

d) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Sub-Section (3C) of Section 211 of the Companies Act, 1956 except as stated in Para 4 (i);

e) The requirements of clause (g) of Sub-Section (1) of Section 274 of the Companies Act, 1956 relating to disqualification of directors are not applicable to the Company, being a Government Company, in terms of Notification No.G.S.R.829 (E), dated 21.10.2003 issued by Ministry of Finance, Department of Company Affairs.

7. Subject to our observations as stated in Para 4 and read with other items on which attention is drawn vide Para 5 above, with consequential effects on the Financial Statements, in our opinion and to the best of our information and according to the explanations given to us, the said Accounts read with Accounting Policies and Notes thereon in Schedule No.18, give the information required by the Companies Act, 1956, in the manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India:

a) In case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2010;

b) In case of Profit & Loss Account, of the Profit of the Company for the period ended on that date; and

c) In case of Cash Flow Statement, of the cash flows for the period ended on that date.

	For K K Soni & Co.	**For Raj Har Gopal & Co.**
	Chartered Accountants	Chartered Accountants
	Firm's Regd No.: 000947N	Firm's Regd No. : 002074N
	(S. S. Soni)	**(G.K.Gupta)**
Place : New Delhi	Partner	Partner
Date : 18th June 2010	Membership No. 94227	Membership No. 081085

ANNEXURE TO AUDITOR'S REPORT

(Referred to in Paragraph (3) of our report of even date)

1. (a) The Company has generally maintained proper records showing full particulars including quantitative details and situation of fixed assets on the basis of available information.

   (b) As explained to us, the management is carrying out the physical verification of fixed assets at the year end in a phased manner, **except certain EDP equipments and Furniture & Fixtures for which no physical verification was conducted**. In our opinion, the frequency of physical verification is reasonable having regard to the size of the Company and nature of its assets. No material discrepancies were noticed by the management on such physical verification.

   (c) The Company has not disposed off substantial parts of fixed assets during the year and the Going Concern status of the Company is not affected.

2. As the Company has not purchased / sold goods during the year nor are there any stocks, requirement of reporting on physical verification of stocks or maintenance of inventory records does not arise.

3. As explained to us, the Company has not taken nor granted any loans, secured or unsecured from Companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly clauses 4(iii) (a), (b), (c) and (d) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

4. Having regard to the nature of Company's business and based on our scrutiny of Company's records and the information and explanations received by us, we report that Company's activities do not include purchase of inventory and sale of goods. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business with regards to purchase of fixed assets. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls with regard to purchase of fixed assets.

5. Based on the audit procedures applied by us and the information and explanations provided by the management, we are of the opinion that there was no transaction during the year that need to be entered in the register maintained under Section 301 of the Companies Act 1956.

6. The Company has not accepted any deposits from the public.

7. In our opinion and according to the information and explanations given to us, the Company has an internal audit system, which is commensurate with the size and nature of business of the Company. ***However, the IT Audit needs to be further streamlined and strengthened.***

8. The Company is non-banking financial company, the provisions under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 pertaining to maintenance of cost records, does not apply.

9. In respect of statutory dues, on the basis of information and explanations given to us, we report that:

   (a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, ESI, Income tax, Wealth tax, etc. as applicable to it and there is no undisputed amounts payable in respect of aforesaid dues outstanding for a period of more than six months as on 31st March 2010, as per the accounts of the company.

   (b) According to the records of the Company, there are no dues of Income tax / Wealth tax / Service tax, etc., which have not been deposited by the Company on account of any dispute, as per the accounts of the Company.

10. The Company has no accumulated losses at the end of current financial year and has not incurred any cash losses during the financial year covered by our audit or in the immediately preceding financial year.

11. Based on our audit procedures and according to the information and explanations given to us, we are of the opinion that the Company has not defaulted in repayment of dues to financial institutions, banks or debenture holders.

12. The Company has generally maintained adequate documents and records in respect of loans granted by it to various State Electricity Boards, State Generation Corporations, State Governments, CPSUs and Independent Power Producers.

13. The Company is neither a chit fund nor a nidhi / mutual benefit fund / society. Hence, the requirements of clause 4(xiii) of the 'Order' do not apply to the Company.

14. As per records of the Company and according to the information and explanations provided by the management, the Company has been maintaining proper and timely records of the transactions and contracts for the dealings or trading in shares, securities, debentures and other investments. As per information and explanations provided we state that, all the Investments have been held by the Company in its own name.

15. The Company has given guarantees in connection with loans taken by others from banks or financial institutions. According to information & explanations given to us we are of the opinion that, the terms and conditions on the guarantee given are not prima-facie prejudicial to the interest of the Company.
16. The term loans obtained by the Company have generally been utilized for the purpose for which they were raised.
17. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have prima-facie been used for long-term investment by the Company.
18. According to the records of the Company and the information and explanations given to us, the Company has not made any preferential allotment of shares, to parties and Companies covered in the Register maintained under Section 301 of the Companies Act, 1956. Therefore the provisions of clause 4(xviii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
19. According to the records of the Company all debentures issued by the Company are unsecured bonds and, hence creation of securities is not required by the terms of issue of debentures.
20. There is no public issue during the financial Year 2009-10.
21. Based upon the audit procedure performed and information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

	For K K Soni & Co.	**For Raj Har Gopal & Co.**
	Chartered Accountants	Chartered Accountants
	Firm's Regd No.: 000947N	Firm's Regd No. : 002074N
	(S. S. Soni)	**(G.K.Gupta)**
Place : New Delhi	Partner	Partner
Date : 18th June 2010	Membership No. 94227	Membership No. 081085

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF POWER FINANCE CORPORATION LIMITED, NEW DELHI FOR THE YEAR ENDED 31 MARCH, 2010.

The preparation of financial statements of Power Finance Corporation Limited, New Delhi for the year ended 31 March 2010 in accordance with the financial reporting framework prescribed under the Companies Act, 1956, is the responsibility of the management of the company. The statutory auditors appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956, are responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956, based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 18 June 2010.

I, on behalf of the Comptroller and Auditor General of India have conducted a supplementary audit under section 619(3)(b) of the Companies Act, 1956, of the financial statements of Power Finance Corporation Limited, New Delhi for the year ended 31 March 2010. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditors' report under section 619 (4) of the Companies Act, 1956.

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

M. K. Biswas
Principal Director of Commercial Audit
& Ex-officio Member Audit Board – III
New Delhi

Place : New Delhi
Dated : 06.08.2010

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2010

(₹ in crore)

Description	Schedule Number	As at 31.03.2010		As at 31.03.2009	
I . SOURCES OF FUNDS					
(1) Share Holder's Funds					
(a) Share Capital	1	**1147.77**		1147.77	
(b) Reserves & Surplus	2	**12143.80**	**13291.57**	10369.78	11517.55
(2) Share Application Money			**6.09**		0.00
(3) Loans Funds					
Unsecured Loans	3		**67108.41**		52160.15
(4) Deferred Tax Liablity (Net of Asset)	4		**46.93**		55.48
(5) Interest Subsidy Fund from GOI			**663.49**		908.94
Total			**81116.49**		**64642.12**
II . APPLICATION OF FUNDS					
(1) Fixed Assets	5				
(a) Gross Block		**90.90**		95.37	
Less : Depreciation		**19.65**		21.80	
Net Block			**71.25**		73.57
(b) Intangible Assets					
Gross Block		**2.41**		2.00	
Less : Amortisation		**0.82**		0.39	
Net Block			**1.59**		1.61
(c) Capital Works in Progress			**1.73**		0.00
(2) Investments	6		**30.02**		35.08
(3) Loans	7		**79855.76**		64428.99
(4) Current Assets, Loans & Advances	8				
(a) Cash & Bank Balances		**1460.39**		419.59	
(b) Other Current Assets		**1599.14**		1345.35	
(c) Loans & Advances		**1842.14**		1939.77	
		4901.67		3704.71	
Less : Current Liabilities & Provisions	9				
(a) Current Liabilites		**2161.14**		1880.98	
(b) Provisions		**1584.39**		1720.90	
		3745.53		3601.88	
(5) Net Current Assets			**1156.14**		102.83
(6) MISCELLANEOUS EXPENDITURE					
(To the extent not written-off or adjusted)					
Preliminary Expenses			**0.00**		0.04
Total			**81116.49**		**64642.12**
ACCOUNTING POLICIES	17				
NOTES ON ACCOUNTS	18				

Schedules 1 to 18 form integral part of Accounts.

For and on behalf of the Board of Directors

J S AMITABH
Company Secretary

R NAGARAJAN
Director (Finance & Financial Operations)

SATNAM SINGH
Chairman and Managing Director

Signed in terms of our report of even date

For K.K. SONI & Co.
Chartered Accountants
Firm Regd. No - 000947N

(S S SONI)
PARTNER
Membership No - 94227

For RAJ HAR GOPAL & Co.
Chartered Accountants
Firm Regd. No - 002074N

(G K GUPTA)
PARTNER
Membership No - 81085

Place : New Delhi
Date : 18.06.2010

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

(₹ in crore)

Description	Schedule Number	Year ended 31.03.2010	Year ended 31.03.2009
INCOME			
Operating Income	10	**8043.20**	6572.02
Other Income	11	**78.51**	27.58
Total		**8121.71**	6599.60
EXPENSES			
Interest and other charges	12	**4915.39**	4436.61
Bonds Issue Expenses	13	**43.79**	65.68
Personnel & Administration Expenses	14	**114.65**	84.03
Depreciation	5	**3.40**	3.85
Amortisation of Intangible Assets	5	**0.43**	0.28
Provision for Contingencies		**-0.57**	2.17
Provision for decline in value of investments		**-1.52**	1.49
Preliminary Expenses written off		**0.34**	0.01
Total		**5075.91**	4594.12
Profit for the year		**3045.80**	2005.48
Prior Period adjustments	15	**0.10**	0.02
Profit before tax		**3045.90**	2005.50
Less(-)/Add(+) : Provision for taxation			
- Current Year :-			
- Tax		**-811.66**	-497.27
- Interest		**-0.28**	0.00
- Earlier Years :-			
- Tax		**135.79**	32.61
Less/Add: Deferred tax liability(-)/Asset(+)			
- Current Year		**8.55**	-43.61
- Reversal of DTL of Earlier Years (Refer Note No.20 of Schedule-18, Notes on Accounts)		**0.00**	483.24
Less(-)/Add(+): Provision for fringe benefit tax		**0.00**	-0.78
Profit after tax available for appropriations	16	**2378.30**	**1979.69**
Basic & Diluted Earning Per Share of ₹ 10/- each - Amount in ₹ (Refer Note No.21 of Schedule-18, Notes on Accounts)		**20.72**	17.25
Accounting Policies	17		
Notes on Accounts	18		
Schedules 1 to 18 form integral part of Accounts			

For and on behalf of the Board of Directors

J S AMITABH	**R NAGARAJAN**	**SATNAM SINGH**
Company Secretary	Director (Finance & Financial Operations)	Chairman and Managing Director

Signed in terms of our report of even date

	For K.K. SONI & Co.	For RAJ HAR GOPAL & Co.
	Chartered Accountants	Chartered Accountants
	Firm Regd. No - 000947N	Firm Regd. No - 002074N
	(S S SONI)	**(G K GUPTA)**
Place : New Delhi	PARTNER	PARTNER
Date : 18.06.2010	**Membership No - 94227**	**Membership No - 81085**

SCHEDULE - 1

SHARE CAPITAL

(₹ in crore)

Description	As at 31.03.2010	As at 31.03.2009
Authorised :		
200,00,00,000 Equity shares of ₹10/- each (Previous year 200,00,00,000 shares of ₹10/- each)	**2000.00**	2000.00
Issued, subscribed and paid up :		
114,77,66,700 Equity shares of ₹10/- each fully paid-up (Previous year 114,77,66,700 shares of ₹10/- each fully paid)	**1147.77**	1147.77
TOTAL	**1147.77**	1147.77

SCHEDULE - 2

RESERVES & SURPLUS

(₹ in crore)

Description	Opening Balances as at 01.04.2009	Additions / Adjustments during the year	Deductions/ Adjustments during the year	Closing Balance as at 31.03.2010
Reserve for Bad & doubtful debts u/s 36(1)(viia)(c) of Income-Tax Act,1961	718.15	123.92	0.00	**842.07**
Special Reserve created u/s 36(1)(viii) of Income Tax Act, 1961 upto Financial Year 1996-97	599.85	0.00	0.00	**599.85**
Special Reserve created and maintained u/s 36(1)(viii) of Income Tax Act, 1961 from Financial Year 1997-98	4006.03	568.61	0.00	**4574.64**
Securities Premium Account	851.10	0.00	0.00	**851.10**
General Reserve	1795.97	236.00	0.00	**2031.97**
Profit and Loss Account	2398.68	845.49	0.00	**3244.17**
TOTAL #	10369.78	1774.02	0.00	**12143.80**

Additions during the year includes ₹ - 0.56 crore (Previous year ₹ -0.02 crore) share of Jointly controlled entity.

SCHEDULE - 3

UNSECURED LOANS

(₹ in crore)

Description		As at 31.03.2010			As at 31.03.2009	
I. Bonds						
a) Bonds Guaranteed by the Government of India (Refer Note No. 1)		**42.00**			62.00	
b) Other Bonds (Refer Note Nos. 2 to 14)		**45759.43**			35417.15	
c) Foreign Currency Notes (Refer Note Nos. 16)		**820.44**	**46621.87**		1402.42	36881.57
II. Loans						
a) Long Term Loans (Refer Note No. 17)						
(i) Foreign Currency Loans from Foreign banks (Guaranteed by the Govt. of India)	**389.04**			505.28		
(ii) Syndicated Foreign Currency Loans from banks	**1367.40**			476.00		
(iii) Foreign Currency Loans (FCNR(B) from banks)	**181.98**			205.80		
(iv) Rupee Term Loans (From Banks)	**14793.00**			11891.50		
(v) Rupee Term Loans (From Financial Institutions)	**1430.00**	**18161.42**		800.00	13878.58	
b) Short Term Loans						
(i) Rupee Term Loans (From Banks)	**0.00**			400.00		
(ii) Commercial Paper	**650.00**			1000.00		
(iii) Working Capital Demand Loan/OD/CC/Loan Against FD/Line of Credit	**1675.12**	**2325.12**	**20486.54**	0.00	1400.00	15278.58
TOTAL			**67108.41**			**52160.15**

Notes :

1 The details of Government guaranteed bonds outstanding as at 31.03.2010 are as follows:

Bond Series	Amount(₹ in crore)	Date of Redemption
11.50 % Bonds - III Series	20.00	07.01.2011
12.00 % Bonds - IV Series	22.00	10.02.2012

2 8.20% Tax Free non-cummulative Unsecured Redeemable Bonds 2010 - III Series of ₹ 50.00 crore are Redeemable at par on 19.07.2010.

3 9.70% Taxable Unsecured Redeemable bonds 2011 - X series of ₹354.00 crore are issued with separately transferable Redeemable principal parts (STRPP) with each bond bearing a total face value of ₹10000000 each comprising 7 detachable and separately transferable principal parts - I and VII parts of ₹ 1500000/- each and II to VI parts of ₹1400000/- each. The separate principal parts are designated as A,B,C,D,E,F and G. Parts A,B,C, D & E amounting to ₹53.10 crore, ₹49.56 crore, ₹49.56 crore, ₹49.56 crore & ₹ 49.56 crore respectively have been redeemed on

23.11.2005, 23.11.2006, 23.11.2007, 23.11.2008 & 23.11.2009 respectively. The separate principal parts designated as F and G would be redeemed at par as follows:

PART	Date of Redemption	Amount (₹ in crore)
F	23.11.2010	49.56
G	23.11.2011	53.10

4 9.25% Taxable non-cummulative Unsecured Redeemable Bonds 2012- XI Series of ₹ 774.97 crore are issued and are Redeemable at par on the expiry of 10 years from the date of allotment i.e. 20.02.2002 and/or are Redeemable at par after expiry of 7 years on exercising the 'put or call option' by the bondholders or by the Company. Put option for ₹30.89 crore has been exercised by the Bondholders on 20.02.2009.

5 9.60% Taxable non-cummulative Unsecured Redeemable Bonds 2017 - XIII Series of ₹ 125.00 crore and ₹ 65.00 crore are Redeemable at par on the expiry of 15 years from the date of allotment i.e. 16.5.2002 and 24.5.2002 respectively.

6 8.21% Taxable non-cummulative Unsecured Redeemable Bonds 2017 - XVII Series of ₹ 250.00 crore are Redeemable in 10 equal annual instalments beginning from the date next to the expiry of the 6th year after an initial moratorium period of 5 years from the date of allotment i.e. 3.10.2002. An amount of ₹ 25.00 crore & ₹ 25 crore have been redeemed on 03.10.2008 and 03.10.2009 respectively. The date and the amount of the bonds to be redeemed are as follows :-

Date of Redemption	Amount(₹ in crore)
3.10.2010	25.00
3.10.2011	25.00
3.10.2012	25.00
3.10.2013	25.00
3.10.2014	25.00
3.10.2015	25.00
3.10.2016	25.00
3.10.2017	25.00

7 7.87% Taxable non-cummulative Unsecured Redeemable Bonds 2017 - XVIII Series of ₹ 250.00 crore are Redeemable in 10 equal annual instalments beginning from the date next to the expiry of the 6th year after an initial moratorium period of 5 years from the date of allotment i.e. 13.11.2002. An amount of ₹ 25.00 crore & ₹ 25.00 crore have been redeemed on 13.11.2008 & 13.11.2009 repectively. The date and the amount of the bonds to be redeemed are as follows :-

Date of Redemption	Amount(₹ in crore)
13.11.2010	25.00
13.11.2011	25.00
13.11.2012	25.00
13.11.2013	25.00
13.11.2014	25.00
13.11.2015	25.00
13.11.2016	25.00
13.11.2017	25.00

8 Zero Coupon Unsecured Taxable Bonds 2022-XIX Series of ₹ 278.04 crore (previous year ₹ 257.20 crore) are Redeemable at face value of ₹ 750.00 crore on 30.12.2022 [(net of Unamortised Interest of ₹ 471.96 crore (previous year ₹ 492.80 crore)].

9 5.85% Taxable non-cummulative Unsecured Redeemable Bonds 2010 - XX Series of ₹ 725.00 crore are Redeemable at par on expiry of 7 years from the date of allotment i.e, 01.08.2003 and /or are Redeemable at par after the expiry of 5 years on exercising the ' put or call option ' by the bondholders or by the Company. Put option for ₹ 545.05 crore has been exercised by the bondholders on 01.08.2008.

10 6.80% Taxable non cummmulative Unsecured Redeemable Bonds 2011 - XXI - A Series of ₹ 301.00 crore are Redeemable at par on expiry of 7 years from the date of allotment i.e, 02.11.2004 and /or are Redeemable at par after the expiry of 5 years on exercising the ‘ put or call option ‘ by the bondholders or by the Company. Put option for ₹ 215 crore has been exercised by the bondholders on 02.11.2009.

11 7.00% Taxable non cummmulative Unsecured Redeemable Bonds 2014 - XXI-B Series of ₹ 168.80 crore are Redeemable at par on expiry of 10 years from the date of allotment i.e, 02.11.2004 and /or are Redeemable at par after the expiry of 7 years on exercising the ‘ put or call option ‘ by the bondholders or by the Company.

12 7.00% Taxable non cummmulative Unsecured Redeemable Bonds 2011 - XXII Series of ₹ 1040.70 crore are Redeemable at par on expiry of 7 years from the date of allotment i.e, 24.12.2004 and /or are Redeemable at par after the expiry of 5 years on exercising the ‘ put or call option ‘ by the bondholders or by the Company. Put option for ₹ 346.40 crore has been exercised by the bondholders on 24.12.2009.

13 7.00% Taxable non cummmulative Unsecured Redeemable Bonds 2012 - XXIII Series of ₹ 349.90 crore are Redeemable at par on expiry of 7 years from the date of allotment i.e, 05.07.2005 and /or are Redeemable at par after the expiry of 5 years on exercising the ‘ put or call option ‘ by the bondholders or by the Company.

14 The details of Unsecured Taxable (Non cumulative) Bonds series XXIV to LXIV are as follows :

Bond Series	**Coupon Rate**	**Date of Redemption**	**Amount(₹ in crore)**
XXIV Series	6.70%	01.09.2010	475.00
XXV Series	7.60%	30.12.2015	1734.70
XXVI Series	7.95%	24.02.2016	1261.80
XXVII - A Series	8.20%	17.03.2016	1000.00
XXVII - B Series	8.09%	17.03.2013	850.00
XXVIII Series	8.85%	31.05.2021	600.00
XXIX - A Series	8.80%	07.09.2016	250.00
XXIX - B Series	8.55%	07.09.2011	300.00
XXX Series	8.49%	09.10.2011	480.00
XXXI - A Series	8.78%	11.12.2016	1451.20
XXXII Series	9.25%	19.02.2012	578.50
XXXIII - A Series	9.80%	22.03.2012	122.00
XXXIII - B Series	9.90%	22.03.2017	561.50
XXXIV Series	9.90%	30.03.2017	500.50
XXXV Series	9.96%	18.05.2017	530.00
XXXVI - A Series	9.90%	15.06.2010	253.00
XXXVI - B Series	10.00%	15.06.2012	436.30
XXXVIII Series	9.80%	20.09.2012	1862.00
XL - B Series	9.22%	28.12.2012	510.00
XL - C Series	9.28%	28.12.2017	650.00
XLI - B Series	8.94%	15.01.2013	265.00
XLII - A Series	9.01%	15.02.2011	825.00
XLII - B Series	9.03%	15.02.2013	319.00
XLIII - A Series	9.30%	12.03.2011	76.10
XLIII - B Series	9.30%	12.03.2013	271.60
XLIV Series	9.40%	25.03.2013	1260.30
XLVI Series	MIBOR +215 bps	29.05.2011	475.00
XLVII - A Series	9.55%	09.06.2011	450.60
XLVII - B Series	9.60%	09.06.2013	495.30
XLVII - C Series	9.68%	09.06.2018	780.70
XLVIII - A Series	10.75%	15.07.2011	571.50
XLVIII - B Series	10.70%	15.07.2013	217.40
XLVIII - C Series	10.55%	15.07.2018	259.70
XLIX - A Series	10.90%	11.08.2013	313.60
XLIX - B Series	10.85%	11.08.2018	428.60
L - A Series	10.85%	25.08.2011	143.00

Bond Series	Coupon Rate	Date of Redemption	Amount(₹ in crore)
L - B Series	10.75%	25.08.2013	78.40
L - C Series	10.70%	25.08.2015	80.80
LI - A Series	11.15%	15.09.2011	495.20
LI - B Series	11.10%	15.09.2013	594.00
LI - C Series	11.00%	15.09.2018	3024.40
LII - A Series	11.40%	28.11.2013	662.70
LII - B Series	11.30%	28.11.2015	5.80
LII - C Series	11.25%	28.11.2018	1950.60
LIII Series	8.70%	09.07.2010	1585.10
LIV - A Series	8.90%	16.02.2014	196.50
LV - A Series	6.90%	11.05.2012	877.00
LV - B Series	7.50%	11.05.2014	146.90
LVI Series	7.20%	09.07.2012	525.00
LVII - B Series	8.60%	07.08.2014	866.50
	8.60%	07.08.2019	866.50
	8.60%	07.08.2024	866.50
LVIII - A Series	7.75%	17.09.2012	100.00
LVIII - B Series	8.45%	17.09.2014	331.10
LIX - A Series	8.45%	15.10.2014	288.20
LIX - B Series	8.80%	15.10.2019	1216.60
LX - A Series	INCMTBMK + 135 bps	20.11.2012	175.00
LX - B Series	INCMTBMK + 179 bps	20.11.2019	925.00
LXI - Series	8.50%	15.12.2014	351.00
	8.50%	15.12.2019	351.00
	8.50%	15.12.2024	351.00
LXII - A Series	8.70%	15.01.2020	845.40
LXII - B Series	8.80%	15.01.2025	1172.60
LXIII - Series	8.90%	15.03.2015	184.00
	8.90%	15.03.2020	184.00
	8.90%	15.03.2025	184.00
LXIV - Series	8.95%	30.03.2015	492.00
	8.95%	30.03.2020	492.00
	8.95%	30.03.2025	492.00

15 As at 31.03.2010, Bonds for ₹ 3.42 crore (previous year ₹ 3.52 crore) are held by PFC Ltd. Employees Provident Fund Trust and Bonds for ₹ 0.70 crore (previous year ₹ 0.70 crore) are held by PFC Ltd. Gratuity Trust.

16 Foreign currency 6.61% Senior Notes (USPP - I) of USD 180 million amounting to ₹ 820.44 crore (previous year ₹ 926.10 crore) are redeemable at par on 05.09.2017.

17 Long Term Loans due for repayment within one year are ₹ 5256.62 crore (previous year ₹ 4524.83 crore).

SCHEDULE - 4

DEFERRED TAX LIABILITY (NET OF ASSET)

(₹ in crore)

Description	As at 31.03.2010		As at 31.03.2009	
Opening Balance	**55.48**		1240.25	
Additions/Deductions during the year #	**-8.53**	**46.95**	-1184.77	55.48
TOTAL *		**46.95**		55.48

* (Refer Note Nos.19 and 20 of Schedule-18, Notes on Accounts)

Includes ₹ - 0.02 crore (Previous year Nil) share of Jointly controlled entity.

SCHEDULE - 5

FIXED ASSETS

(₹ in crore)

Description	GROSS BLOCK				DEPRECIATION					NET BLOCK	
	Opening Balance as at 01.04.2009	Additions/ Adjustments	Deductions/ Adjustments	**Closing Balance as at 31.03.2010**	Opening Balance as at 01.04.2009	For the Period 01.04.2009 to 31.03.2010	Charged to Prior period Adjustments	With drawn/ Written back	**Closing Balance as at 31.03.2010**	**As at 31.03.2010**	As at 31.03.2009
I. TANGIBLE ASSETS :											
Owned Assets											
Land (Freehold)	2.59	0.00	0.00	2.59	0.00	0.00	0.00	0.00	0.00	2.59	2.59
Land (Leasehold)	38.33	0.00	0.00	38.33	0.00	0.00	0.00	0.00	0.00	38.33	38.33
Buildings	24.14	0.00	0.00	24.14	3.30	1.04	0.00	0.00	4.34	19.80	20.84
EDP Equipments	6.70	0.76	0.06	7.40	5.43	0.68	0.00	0.03	6.08	1.32	1.27
Office and other equipments	11.06	0.22	0.07	11.21	4.25	0.97	0.00	0.03	5.19	6.02	6.81
Furniture & Fixtures	6.90	0.18	0.03	7.05	3.21	0.70	0.00	0.02	3.89	3.16	3.69
Vehicles	0.18	0.00	0.00	0.18	0.14	0.01	0.00	0.00	0.15	0.03	0.04
Sub-Total	**89.90**	**1.16**	**0.16**	**90.90**	**16.33**	**3.40**	**0.00**	**0.08**	**19.65**	**71.25**	**73.57**
Leased Assets											
Plant & Machinery	5.47	0.00	5.47	0.00	5.47	0.00	0.00	5.47	0.00	0.00	0.00
Lease Adjustment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total #	**95.37**	**1.16**	**5.63**	**90.90**	**21.80**	**3.40**	**0.00**	**5.55**	**19.65**	**71.25**	**73.57**
Previous Year	374.70	0.80	280.13	95.37	297.75	3.85	0.00	279.80	21.80	73.57	76.95
II. Intangible Assets :											
Purchased Software (Useful Life - 5 years)	2.00	0.41	0.00	2.41	0.39	0.43	0.00	0.00	0.82	1.59	1.61
Previous Year	**0.16**	**1.84**	**0.00**	**2.00**	**0.11**	**0.28**	**0.00**	**0.00**	**0.39**	**1.61**	**0.05**
III. Capital Works in Progress- Intangible Assets	0.00	1.73	0.00	1.73	0.00	0.00	0.00	0.00	0.00	1.73	0.00

Additions to Gross Block during the year includes ₹ 0.01 crore (Previous year Nil) share of Jointly controlled entity.

Note : The building has been capitalised on the basis of estimated value of work done as Final bills are not yet settled

SCHEDULE - 6

INVESTMENTS

(₹ in crore)

Description		As at 31.03.2010		As at 31.03.2009
A. Long Term Investments (Trade - Unless otherwise specified)				
- **Valued at Cost**				
1,20,00,000 Equity Shares of ₹ 10/- each fully paid up of PTC Ltd. (Quoted)		**12.00**		12.00
17,50,000 Equity Shares (Face value of ₹ 10/- each) of Power Exchange India Ltd. (Unquoted - Non Trade)		**1.75**		0.00
5,15,000 Equity Shares of ₹ 10/- each fully paid up of Subsidiaries/Associates (Unquoted - Non Trade) *		**0.52**		0.52
8,330 4% Bonds of ₹ 100/- each of IMP Power Ltd. (Unquoted - Non Trade)		**0.08**		0.08
- **Valued at Cost (Less diminution, if any, other than temporary)**				
1,20,85,407 Units of " Small is Beautiful " Fund of KSK Investment Advisor Pvt. Ltd. at net asset value of ₹ 9.09 (Face value per unit is ₹ 10)	**12.08**		14.47	
Less : Provision for Diminution	**0.24**	**11.84**	1.32	13.15
- **Valued at Cost (NPAs)**				
50,000 Equity Shares of ₹ 10/- each fully paid up of Subsidiaries (Unquoted - Non Trade)	**0.05**		0.00	
Less : Provision for Contingencies	**0.05**	**0.00**	0.00	0.00
B. Current Investments - Valued scrip wise at Lower of Cost or Market Price (Trade - Unless otherwise specified)				
Equity Shares (Quoted) **	**3.83**		8.01	
Less : Provision for Diminution	**0.00**	**3.83**	0.43	7.58
C. Application Money pending allotment of Shares				
17,50,000 Equity Shares (Face value of ₹ 10/- each) of Power Exchange India Ltd.		**0.00**		1.75
TOTAL		**30.02**		**35.08**
** 5,39,349 Shares (Face value of ₹ 10/- each) of PGCIL purchased at a cost of ₹ 52 (Previous year - 5,39,349 Shares)		**2.80**		2.80
97,952 Shares (Face value of ₹ 10/- each) of REC Ltd. purchased at a cost of ₹ 105 (Previous year - 4,95,917 Shares)		**1.03**		4.78
		3.83		**7.58**

* Includes ₹ 0.02 crore (previous year ₹ 0.02 crore) Investment in Associate Company.

Particulars	Book Adjusted Value	Market Value
Aggregate of Quoted Investments	**15.83**	142.69
(Previous year)	**(19.58)**	(93.86)
Aggregate of Unquoted Investments	**14.19**	
(Previous year)	**(13.75)**	
Share Application Money pending Allotment	**0.00**	
(Previous year)	**(1.75)**	
TOTAL	**30.02**	**142.69**
(Previous year)	**(35.08)**	**(93.86)**

SCHEDULE - 7
LOANS

(₹ in crore)

Description	As at 31.03.2010		As at 31.03.2009	
I. Secured - (Considered Good)				
Rupee Term Loans to State Electricity Boards, State Power Corporations,Central Public Sector Undertakings and State Governments	**47082.90**		36710.60	
Rupee Term Loans to Independent Power Producers	**1552.05**		2534.07	
Foreign Currency Loans to Independent Power Producers	**406.11**		587.85	
Buyer's Line of Credit	**19.94**		47.97	
Medium Term Loans	**0.00**		30.80	
Lease Financing to Borrowers *	**300.52**		191.60	
Rupee Loans to Equipment Manufacturers	**3.76**		5.01	
Incomes Accrued & due on Loans	**1.93**		14.70	
		49367.21		40122.60
II. Secured - Others				
RTLs to Independent Power Producers - NPAs	**8.92**		8.92	
Less: Provision for Contingencies	**2.68**	**6.24**	2.68	6.24
III. Un Secured - (Considered Good)				
Rupee Term Loans to State Electricity Boards, State Power Corporations,Central Public Sector Undertakings and State Governments	**25480.00**		21383.23	
Rupee Term Loans to Independent Power Producers	**1955.47**		1064.82	
Working Capital Loans to State Electricity Boards and State Power Corporations	**2948.99**		1604.54	
Foreign Currency Loans to State Electricity Boards and State Power Corporations	**93.65**		128.77	
Buyer's Line of Credit	**4.18**		118.78	
Incomes Accrued & due on Loans	**0.02**		0.01	
		30482.31		24300.15
IV. Un Secured - Others				
Rupee Term Loans to State Power Corporations - NPAs	**4.24**		4.24	
Less : Provision for Contingencies	**4.24**	**0.00**	4.24	0.00
TOTAL		**79855.76**		**64428.99**

* Includes outstanding amount of ₹ 139.89 crore given to one borrower for which Commercial Operation Date (COD) is yet to be achieved.

SCHEDULE - 8

CURRENT ASSETS, LOANS & ADVANCES

(₹ in crore)

Description			As at 31.03.2010			As at 31.03.2009
I CURRENT ASSETS						
(A) CASH AND BANK BALANCES						
a) (i) Cheques in hand	**1.27**			0.00		
(ii) Imprest with postal authority	**0.01**	**1.28**		0.01	0.01	
b) In Current Accounts with :-						
i) Reserve Bank of India	**0.05**			0.05		
ii) Scheduled Banks	**9.12**	**9.17**		3.09	3.14	
c) Fixed Deposits with Scheduled Banks		**1449.94**	**1460.39**		416.44	419.59
(B) OTHER CURRENT ASSETS						
a) Interest accrued but not due on Loan Assets		**1543.23**			1333.31	
b) Other charges accrued but not due on Loan Assets		**38.96**			1.78	
c) Interest accrued but not due on Employee advances		**5.47**			5.36	
d) Interest Accrued but not due on Deposits and Investments		**6.24**			0.27	
k) Sundry Debtors						
Less than 6 months		**2.43**			4.01	
Others		**2.81**	**1599.14**		**0.62**	**1345.35**
II LOANS & ADVANCES						
Loans*						
a) to Employees (Secured)	**8.98**			9.08		
b) to Employees (Unsecured)	**8.64**	**17.62**		5.37	14.45	

(₹ in crore)

Description		As at 31.03.2010			As at 31.03.2009	
Advances (Unsecured considered good)						
Advances recoverable in cash or in kind or for value to be received						
a) to Subsidiaries (including interest recoverable there on)	**65.92**			66.45		
b) to Employees	**0.40**			0.25		
c) Prepaid Expenses	**1.54**			2.05		
d) Prepaid financial charges on Commercial Paper	**5.15**			54.75		
e) Others	**241.45**			150.23		
f) Advance Income Tax and Tax Deducted at Source	**1507.33**			1646.26		
g) Advance Fringe Benefit Tax	**1.30**			3.60		
h) Security Deposits	**1.43**			1.51		
		1824.52			1925.10	
Advances (Unsecured - Others)						
a) Others - NPAs	**1.17**			2.27		
Less : Provision for Contingencies	**1.17**	**0.00**	**1842.14**	2.05	0.22	1939.77
TOTAL #			**4901.67**			**3704.71**

Includes ₹ 7.42 crore (Previous year ₹ 0.79 crore) share of Jointly Controlled Entity.

*** Note :-**
Loans and Advances include :

Description	**Balance as at 31.03.2010**	**Maximum during 2009-10**	Balance as at 31.03.2009	Maximum during 2008-09
Directors	**0.22**	**0.29**	0.22	0.31
Officers	**2.73**	**3.54**	2.17	2.92

SCHEDULE - 9

CURRENT LIABILITIES & PROVISIONS

(₹ in crore)

Description	As at 31.03.2010			As at 31.03.2009		
I . CURRENT LIABILITIES						
Creditors for leased assets		**0.00**			0.45	
Creditors for Expenses		**1.25**			0.79	
Unclaimed/Unpaid Bonds *		**22.83**			0.96	
Unclaimed Interest on Bonds **		**4.04**			0.53	
Unclaimed Dividend		**0.55**			0.23	
Interest Accrued but not due :						
On Bonds	**1594.67**			1288.03		
On Loans	**121.82**	**1716.49**		116.60	1404.63	
Interest Differential Fund - KFW		**47.60**			34.19	
Advance received from Subsidiaries		**211.43**			212.32	
Amount payable to GoI under R-APDRP		**0.11**			0.00	
Other liabilities***		**156.84**	**2161.14**		226.88	1880.98
II. PROVISIONS						
Taxation - Income Tax		**1348.68**			1495.13	
Taxation - Fringe Benefit Tax		**0.80**			2.98	
Proposed Wage Revision		**6.20**			21.89	
Leave Encashment		**12.84**			7.15	
Economic Rehabilitation of Employees		**1.31**			1.29	
Staff Welfare Expenses		**8.59**			8.16	
Gratuity		**4.54**			3.02	
Proposed Final Dividend		**172.17**			154.95	
Proposed Corporate Dividend Tax		**29.26**	**1584.39**		26.33	1720.90
TOTAL #			**3745.53**			**3601.88**

* Includes an amount of ₹ 0.52 crore (previous year ₹ 0.64 crore) remaining unpaid pending completion of transfer formalities by the Claimants.

** Includes an amount of ₹ 0.04 crore (previous year ₹0.04 crore) remaining unpaid pending completion of transfer formalities by the Claimants.

*** Includes Book Overdraft of ₹ 28.35 crore from one bank (previous year ₹0.60 crore).

\# Includes ₹ 0.48 crore (Previous year ₹ 0.02 crore) share of Jointly Controlled Entity.

SCHEDULE - 10
OPERATING INCOME

(₹ in crore)

Description		Year ended 31.03.2010		Year ended 31.03.2009
Interest on Loans		**7852.26**		6338.76
Interest restructuring / Prepayment Premium		**14.53**		8.95
Upfront fees on Loans		**22.06**		12.48
Service charges on Loans		**0.11**		0.14
Management, Agency & Guarantee Fees		**48.62**		41.28
Commitment charges on Loans		**4.54**		3.01
Interest on Deposits		**48.81**		112.40
Lease income	**14.90**		23.29	
Less : Lease Equalization	**0.00**	**14.90**	0.27	23.02
Nodal Agency Fees under R-APDRP		**-17.33**		17.33
Advisory Fees - UMPPs		**13.60**		0.00
Income from Consultancy Assignment/Service		**41.10**		14.65
TOTAL		**8043.20**		**6572.02**

SCHEDULE - 11
OTHER INCOME

Interest on Income Tax Refund	**54.43**	17.97
Miscellaneous Income *	**10.68**	4.20
Excess Liabilities written back	**7.90**	0.00
Dividend / Interest Income on Long term Investments **	**1.59**	5.10
Dividend / Interest Income on Current Investments	**0.12**	0.31
Profit on sale of Long term Investments	**0.53**	0.00
Profit on sale of Current Investments	**3.26**	0.00
TOTAL #	**78.51**	**27.58**

* Includes TDS of ₹ 0.65 crore (previous year ₹0.28 crore) and includes refund of corp ₹ 4.98 crore (previous year ₹ Nil) from Prime Minister Relief made for Bihar flood victims.

** Includes TDS of ₹ Nil (previous year ₹0.89 crore)

Includes ₹ 0.03 crore (previous year ₹0.01 crore) share of Jointly Controlled Entity.

SCHEDULE - 12
INTEREST & OTHER CHARGES

I. Interest				
On Bonds	**3700.99**		2790.15	
On Loans	**1051.21**		1074.27	
To GOI on Interest Subsidy Fund	**80.70**		98.19	
Rebate for Timely Payment to Borrowers	**127.36**		112.78	
Swap Premium (Net)	**-42.31**	**4917.95**	13.89	4089.28
II. Other Charges				
Commitment & Agency Fees	**0.49**		0.85	
Financial Charges on Commercial Paper	**64.49**		81.55	
Guarantee, Listing & Trusteeship fees	**1.98**		2.11	
Management Fees on Foreign Currency Loans	**27.71**		0.00	
Bank/Other charges	**0.03**		0.01	
Direct overheads for Consultancy Services	**2.41**		3.69	
Translation/Actual Exchange Loss/gain (-) on Foreign Currency Loans	**-103.84**	**-6.73**	252.53	340.74
Interest paid on advances received from subsidiaries	**4.99**		7.19	
Less : Interest received on advances given to subsidiaries	**0.82**	**4.17**	0.60	6.59
TOTAL		**4915.39**		**4436.61**

SCHEDULE - 13

BONDS ISSUE EXPENSES

(₹ in crore)

Description	Year ended 31.03.2010	Year ended 31.03.2009
Interest on Application Money	**27.06**	38.18
Credit Rating Fees	**2.24**	1.81
Other Issue Expenses	**10.68**	7.39
Stamp Duty Fees	**3.81**	18.30
TOTAL	**43.79**	**65.68**

SCHEDULE - 14

PERSONNEL, ADMINISTRATION AND OTHER EXPENSES

Salaries, Wages and Bonus	**56.19**	36.94
Contribution to Provident and other funds	**3.95**	1.54
Staff Welfare	**13.46**	5.73
Office Rent	**0.59**	0.41
Rent for Residential accomodation of employees	**4.06**	2.29
Electricity & Water charges	**1.33**	1.24
Insurance	**0.12**	0.11
Repairs & Maintenance	**2.81**	2.60
Stationery & Printing	**0.47**	1.00
Travelling & Conveyance	**5.14**	4.90
Postage, Telegraph & Telephone	**1.51**	0.68
Professional & Consultancy charges	**7.05**	2.68
Miscellaneous	**15.07**	8.48
Loss on sale of assets	**0.02**	0.01
Auditors' remuneration	**0.28**	0.23
Expenditure relating to Consultancy Assignment	**0.00**	6.32
Donation	**0.00**	4.98
Service Tax	**1.26**	0.68
Rates & Taxes	**1.33**	3.20
Wealth Tax	**0.01**	0.01
TOTAL #	**114.65**	**84.03**

Includes ₹ 0.27 crore (Previous year ₹ 0.02) share of Jointly Controlled Entity.

Note :-

1) Miscellaneous includes :

Books & Periodicals	**0.04**	0.04
Advertisement	**4.88**	3.31
Membership & Subscription	**1.01**	0.39
Entertainment	**0.38**	0.30
Conference & Meeting Expenses	**1.36**	0.51
Security Expenses	**0.88**	0.57
Training	**0.37**	0.51

Description	Year ended 31.03.2010		(₹ in crore) Year ended 31.03.2009	
EDP Expenses		**0.66**		0.18
Business Promotion / Related Expenses		**0.14**		0.13
Equipment Hire Charges		**0.44**		0.14
2) Auditors' Remuneration includes :				
Audit fees		**0.14**		0.12
Tax Audit fees		**0.04**		0.03
Other certification services		**0.10**		0.07
Reimbursement of Expenses		**0.00**		0.01
3) Payments made in r/o CMD and Directors:				
Salaries, Wages & Bonus		**1.47**		0.75
Contribution to Provident and other welfare funds		**0.06**		0.03
Other Perquisite payment		**0.56**		0.25
Inland travelling		**0.27**		0.29
Foreign travelling		**0.35**		0.30

SCHEDULE - 15
PRIOR PERIOD ADJUSTMENTS

Prior Period Income :				
Interest & Other charges		**-0.20**		**0.51**
Prior Period Expenses :				
Depreciation	**0.00**		0.00	
Interest & Other charges	**-0.40**		-0.26	
Personnel & Administration Expenses	**0.10**	**-0.30**	0.75	**0.49**
Prior Period Adjustments (Net)		**0.10**		0.02

SCHEDULE - 16
APPROPRIATIONS

Transfer towards Reserve for Bad & Doubtful Debtsu/s 36 (1) (viia) (c) of Income Tax Act, 1961	**123.92**	76.46
Transfer to Special Reserve created and maintained u/s 36(1)(viii) of Income Tax Act, 1961	**568.61**	346.23
Dividend & Corporate Dividend Tax :		
Interim Dividend Paid	**344.33**	304.16
Proposed Final Dividend	**172.17**	154.95
Corporate Dividend Tax paid on Interim Dividend	**58.52**	51.69
Proposed Corporate Dividend Tax	**29.26**	26.33
General Reserve	**236.00**	197.00
Balance carried to Balance Sheet	**845.49**	822.87
TOTAL #	**2378.30**	1979.69

Includes ₹ - 0.56 crore (Previous year ₹ - 0.02 crore) share of Jointly Controlled Entity.

SCHEDULE - 17

SIGNIFICANT ACCOUNTING POLICIES

A. PRINCIPLES OF CONSOLIDATION

The Consolidated Financial Statements relates to Power Finance Corporation Limited (The Company), its subsidiary, Joint Venture entity and Associate. The Consolidated Financial Statements have been prepared on the following basis:-

i) The Financial Statements of the Company and its subsidiary are combined on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses after fully eliminating intra-group balances and intra-group transactions resulting in unrealized profits or losses in accordance with Accounting Standard (AS) 21 – "Consolidated Financial Statements".

ii) The Financial Statements of Joint Venture entity has been combined by applying proportionate consolidation method on a line by line basis on like items of assets, liabilities, income and expenses after eliminating proportionate share of unrealized profits or losses in accordance with Accounting Standard (AS) 27 – "Financial Reporting of interests in Joint Ventures".

iii) The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the company's separate financial statements excepts as otherwise stated in the notes to the accounts.

iv) In case of Associates, where the company directly or indirectly through Subsidiaries holds more than 20% of equity, investments in Associates are accounted for using equity method in accordance with Accounting Standard (AS) 23 – "Accounting for Investments in Associates in Consolidated Financial Statements".

B. Investments other than in Subsidiaries and Associates have been accounted for as per Accounting Standard (AS) 13 – "Accounting for Investments".

C. OTHER SIGNIFICANT ACCOUNTING POLICIES

1 BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

The Financial Statements have been prepared in accordance with historical cost convention on accrual basis in accordance with Generally Accepted Accounting Principles (GAAP) and Accounting Standards notified by the Companies (Accounting Standards) Rules, 2006 and relevant provisions of the Companies Act, 1956.

The preparation of Financial Statements requires the Management to make estimates and assumptions considered in the reported amounts of assets, liabilities (including contingent liabilities), revenues and expenses of the reporting period. The difference between the actual results and the estimates are recognized in the period in which the results are known and/or materialized.

2 RECOGNITION OF INCOME/EXPENDITURE

2.1 Income and Expenses (except as stated below) are accounted for on accrual basis.

2.1.1 Income on Non Performing Assets and Assets stated in the proviso to paragraph 7.2, infra is recognized in the year of its receipt. However, any unrealized income recognized before the asset in question became non-performing asset or the income recognized in respect of assets as stated in the proviso to paragraph 7.2, infra which remained due but unpaid for a period more than six months is reversed.

2.1.2 Fee for advisory and professional services for developing Ultra Mega Power Projects is accounted for on transfer of the project to the successful bidder.

2.1.3 Premium on interest restructuring is accounted for in the year in which the restructuring is approved.

2.1.4 Premium on premature repayment of loan is accounted for in the year in which it is received by the Company.

2.1.5 Income from consultancy service is accounted for on the basis of assessment by the management of actual progress of work executed proportionately with respect to the total scope of work in line with the terms of respective consultancy contracts. Consultancy fees calculated is net of Service Tax as payable under Finance Act, 1994.

2.1.6 Rebate on account of timely payment by borrowers is accounted for, on receipt of entire amount due on time.

2.1.7 Income under the head carbon credit, upfront fees, lead manager fees, facility agent fees, security agent fee and service charges etc. on loans is accounted for in the year in which it is received by the Company.

2.1.8 The discount/financial charges/interest on the Commercial Papers and Zero Coupon Bonds (Deep Discount Bonds) are amortized proportionately over the period of its tenure.

2.1.9 Expenditure on issue of shares is charged off to the Share Premium received on the issue of shares.

2.2 Lease rental is accounted for on accrual basis. Income from Lease Rentals in respect of leases prior to 1.4.2001 is recognized on the basis of implicit interest rate, in the lease, in accordance with 'Guidance Note on Accounting for Leases' issued by the Institute of Chartered Accountants of India. Leases effected from 01.04.2001 are accounted for in accordance with Accounting Standard-19 on "Leases".

2.3. Income from Dividend is accounted for in the year of declaration of dividend.

2.4. Recoveries in borrower accounts are appropriated as per the loan agreements.

2.5. The Company is raising demand of installments due as per loan agreements. The repayment is adjusted against earliest disbursement irrespective of the rate of interest being charged on various disbursements.

2.6. Prior period expenses / income and prepaid expenses up to ₹5000/- are charged to natural heads of account.

3. MISCELLANOUS EXPENDITURE (PRELIMINARY) EXPENDITURE

Expenditure which are not Intangible Assets in terms of AS-26 will be fully written off in the same year in which they are incurred.

4. FIXED ASSETS/DEPRECIATION

4.1 Fixed assets are shown at historical cost less accumulated depreciation, except the assets retired from active use and held for disposal, which are stated at lower of the book value or net realizable value.

4.2 The additions to Fixed Assets are being capitalized on the basis of bills approved or estimated value of work done as per contracts in cases where final bills are yet to be received / approved.

4.3 Depreciation on assets other than leased assets is provided on Written Down Value method, in accordance with the rates prescribed in Schedule XIV of the Companies Act, 1956.

4.4 Depreciation on assets leased prior to 01.04.2001 is provided on Straight Line Method at the rates prescribed under Schedule XIV to the Companies Act, 1956 or over the primary balance period of lease of assets, whichever is higher. The value of the net block so arrived at is further adjusted by balance in the lease equalization account. The assets leased after 01.04.2001 are not required to be depreciated as per Accounting Standard-19.

4.5 Items of fixed assets acquired during the year costing up to ₹5000/- are fully depreciated.

5. INTANGIBLE ASSETS / AMORTIZATION

Intangible assets such as software are shown at cost of acquisition and amortization is done under straight-line method over life of the assets estimated by the Company.

6. INVESTMENTS

6.1 Quoted current investments are valued scrip wise at lower of Cost or Fair value.

6.2 Unquoted current investments are valued at lower of cost or Fair value.

6.3 Long term investments are valued at cost. Provision is made for diminution, other than temporary in the value of such investments. However, diminution in value is reversed when there is rise in the value or if the reason for the reduction is no longer exists.

6.4 Investments in Mutual Fund / Venture Capital Fund are valued at cost, less diminution, if any, other than temporary. However, diminution in value is reversed when there is rise in the value or if the reason for the reduction is no longer exists.

7. PROVISIONS/WRITE OFF AGAINST LOANS AND ADVANCES

Prudential Norms

7.1 In terms of Reserve Bank of India's Notification No. DNBS.135/CGM (VSNM) – 2000 dated 13th January 2000, the Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions are not applicable to the Company, being a Govt. Company registered with RBI as NBFC. The Company has however, formulated its own set of Prudential Norms with effect from 1.4.2003 which are revised from time to time.

7.2 As per Prudential Norms approved by the Board of Directors and Ministry of Power, an asset including a lease asset, in respect of which installments of loan, interest and / or other charges remain due but unpaid for a period of six months or more, a term loan inclusive of unpaid interest and other dues if any , when the installment and /or interest remains unpaid for a period of six months or more, any amount which remains due but unpaid for a period of six months or more under bill discounting scheme and any amount due on account of sale of assets or services rendered or reimbursement of expenses incurred which remains unpaid for a period of six months or more are classified as Non-Performing Assets (NPA).

However, the following assets would not be classified as Non-Performing Assets and the income on these loans is recognized on receipt basis.

(i) Loans in respect of projects which are under implementation as per RBI Circular No. ref DBS.FID No. C-11/01.02.00/2001-02 dated February 1, 2002 read with D.O. letter DBS FID No 1285/01.02.00/2001-02 dated May 14, 2002 and RBI letter No.DBOD.BP.No.7675/21.04.048/2008-09 dated. 11.11.2008 are classified in line with RBI guidelines for asset classification of Infrastructure projects, as applicable to banks from time to time.

(ii) A facility which is backed by Central / State Government guarantee or by State Government undertaking for deduction from central plan allocation or a loan to State department , for a period not exceeding 12 months from the date from which Company's dues have not been paid by the borrower.

(iii) A loan disbursed to an integrated power entity which is bifurcated on account of division of states, the company shall follow the government order issued for division of assets and liabilities, unless the same is stayed by any court and the case is pending in the court.

(iv) Non servicing of part of dues disputed by the borrower for a period not exceeding 12 months from the date from which the company's dues have not been paid by the borrower. The disputed income shall be recognized only when it is actually realized. Any such disputed income already recognized in the books of accounts shall be reversed. Disputed dues means amount on account of financial charges like commitment charges , penal interest etc. and the disputed differential income on account of interest reset not serviced by the borrower due to certain issues remains unresolved. A dispute shall be acknowledged on case to case basis with the approval of Board of Directors.

7.3 NPA classification and provisioning norms for loans, other credits and lease assets are given as under

(i)	NPA for a period not exceeding 18 months	:	Sub-standard asset
(ii)	NPA exceeding 18 months	:	Doubtful asset
(iii)	When an asset is identified as loss Asset or assets remain doubtful asset exceeding 36 months, which ever is earlier	:	Loss Asset

7.4 The provision against NPAs is made at the rates indicated below: -

(i) Sub-Standard Assets : 10%

(ii) Doubtful assets:

(a) Secured portion/facility including that guaranteed by state / central government or by state government undertaking for deduction from plan allocation or loan to state department.

Up to 1 year	:	20%
1 – 3 years	:	30%
More than 3 years	:	100%

(b) Unsecured : 100%

(iii) Loss assets : 100%

The entire loss assets shall be written off. In case, a loss asset is permitted to remain in the books for any reason, 100% of outstanding shall be provided for.

7.5 For the purpose of Assets Classification and Provisioning

(i) Facilities granted to Government Sector entities are considered loan-wise.

(ii) Facilities granted to Private sector entities are considered borrower -wise.

8. FOREIGN EXCHANGE TRANSACTIONS:

8.1 The following transactions are accounted for at the exchange rates prevailing on the date of the transaction as per Accounting Standard-11.

(i) Expenses and income in foreign currency; and

(ii) The amounts borrowed and lent in foreign currency.

8.2 The following balances are translated in Indian Currency at the exchange rates prevailing on the date of closing of accounts as per Accounting Standard-11.

(i) Foreign Currency Loan liabilities to the extent not hedged.

(ii) Funds kept in foreign currency account with Banks abroad.

(iii) Contingent liabilities in respect of guarantees given in foreign currency.

(iv) Income earned abroad but not remitted / received in India.

(v) Loans granted in foreign currency.

(vi) Expenses and income accrued but not due on foreign currency loans/ borrowings.

8.3 Where ever the Company has entered into a forward contract or an instrument that is, in substance a forward exchange contract, the difference between the forward rate and exchange rate on the date of transaction is recognized as income or expenses over the life of the contract as per Accounting Standard-11.

8.4 In case of loan from KFW, Germany, exchange loss, if any, at the year-end is debited to Interest Differential Fund Account-KFW as per loan agreement.

9. GRANTS FROM GOVERNMENT OF INDIA:

9.1 Where grants are first disbursed to the grantee, the same are shown as amount recoverable from the Govt. of India and are squared up on receipt of amount.

9.2 Where grants are received in advance from Govt. of India, the same are shown as Current liabilities till the payments are released to the grantee.

10 INTEREST SUBSIDY FUNDS

10.1 Interest Subsidy for eligible borrowers received from Ministry of Power, Govt. of India under Accelerated Generation & Supply Programme (AG&SP) on Net Present Value (NPV) basis is credited to Interest Subsidy Fund on receipt and is passed on to the borrowers over the eligible period of loan on respective dates of interest demands. Any excess / shortfall in the Interest Subsidy Fund is refunded or adjusted / charged off at the completion of respective scheme.

10.2 The Interest Subsidy Fund is credited at the year-end with interest on the outstanding balance in the subsidy fund by debiting Profit & Loss account, at rates specified in the Scheme.

11 R-APDRP FUND

Loans received from Government of India under Re-structured Accelerated Power Development & Reforms Programme (R-APDRP) as a Nodal agency for on lending to eligible borrowers are back to back arrangements with no profit or loss arising to the Company.

12 INCOME/RECEIPT/EXPENDITURE ON SUBSIDIARIES

12.1 Expenditure incurred on the subsidiaries is debited to the account "Amount recoverable from concerned Subsidiary".

12.2 Expenses in respect of man days (employees) are allocated to Subsidiaries and administrative overheads are apportioned to Subsidiaries on estimated basis. Direct expenses are booked to respective Subsidiaries.

12.3 Interest on amount recoverable from Subsidiaries is accounted for at the rate of interest applicable for term loans to large generation projects, reforming states as per the policy of the Company.

12.4 The amounts received by Subsidiaries as Commitment Advance from Power Procurers are parked with the Company as Inter Corporate Loan and Interest is provided on unused portion of these loans at the mutually agreed interest rates.

12.5 Request for Qualification (RFQ) document / Request for Proposal (RFP) document developed for subsidiaries (incorporated for UMPP) are provided to subsidiary companies at a price equivalent to sale proceeds of RFQ / RFP document received by the subsidiary companies from the prospective bidders. The same is accounted for as income of the company on receipt from subsidiary company.

13. EMPLOYEE BENEFITS

13.1 Provident Fund, Gratuity and post retirement benefits

The Company's Contribution paid / payable during the financial year towards Provident Fund is charged in the Profit and Loss Account. The Company's obligation towards gratuity to employees and post retirement benefits such as medical benefits, economic rehabilitation benefit, and settlement allowance after retirement are actuarially determined and provided for as per Accounting Standard-15 (Revised).

13.2 Other Employee Benefits

The Company's obligation towards sick leave, earned leave, service award scheme are actuarially determined and provided for as per Accounting Standrad-15 (Revised)

14 INCOME TAX

14.1 Income Tax comprising of Current Tax is determined in accordance with the applicable tax laws and Deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period) in accordance with Accounting Standard-22 on 'Accounting for Taxes on Income' of the Institute of Chartered Accounts of India.

The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates that have been enacted or substantially established by the Balance Sheet date. Deferred Tax Assets are recognized and carried forward to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such Deferred Tax Assets can be realized.

14.2 Since the Company has passed a Board resolution that it has no intention to make withdrawal from the Special Reserve created and maintained under section 36(1)(viii) of the Income Tax Act, 1961, the special reserve created and maintained is not capable of being reversed and thus it becomes a permanent difference. The Company does not create any deferred tax liability on the said reserve in accordance with the clarification of Accounting Standard Board of Institute of Chartered Accountants of India.

15 CASH FLOW STATEMENT

Cash flow statement is prepared in accordance with the indirect method prescribed in Accounting Standard - 3 on 'Cash Flow Statement'.

Schedule No. 18

NOTES ON ACCOUNTS TO CONSOLIDATED FINANCIAL STATEMENTS

1. The Consolidated Financial Statements represent consolidation of accounts of the Company (Power Finance Corporation Limited), its subsidiary company and joint venture entities and associate company as detailed below:-

Name of the Subsidiary Company / Joint Venture Entities and Associates Company	Country of Incorporation	Proportion (%) of Shareholdings as on		Status of Accounts & Accounting period
		31.03.2010	31.03.2009	
Subsidiary Company PFC Consulting Limited	India	100	100	Audited Accounts from 01.04.2009 to 31.03.2010
Joint Venture Entities National Power Exchange Limited	India	16.66	16.66	Audited Accounts from 01.04.2009 to 31.03.2010
Energy Efficiency Services limited	India	25	—	Audited Accounts from 10.12.2009 to 31.03.2010
Associate Company Power equity Capital Advisors (P) Ltd.	India	30	—	Audited Accounts from 01.06.2009 to 31.03.2010

1.1. The Financial Statements of subsidiaries (incorporated in India) as mentioned below are not consolidated in terms of paragraph 11 of Accounting Standard-21 which states that a subsidiary should be excluded from consolidation when control is intended to be temporary because the subsidiary is acquired and held exclusively with a view to its subsequent disposal to successful bidder on completion of the bidding process :-

Name of the Company	Proportion (%) of Shareholding as on	
	31.03.2010	31.03.2009
Subsidiary Companies:		
Chhattisgarh Surguja Power Ltd. (previously known as Akaltara Power Limited)	100	100
Bokaro-Kodarma Maithan Transmission Co. Ltd.	100	100
Coastal Karnataka Power Limited	100	100
Coastal Maharashtra Mega Power Limited	100	100
Coastal Tamil Nadu Power Limited	100	100
Orissa Integrated Power Limited	100	100
Sakhigopal Integrated Power Limited	100	—-
Ghogarpalli Integrated Power Limited	100	—-
Tatiya Andhra Mega Power Limited	100	-—
Bhopal Dhule Transmission Company Limited (wholly owned subsidiary company of PFCCL Ltd.)	100	-—
Jabalpur Transmission Company Limited (wholly owned subsidiary company of PFCCL Ltd.)	100	-—

The above subsidiary companies were incorporated as Special Purpose Vehicle (SPVs) under the mandate from Government of India for development of Ultra Mega Power Projects (UMPPs) and Transmission Projects with the intention to hand over the same to successful bidder on completion of the bidding process.

1.2 The Company promoted and acquired the shares at face value in the Subsidiary Company. Therefore goodwill or capital reserve did not arise.

2. Contingent liabilities:

(i) Default Guarantees issued by the Company in foreign currency :

a) EURO 0.710 million equivalents to ₹ 4.35 crore (previous year EURO 1.066 million equivalent to ₹ 7.29 crore).

b) US$ 17.745 million equivalent to ₹ 80.88 crore (previous year US$ 21.145 million equivalent to ₹108.79 crore).

(ii) Default Guarantee issued by the Company in Indian Rupee: ₹ 400.00 crore, (previous year ₹ 400.00 crore).

(iii) Bank Guarantee issued by the Company in Indian Rupee: ₹ 0.04 crore, (previous year ₹ 0.04 crore).

(iv) Outstanding disbursement commitments to the borrowers for Letter of Comforts issued against the loans sanctioned ₹ 3414.21 crore (Previous year ₹ 394.88 crore).

v (a) The additional demand raised by the Income Tax Department of ₹ 44.23 crore and ₹ 1.38 crore for Assessment Year 2006-07 & 2007-08, respectively were paid and are being contested. The management does not consider it necessary to make any provision as the probability of outflow of resources is negligible.

(b) CIT(A) has granted refund of ₹ 2.97 crore for Assessment Year 1996-97 and ₹ 0.73 crore for Assessment Year 2001-02 against which the Income Tax department has filed appeals before ITAT and are pending, as the Income tax department has not yet received permission of the Committee of Disputes (COD) to pursue the appeals.

(c) The Income tax department has filed appeals before Delhi High Court against its own order and the order of ITAT granting refund of ₹ 0.36 crore & ₹ 0.31 crore for Assessment Year 2001-02 & 2002-03. The Income tax department has not yet obtained the COD's permission to pursue the appeals.

(vi) Claim not acknowledged as debts are ₹ 7.80 crore (previous year ₹ 7.80 crore).

(vii) Estimated amounts of contracts remaining to be executed on account of capital contracts is ₹ 12.98 crore (Previous Year ₹ 8.37 crore).

3. The additional demands raised by the Income Tax Department (net of relief granted by Appellate Authorities) of ₹ 0.26 crore for Assessment Year 1996-97, ₹ 3.22 crore for Assessment Year 2000-01, ₹ 5.34 crore for Assessment Year 2001-02, ₹ 4.74 crore for Assessment Year 2002-03, ₹ 4.24crore for Assessment Year 2003-04, ₹ 3.21 crore for Assessment Year 2004-05 and ₹23.64 crore for Assessment Year 2005-06 were paid and provided for and are being contested.

4. The Government of India, Ministry of Power, under section 58(4) of the Madhya Pradesh Reorganization Act, 2000 (MPRA) issued an order No 42/8/2000-R&R dated 12.04.2001 through which assets, transfer rights, liabilities, undertaking etc, of erstwhile Madhya Pradesh Electricity Board (MPEB) were passed on to the successor boards namely MPSEB and CSEB after bifurcation of state of Madhya Pradesh. Subsequently, the GOI, Ministry of Power through the Gazette of India Extraordinary-MoP, New Delhi notification dated 04.11.2004 had decided to divide the liability and assets of erstwhile MPEB into MPSEB & CSEB in the ratio of fixed assets of 90:10 respectively. Consequent upon this, CSEB has informed that though it has been clearing the dues of the Company based on the acquired liability of erstwhile MPEB at ₹ 110.64 crore, it has requested the Company to align the dues in line with MoP order to ₹ 105.23 crore. Nevertheless, the Company will receive the full amount of principal payment either from CSEB or MPSEB. Further, PFC has taken up the matter with MoP and has requested MoP to review and revise the order on a plea that PFC's loans are project specific and the amount disbursed actually goes into the creation of the assets on such projects are not to be allocated in the manner as suggested by MoP in the new order. The decision of MoP is awaited.

5. (i) A project under implementation having principal outstanding of Rs 325.00 crores (previous year ₹ 297.98 crore) has been considered as Standard Asset in terms of RBI Circular No. DBS.FID.No.C-11/01.02.00/ 2001-02 dated 1.02.2002 read with D.O. letter DBS.FID No.1285/ 01.02.00/2001-02 dated 14.05.2002 thereby treating the asset as standard till June, 2008, and RBI vide letter no. DBOD, BP.No.7675/ 21.04.048/ 2008-09 dated 11.11.2008 which advised that the date of commencement of commercial operation should be 31.03.2009 (instead of the deemed date of completion of the project i.e. June 2006 as fixed by an independent group setup by RBI), as decided at the time of actual financial closure of the

project in September 2006. Based on above, read with RBI Master Circular DBOD No. BP. BC.3 / 21.04.141 / 2009-10 dated 01.07. 2009, the asset may be treated as standard asset not exceeding two years from the date of completion of the project (i.e. 2 years from 31.3.2009). However, the company recognizes the interest on this loan on receipt basis in terms of the Accounting Policy and as per prudential norms approved by Ministry of Power.

Further, the Company has approved and finalized the amendments to the Financial Realignment Plan (FRP), inter-alia, determining the scheduled project Commercial Operation Date (COD) as 01.01.2011. Financial Realignment Plan (FRP) has been accepted by the Project Management and is under implementation.

As per FRP, the Project Company will issue Zero Coupon Bonds (ZCB) (towards interest outstanding for the period from 01.10.2001 to 31.10.2005) valuing ₹ 103.87 crore (excluding waiver of interest, penal interest etc. amounting to ₹ 8.64 crore). During the year, the amount of ₹ 54.93 crores (including the dues of previous year of ₹ 8.72 crore and the guarantee fee for current year of ₹ 4.64 crores) became due on the loan as per FRP, out of which Rs 31.81 crores were received and accounted for as per accounting policy. The balance of ₹ 23.12 crores being interest and other charges due as on 31.03.2010 and Rs 103.87 crore against ZCB have not been recognized as per accounting policy .

(ii) One gas based power project, having Principal outstanding of ₹ 401.96 crore could not be commissioned on the scheduled commissioning date (September 2006) due to non availability of gas. Resultantly the company made an interim reschedulement of the loan account on 07.03.2007, followed by final reschedulement on 03.12.2007 in line with the reschedulement done by lead bank as per which repayment of the principal was to commence from 15.10.2009. As the bottleneck of the non availability of gas continued, the lead Bank again restructured/rescheduled the loan account (in line with the lenders meetings dated 12.02.2009) and classified it as standard assest under special regulatory treatment, in accordance with RBI circular DBOD No. BP.BC.84/21.04.048/2008-09 dated 14.11.2008. The company being one of the consortium member of the lenders also rescheduled the loan account on 11.05.2009 and accordingly classified as Standard Assest.

6. During the year, two borrowers had made premature repayment of their loan without prepayment premium including service tax amounting to ₹6.75 crores. As per the terms and condition of loan / policy, the demand for prepayment premium has been sent to the borrowers, which they have disputed and not paid so far and thus has not been accounted for.

   One borrower has made part premature repayment of ₹131.21 crores (principal- ₹ 125 crores and pre payment premium / interest etc. ₹6.21 crores). As per the terms of Loan Agreement, the pre-mature repayment can be made only on the interest payment due date. Since the payment is made before the interest payment date, the Company demanded interest upto interest due date. This is disputed by the borrower. Hence the same has not been accounted for.

7. (i) Assets of ₹ 14.38 crore (Previous year ₹15.43 crore) were classified as Non Performing Assets in terms of prudential norms of the Company. Accordingly, a provision of ₹ 8.14 crore is held in the accounts (previous year ₹8.97 crore).

   (ii) Interest Subsidy under AG&SP (including interest upto 31st March, 2010) amounting to ₹ 24.67 crores (previous year ₹98.90 crores), became recoverable in respect of one project (previous year two projects) and is yet to be recovered. It became recoverable, as the project was not completed till 31.03.2007 and the subsidy was withdrawn by Ministry of Power. The interest subsidy of ₹ 24.67 crore (previous year ₹ 95.71 crore) is payable to the Ministry of Power and will be paid on its receipt.

8. The Company discontinued interest rate restructuring policy w.e.f. December 2005. However, the loans which were restructured with 3 year reset (after 3 years the loan shall carry original interest rate i.e. the rate before interest restructuring). The borrower was given option to seek further restructuring after 3 years on payment of 50% premium being NPV of difference between original interest rate and Current interest rate for the entire remaining period of Loan. Accordingly the Company has done interest restructuring amounting to ₹ Nil (previous year ₹703.35 crore). An amount of ₹ Nil (previous year ₹ 8.95 crore) has been received and credited to Profit and Loss Account as Interest Restructuring Premium (Refer schedule 10).

9. The Company is not required to create Bond Redemption Reserve in respect of bonds by virtue of the Department of Company Affairs' Circular of 18.04.2002 according to which the financial institutions within the meaning of Section 4A of the Companies Act 1956 were not required to create Bond Redemption Reserve in case of privately placed debentures.The Company is not required to maintain Reserve Fund under Section 45-IC of the Reserve Bank of India Act, 1934 by transferring 20 percent of its net profits, as it is exempted by RBI vide its letter dated 24.01.2000.

10. Foreign currency actual outgo and earnings:

(₹ in crore)

S.No.	Description	Year ended 31.03.2010	Year ended 31.03.2009
A.	**Expenditure in foreign currency**		
i)	Interest on loans from foreign institutions	96.91	125.80
ii)	Financial & Other charges	35.08	14.56
iii)	Traveling Expenses	0.26	0.15
iv)	Training Expenses	0.15	0.07
B.	**Earning in foreign currency**	Nil	Nil

11.1 Related Party Disclosures:

Key Managerial Personnel:

Name of the Key Managerial Personnel	
The Company	
Shri Satnam Singh,CMD	(w.e.f. 01.08.2008)
Shri M K Goel, Director	(w.e.f. 27.07.2007)
Shri Rajeev Sharma,Director	(w.e.f. 09.03.2009)
Shri R. Nagarajan, Director	(w.e.f. 31.07.2009)
Subsidiary company & Joint Ventures entities	
Shri N D Tyagi	
Shri R. S. Sharma	
Shri I. J. Kapoor	

Managerial Remuneration:

(₹ in crore)

	Chairman & Managing Director		Other Directors and CEO	
	For the year ended 31.03.2010	For the year ended 31.03.2009	For the year ended 31.03.2010	For the year ended 31.03.2009
Salaries & Allowances	0.27	0.33	1.20	0.42
Contribution to Provident Fund and other Welfare Fund	0.02	0.01	0.04	0.02
Other Perquisites / Payments	0.18	0.12	0.38	0.13
Total	**0.47**	**0.46**	**1.62**	**0.57**

In addition to the above perquisites, the Chairman & Managing Director and other Directors have been allowed to use staff car including private journey up to a ceiling of 1000 kms per month on payment of ₹780/- per month.

11.2 Investment in Equity Share Capital of Subsidiaries/Associates/Joint Venture entities including companies promoted as SPVs for Ultra Mega Power Projects are given below:-

SL	Name of the Companies	Number of shares subscribed	Percentage of ownership	Amount (₹ in crore)
A	**Subsidiary Company**			
1.	PFC Consulting Limited (PFCCL)	50000	100%	0.05
	Sub-Total (A)	**50000**		**0.05**

SL	Name of the Companies	Number of shares subscribed	Percentage of ownership	Amount (₹ in crore)
B	**Subsidiary Companies promoted as SPVs for Ultra Mega Power Projects**			
1.	Chhattisgarh Surguja Power Ltd. (previously known as Akaltara Power Limited)	50000	100%	0.05
2.	Bokaro-Kodarma Maithan Transmission Co. Ltd.	50000	100%	0.05
3.	Coastal Karnataka Power Limited	50000	100%	0.05
4.	Coastal Maharashtra Mega Power Limited	50000	100%	0.05
5.	Coastal Tamil Nadu Power Limited	50000	100%	0.05
6.	Orissa Integrated Power Limited	50000	100%	0.05
7.	Sakhigopal Integrated Power Limited	50000	100%	0.05
8.	Ghogarpalli Integrated Power Limited	50000	100%	0.05
9.	Tatiya Andhra Mega Power Limited	50000	100%	0.05
10.	Bhopal Dhule Transmission Company Limited (wholly owned subsidiary of PFC Consulting Ltd)	50000	100%	0.05
11.	Jabalpur Transmission Company Limited (wholly owned subsidiary of PFC Consulting Ltd)	50000	100%	0.05
	Sub-Total (B)	**550000**		**0.55**
C	**Associate companies and Joint venture entities**			
1.	Power Equity Capital Advisors (Pvt.) Limited	15000	30%	0.02
2.	National Power Exchange Limited	833000	16.66%	0.83
3.	Energy Efficiency Services Ltd.	625000	25%	0.63
	Sub Total (C)	**1473000**		**1.48**
	TOTAL (A) + (B) +(C)	**2073000**		**2.08**

11.3 The details of amount recoverable (including interest thereon) from the respective subsidiaries are given below:

(₹ in crore)

Name of the Subsidiary Companies	Amount as on 31.03.2010	Amount as on 31.03.2009
PFC Consulting Limited	0.00	0.09
Chhattisgarh Surguja Power Ltd. (previously known as Akaltara Power Limited)	33.08	1.60
Bokaro Kodarma Maithon Tr. Co. Ltd.(**)	0.00	1.12
Coastal Karnataka Power Limited	1.83	1.46
Coastal Maharashtra Mega Power Limited	4.28	3.41
Coastal Tamil Nadu Power Ltd.	11.17	4.37
East-North Interconnection Co. Ltd.	0.00	2.14
Ghogarpalli Integrated Power Limited	0.24	—
Jharkhand Integrated Power Ltd	0.00	48.60
Orissa Integrated Power Limited	13.67	4.77
Sakhigopal Integrated Power Limited	0.24	0.01
Tatiya Andhra Mega Power Limited	0.88	—
Bhopal Dhule Transmission Company Limited and Jabalpur Transmission Company Limited (wholly owned subsidiary of PFC Consulting Ltd)	0.53	—
Total	**65.92**	**67.57**

(**) In respect of Bokaro Kodarma Maithon Transmission Co. Ltd. (BKMTCL), MoP decided to entrust this project to

Power Grid Corporation of India Ltd (PGCIL) instead of to PFC. Therefore, PFC requested MoP to advice PGCIL to reimburse PFC ₹1.12 crore on account of expenses incurred so far by PFC, so as to close this project in PFC. In addition to this ₹0.05 crore was recoverable from BKMTCL. On advice of MoP, an amount of ₹0.82 crore has been recovered from PGCIL as full and final settlement. ₹ 0.05 crore has also been recovered from BKMTCL.The balance amount of ₹0.25 crores had been written off. Further, pending de-registration of BKMTCL, a provision of ₹0.05 crores has been made against the equity investment in BKMTCL.

11.4 The details of amount payable to subsidiaries (including interest) in respect of amount contributed by Power Procurers are given below:

(₹ in crore)

Name of the Subsidiary Companies	Amount as on 31.03.2010	Amount as on 31.03.2009
Chhattisgarh Surguja Power Ltd. (previously known as Akaltara Power Limited)	41.96	30.13
Coastal Maharashtra Mega Power Limited	42.96	41.40
Coastal Tamil Nadu Power Ltd.	46.88	41.02
Jharkhand Integrated Power Ltd.	—	48.97
Orissa Integrated Power Limited	48.05	45.99
Sakhigopal Integrated Power Limited	5.15	4.81
Bhopal Dhule Transmission Company Limited and Jabalpur Transmission Company Limited (wholly owned subsidiary of PFC consulting Ltd)	26.43	—
Total	**211.43**	**212.32**

11.5 The Company has made investments in equity (unquoted) of - “National Power Exchange limited” and “Energy Efficiency Services Ltd”.

National Power Exchange Limited (NPEL)

PFC, NTPC, NHPC and TCS have jointly promoted ‘National Power Exchange Limited’. The National Power Exchange Ltd (NPEL) will carry out the business of providing platform for trading of power through an organized exchange. The Company has since made the investment of Rs 0.83 crore upto 31st March 2010. NPEL has not commenced its operation.

Energy Efficiency Services Limited (EESL)

Energy Efficiency Services Limited has been jointly promoted by NTPC, PFC, PGCIL and REC with equal participation in equity capital for implementing Energy Efficiency Projects. At the time of incorporation, the authorized equity capital of EESL was ₹ 10 crores and paid up equity capital was ₹ 2.50 crores. The company’s share in paid up equity capital was ₹ 0.63 crore (25% of paid up capital) comprising of 625,000 equity shares of ₹ 10 each. The authorized share capital of EESL has been enhanced to ₹ 190 crore during the Financial Year ended 31-03-2010. EESL has commenced its operations.

11.6 (i) Investment in “Small is Beautiful” Fund: -The Company had outstanding investment ₹ 12.08 crore (previous year ₹14.47 crore) in units of “Small is Beautiful” Fund. Against this, a sum of ₹ 0.145 crore has been received as dividend during the year. The NAV of the Units of the Fund was ₹ 9.80 per unit of Rs 10 (face value) as on 31.03.2010. The diminution/ increase (-) in value of NAV amounting to ₹ -1.08 crore (Previous year Rs1.32 crore) has been accounted for during the year.

(ii) Investment in equity (unquoted) in Power Exchange India Limited (PXI):-

Power Exchange India Ltd. has been promoted by NSE and NCDEX. The authorized capital has been enhanced from ₹ 25 crore to ₹ 50 crore during the financial year ending 31.03.2010. The paid up capital of PXI was ₹ 34.34 crores, as on 31.03.2010. The Company has subscribed ₹ 1.75 crore of the paid up capital consisting of 17,50,000 equity shares of ₹ 10 each in to the equity capital of PXI. PXI has commenced its operations.

12. Interest Differential Fund (IDF) – KFW

The agreement between KFW and PFC provides that the IDF belongs to the borrowers solely and will be used to cover the exchange risk variations under this Loan and any excess will be used in accordance with the agreement. The balance in the IDF fund has been kept under separate account head titled as Interest Differential Fund-KFW and shown as a liability. The total fund accumulated as on 31.03.2010 is ₹ 47.60 crore (previous year ₹ 34.19 crore) after adjusting the translation loss of ₹ 13.73 crore (previous year ₹ 24.12 crore).

13. During the current year, exchange gain (net) of ₹ 103.84 crore (previous year exchange loss of Rs 252.53. crore) on foreign currency assets and liabilities comprising of translation gain of ₹ 92.51 crore (previous year translation loss of ₹235.66 crores) and actual gain of ₹ 11.33 crore (previous year actual loss of ₹ 16.87 crores) has been recognised in Profit & Loss account as per Accounting Standard 11.

14. The company was having outstanding forward foreign exchange contracts and principal only swaps (POS) against the Foreign Currency Loan liabilities as per details given hereunder:-

i) Forward contracts to cover exchange rate risk in USD / INR leg. : US$ 13.9795 million

ii) Forward contracts to cover exchange rate risk in USD / JPY leg. : JPY 454 million

iii) Forward contracts to cover EURO /USD leg : Euro 0.9662 million

15. (a) Asset under finance lease after 01.04.2001

(i) The Gross investment in the leased assets and the present value of the minimum value receivable at the balance sheet date has been given in the table below with the description as total of future minimum lease payments and present value of the lease payments amounting to ₹ 205.01 crore and ₹ 160.63 crore respectively. The reconciliation of these figures has also been indicated under the head “unearned finance charges” with an amount of ₹ 44.38 crore.

The future lease rentals are given below:-

(₹ in crore)

Particulars	As on 31.03.2010	As on 31.03.2009
Total of future minimum lease payments (Gross Investments)	205.01	266.51
Present value of lease payments	160.63	189.08
Unearned finance income	44.38	77.43
Maturity profile of total of future minimum lease payments (Gross Investment)		
Not later than one year	45.07	48.04
Later than one year and not later than 5 years	156.99	192.16
Later than five years	2.95	26.31
Total	**205.01**	**266.51**
Break up of Present Value of Lease Payments		
Not later than one year	29.26	25.41
Later than one year and not later than 5 years	128.49	139.53
Later than five years	2.88	24.14
Total	**160.63**	**189.08**

(ii) The Company had sanctioned an amount of ₹ 88.90 crore in the year 2004 as finance lease for financing Wind Turbine Generator (commissioned on 19.07.2004) which was reduced to ₹ 88.85 crore in December 2006. The Gross Investment stood at the level of ₹ 59.95 crore as on 31.3.2010. The lease rent is to be recovered within a period of 15 Years, which comprises of 10 years as a primary period and 5 years as a secondary period.

(iii) The Company had sanctioned an amount of ₹ 98.44 crore in the year 2004 as finance lease for financing Wind Turbine Generator (commissioned on 18.5.2004). The Gross Investment stood at ₹ 63.79 crore as on 31.3.2010. The lease rent is to be recovered within a period of 20 years which comprises of 10 years as a primary period and maximum of another 10 years as a secondary period.

(iv) The Company had sanctioned an amount of ₹ 93.51 crore in the year 2004 as finance lease for financing Wind Turbine Generator (commissioned on 09.06.2005). The Gross Investment stood at ₹ 81.27 crore as on 31.3.2010. The lease rent is to be recovered within a period of 19 years and eleven months which comprises of 10 years as a primary period and maximum of 9 years and 11 months as a secondary period.

b) **Operating Leases:**

The Company's operating leases consists:-

Premises for residential use of employees and offices which are leasing arrangements usually renewable on mutually agreed terms but are not non-cancellable. Rent for residential accommodation of employees include ₹ 4.06 crore (Previous year ₹ 1.83 crore) towards lease payments, net of recoveries in respect of premises for residential use of employees. Lease payments in respect of premises for employees are shown as Rent for Residential Accommodation of employees in Schedule 14- Personnel, Administrative and Other Expenses. Lease payments in respect of premises for offices are shown as Office Rent in Schedule 14- Personnel, Administrative and Other Expenses.

16. Subsidy under Accelerated Generation & Supply Programme (AG&SP):

The Company is claiming subsidy from Govt. of India at Net Present Value calculated at indicative interest rates in accordance with GOI's letter vide D.O.No.32024/17/97-PFC dated 23.09.1997 and O.M.No.32024/23/2001-PFC dated 07.03.2003 irrespective of the actual repayment schedule, moratorium period and duration of repayment. The amount of interest subsidy received and to be passed on to the borrower is retained as Interest Subsidy Fund Account. The impact of difference between the indicative rate and period considered at the time of claims and at the time of actual disbursement can be ascertained only after the end of the respective schemes. However on the basis of the projections made for each project (based upon the certain assumptions that these will remain same over the projected period of each loan / project), the Company estimated the net excess amount (excluding recoverable amount of ₹ 17.65 crore from Irrigation Department of Government of Maharashtra which is subject to decision of Ministry of Power) as at 31/03/2010 for IX & X plan respectively under AG&SP schemes. This net excess amount is worked out on overall basis and not on individual basis & may vary due to change in assumptions, if any during the projected period such as changes in moratorium period , repayment period , loan restructuring , pre payment , interest rate reset etc. However during the year, the Company has refunded an amount of ₹ 150 Crores as estimated net excess amount lying against IX plan on the directions of MoP and balance amount of excess, if any, will be refunded / adjusted as per further directions of MoP.

The amount of ₹ 663.49 crore (previous year ₹ 908.94 . crore) under the head Interest Subsidy Fund represents the amount of subsidy received from Ministry of Power, Govt. of India which is to be passed on to the borrowers against their interest liability arising in future, under Accelerated Generation & Supply Programme (AG&SP), which comprises of the following: -

(₹in crore)

Particulars	**As on 31.03.2010**	**As on 31.03.2009**
Opening balance of Interest Subsidy Fund	908.94	1066.75
Add : - Received during the period	-	-
: - Interest credited during the period	80.44	98.19
(Excluding of ₹ 0.26 crores pertaining to previous years)		
Less : Interest subsidy passed on to borrowers Refunded to MoP:	169.36	231.17
(a) Estimated Net Excess against IX Plan	150.00	0.00
(b) Due to non- commissioning of Project in time	6.53	24.83
Closing balance of Interest Subsidy Fund	**663.49**	**908.94**

17. One borrower- Chattishgarh State Electricity Board (CSEB) has been un bundled into four power utilities on 1st January 2009. However, the Government of Chattishgarh is yet to issue the final notification/order for division of asset and liabilities among all the successor power utilities from the date of unbundling of CSEB. Loan Transfer Agreement shall be executed after issue of the said final order by the Govt. of Chhattisgarh. Pending transfer of loans to respective successor power utilities, the loan liabilities are outstanding in the name of CSEB.

18. (i) The Company has been appointed as the 'Nodal Agency' for the operationalisation and implementation of Re-structured Accelerated Power Development and Reforms Programme (R-APDRP), under the overall guidance of the Ministry of Power (MoP), Government of India (GOI).

Projects under the scheme are being taken up in Two Parts. Part-A includes the projects for establishment of baseline data and IT applications for energy accounting/auditing as well as IT based consumer service centers. Part-B includes regular distribution strengthening projects. GoI provide 100% loan for Part A and 25% (90% for special category States) loan for Part B.

The Loans under R-APDRP are being routed through the Company for disbursement to the borrowers. The amount so disbursed along with accrued interest will be paid to Government of India (GOI) on receipt from the borrowers.

The details are furnished below :

(₹ in crore)

Particulars	Amount	Amount
(A) Amount Due to GOI under R-APDRP		
Funds Received from GOI:-		
Up to 31.03.2009	325.10	
During the current financial year	1320.99	
	1646.09	
Add : - Interest accrued but not due on Loan disbursed		
• Upto 31.03.2010·	109.70	
Add : - Interest earned on fixed deposit	0.11	1755.90
(B) Amount recoverable from borrowers under R-APDRP		
Amount disbursed to borrowers:		
Up to 31.03.2009	325.10	
During the current financial year	1320.99	
	1646.09	
Add : - Interest accrued but not due.		
• Upto 31.03.2010	109.70	1755.79
Net amount payable to GOI under R-APDRP (A-B)		**0.11**

(iii) During the previous year, the Company recognized nodal agency fee (NAF) of ₹ 17.33 crore (net of service tax), i.e. @ 1% of loan sanctioned under R-APDRP, as per minutes of meeting held by MoP in August 2008, out of the total adhoc advance of ₹ 25 crore received from MoP. MoP in the meeting held on 29.03.2010 had constituted the Committee to finalise the norms of payment of NAF and reimbursement of expenditure to nodal agency i.e the Company. As such, income of ₹ 43.74 crore accounted for (current year - ₹ 26.41 crore and previous year - ₹ 17.33 crore) has been reversed during the current financial year. The expenditure incurred by PFC will be dealt with as per the decision of Ministry of Power (MoP). Further, pending finalization of norms for payment of NAF etc., the accounting policy on NAF has been held in abeyance.

19. The net deferred tax liabilities of ₹ 46.93 crores (previous year ₹ 55.48 crore) have been computed as per Accounting Standard 22 on "Accounting for Taxes on Income".

The breakup of deferred tax liabilities is given below: -

(₹ in crore)

Description	As on 31.03.2010	As on 31.03.2009
(a) Deferred Tax Asset (+)		
(i) Provision for expenses not deductible under Income Tax Act	7.06	9.30
(b) Deferred Tax Liabilities (-)		
(ii) Depreciation	-0.12	-0.26
(iii) Lease income on new leases	-53.36	-65.07
(iv) Amortization	-0.53	0.55
(iv) Preliminary expenses written off and brought forward losses	0.02	—
Net Deferred Tax liabilities (-)/Assets (+)	**-46.93**	**-55.48**

20. The Company had started creating deferred tax liability on special reserve created and maintained under Section 36(1)(viii) of Income Tax Act, 1961, as per the opinion of Expert Advisory Committee of ICAI in Financial Year 2004-05. Based upon the clarification received from the Accounting Standard Board of Institute of Chartered Accountants of India (ICAI)

vide letter dated 02.06.2009 and as explained in Policy No.13.2, the Company had stopped creating DTL on special reserve created and maintained from Financial Year 2008-09. Further, during the financial year 2008-09 Company reversed the Deferred Tax Liability (DTL) created in earlier years on special reserve created and maintained under Income Tax Act. The reversal of DTL was done by crediting revenue reserve by ₹ 745.14 crore for Financial Year 1997-98 to Financial Year 2003-04 (as DTL was created by debiting revenue reserve), crediting Profit and Loss Account by ₹ 483.24 crores for Financial Year 2004-05 to Financial Year 2007-08 (as DTL was created by debiting Profit and Loss Account for these years) and by debiting DTL by ₹ 1228.38 crores.

Further, DTL on the Special Reserve created and maintained under Section 36(1) (viii) of Income Act, 1961 for the current year amounting to ₹ 157.93 crore (Previous year ₹ 133.28 crore) has not been created as per paragraph 13.2 of Accounting Policy.

21. In compliance with Accounting Standard – 20 on "Earning Per Share" issued by the Institute of Chartered Accountants of India, the calculation of Earning Per Share (Basic and Diluted) is as under:-

Particulars	Current year 31.03.2010	Previous year 31.03.2009
Net Profit after Tax used as numerator (₹ in crore)	2378.30	1979.69
Weighted average number of equity shares used as denominator (Basic & diluted)	114,77,66,700	114,77,66,700
Earning per share (Basic & diluted) (Rupees)	20.72	17.25
Face value per share (Rupees)	10	10

22. The Company has no outstanding liability towards Micro, Small and Medium Enterprises.

23. The value of lease hold land aggregating to ₹ 38.33 crore (previous year ₹ 38.33 crore) comprises of amount of ₹ 31.83 crore (previous year ₹ 31.83 crore) paid towards cost of land to Land and Development Office (L&DO), Ministry of Urban Affairs, Govt. of India, stamp duty liability of ₹ 2.47 crore (previous year ₹ 2.47 crore) and capitalization of ground rent up to the date of completion of building of ₹ 4.03 crore (previous year ₹ 4.03 crore). In accordance with Memorandum of Agreement (MOA) executed with L&DO, the lease deed is yet to be signed. Pending execution of perpetual lease deed, (which does not have limited useful life) the value of leasehold land is not amortized and / or no provision for depreciation has been made on the said leasehold land.

24. Liabilities and Assets denominated in foreign currency have been translated at TT selling rate of SBI at year end as given below: -

S. No.	Exchange Rates	31.03.2010	31.03.2009
1	INR/US$	45.5800	51.4500
2	INR/JPY	0.4900	0.5265
3	INR/EURO	61.3100	68.4300

25. Disclosures as per Accounting Standard-15:-

A. Provident Fund

The Company pays fixed contribution to Provident Fund at prescribed rates to a separate trust, which invests the funds in permitted securities. The contribution to the fund for the period is recognized as expense and is charged to the profit and loss account. The obligation of the Company is to make such fixed contribution and to ensure a minimum rate of return to the members as specified by GOI. Any short fall for payment of interest to members as per specified rate of return has to be compensated by the Company. The Company estimates that no liability will take place in this regard in the near future and hence no further provision is considered necessary.

B. Gratuity

The company has a defined gratuity scheme and is managed by a separate trust. The provision for the same has been made on actuarial valuation based upon total number of years of service rendered by the employee subject to a maximum amount of ₹ 10 lakh.

C. Post Retirement Medical Scheme (PRMS)

The Company has Post-Retirement Medical Scheme (PRMS), under which retired employee and the dependent family members are provided medical facilities in empanelled hospitals. They can also avail reimbursement of Out-Patient treatment subject to a ceiling fixed by the Company.

D. Terminal Benefits

Terminal benefits include settlement in home town for employees & dependents.

E. Leave

The Company provides for earned leave benefit and half-pay leave to the credit of the employees which accrue on half yearly basis @ 15 days and 10 days respectively. 75% of the earned leave is encashable while in service and maximum of 300 days earned leave can be accumulated which is encashable on superannuation/ separation. Half pay leave is encashable on separation after 10 years of service or at the time of superannuation subject to a maximum of 300 days. The liability for the same is recognized based on actuarial valuation.

The above mentioned schemes (C, D and E) are unfunded and are recognized on the basis of actuarial valuation.

The summarised position of various defined benefits recognized in the profit and loss account, balance sheet are as under {Figures in brackets ( ) represents to previous year}

i) Expenses recognised in Profit and Loss Account

(₹in crore)

	Gratuity	PRMS	Leave
Current Service Cost	0.80 (0.57)	0.24 (0.19)	1.29 (0.68)
Interest cost on benefit obligation	0.59 (0.33)	0.27 (0.22)	0.54 (0.46)
Expected return on plan assets	-0.53 (-0.38)	0.00 (0.00)	0.00 (0.00)
Net actuarial (gain)/Loss recognised in the year	1.90 (2.50)	2.58 (0.27)	5.53 (0.18)
Expenses recognised in Profit & Loss Account	2.76(*) (3.02)	3.09 (0.68)	7.36(*) (1.32)

(*) Includes ₹ 0.08 crore (Previous year ₹ 0.07 crore) and ₹ 0.11 crore (Previous year ₹ 0.11 crore) for gratuity and leave respectively allocated to subsidiaries companies.

ii) The amount recognized in the Balance Sheet

(₹ in crore)

	Gratuity	PRMS	Leave
Present value of obligation as at 31.03.2010 (i)	11.18 (7.96)	6.44 (3.66)	12.84 (7.15)
Fair value of plan assets at at 31.3.2010 (ii)	8.42 (4.94)	0.00 (0.00)	0.00 (0.00)
Difference (ii) – (i)	-2.76 (-3.02)	-6.44 (-3.66)	-12.84 (-7.15)
Net Asset/(Liability) recognized in the Balance Sheet	-2.76 (-3.02)	-6.44 (-3.66)	-12.84 (-7.15)

iii) Changes in the Present Value of the defined benefit obligations

(₹ in crore)

	Gratuity	PRMS	Leave
Present value of obligation as at 01.04.2009	7.96 (4.67)	3.66 (3.17)	7.15 (6.47)
Interest Cost	0.59 (0.33)	0.27 (0.22)	0.54 (0.46)
Current Service Cost	0.80 (0.57)	0.24 (0.19)	1.29 (0.68)
Benefits paid	-0.07 (-0.11)	-0.31 (-0.19)	-1.67 (-0.64)
Net actuarial (gain)/loss on obligation	1.90 (2.50)	2.58 (0.27)	5.53 (0.18)
Present value of the defined benefit obligation as at 31.03.2010	11.18 (7.96)	6.44 (3.66)	12.84 (7.15)

iv) Changes in the fair value of plan assets

(₹ in crore)

	Gratuity	PRMS	Leave
Fair value of plan assets as at 01.04.2009	7.96 (4.67)	0.00 (0.00)	0.00 (0.00)
Expected return on plan assets	0.53 (0.38)	0.00 (0.00)	0.00 (0.00)
Contributions by employer	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
Benefit paid	-0.07 (-0.11)	0.00 (0.00)	0.00 (0.00)
Acturial gain/(loss)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
Fair value of plan assets as at 31.03.2010	8.42 (4.94)	0.00 (0.00)	0.00 (0.00)

v) The effect of one percent increase / decrease in the medical cost of PRMS will impact the liability as under:-

Cost increase by 1% ₹ 0.09 crore

Cost decrease by 1% ₹ 0.07 crore

vi) During the year, the Company has provided liability towards contribution to the Gratuity Trust of ₹ 2.76 crores, to PRMS of ₹ 3.09 crore, to leave ₹ 7.36 crore and to pension ₹ 1.78 crores. (Previous year towards contribution to the Gratuity Trust of ₹ 3.02 crore, to PRMS of ₹ 0.68 crore, to leave ₹ 1.32 crore and to pension scheme ₹ NIL).

E. Other Employee Benefits:-

During the year, provision of ₹ 0.04 crore (previous Year ₹ 1.88 crore) has been made for Economic Rehabilitation Scheme for Employees and provision of ₹ 0.01 crore has been reversed for Long Service Award for Employees (Previous year ₹ 0.27 crore made) on the basis of actuarial valuation made at the year end by charging/crediting the profit and loss account.

F. Details of the Plan Asset:-

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

(₹ in crore)

		2010	2009
i)	State Government Securities	1.37	0.88
ii)	Central Government Securities	2.18	1.37
iii)	Corporate Bonds/debentures	4.87	2.69
	Total	**8.42**	**4.94**

G. Actuarial assumptions

Principal assumptions used for actuarial valuation are:-

Method Used Projected Unit Credit Method

Discount Rate 7.50 %

Expected rate of return on assets- Gratuity 6.68 %

Future salary increase 5.00 %

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

26. Details of provision as required in AS-29.

(₹ in crore)

Particulars	Financial year 2009-10	Financial Year 2008-09
Post Retirement Medical Scheme		
Opening Balance	3.66	3.17
Addition during the year	3.09	0.68
Amount paid/utilized during the year	0.31	0.19
Closing Balance	6.44	3.66
Gratuity		
Opening Balance	3.02	0.08
Addition during the year	2.76	3.02
Amount paid/utilized during the year	3.02	0.08
Closing Balance	2.76	3.02
Pension*		
Opening Balance	0.00	0.00
Addition during the year	1.78	0.00
Amount paid/utilized during the year	0.00	0.00
Closing Balance	1.78	0.00
Leave Encashment		
Opening Balance	7.15	6.47
Addition during the year	7.36	1.32
Amount paid/utilized during the year	1.67	0.64
Closing Balance	12.84	7.15
Wage Revision		
Opening Balance	21.89	17.12
Addition during the year	1.57	4.77
Amount paid/utilized during the year	17.26	0.00
Closing Balance	6.20	21.89
Economic Rehabilitation Scheme for Employee		
Opening Balance	1.29	3.17

(₹ in crore)

Particulars	Financial year 2009-10	Financial Year 2008-09
Addition during the year	0.04	-1.86
Amount paid/utilized during the year	0.02	0.02
Closing Balance	1.31	1.29
Bonus/Incentive		
Opening Balance	9.76	6.59
Addition during the year	14.32	9.77
Amount paid/utilized during the year	7.75	6.60
Closing Balance	16.33	9.76
Leave Travel Concession		
Opening Balance	2.34	1.91
Addition during the year	0.15	2.20
Amount paid/utilized during the year	2.49	1.77
Closing Balance	0.00	2.34
Baggage Allowances		
Opening Balance	0.05	0.05
Addition during the year	0.00	0.00
Amount paid/utilized during the year	0.00	0.00
Closing Balance	0.05	0.05
Service Award		
Opening Balance	2.11	1.84
Addition during the year	-0.01	0.27
Amount paid/utilized during the year	0.00	0.00
Closing Balance	2.10	2.11
Income Tax		
Opening Balance	1489.88	1049.40
Addition during the year	800.55	492.02
Amount refunded/adjusted	953.14	(51.54)
Closing Balance	1337.29	1489.88
Fringe Benefit Tax		
Opening Balance	2.90	2.91
Addition during the year	0.00	0.73
Amount adjusted during the year	2.10	(0.74)
Closing Balance	0.80	2.90
Proposed Final Dividend		
Opening Balance	154.95	114.78
Addition during the year	172.17	154.95
Amount paid/utilized during the year	154.95	114.78
Closing Balance	172.17	154.95
Proposed Corporate Dividend Tax		
Opening Balance	26.33	19.51
Addition during the year	29.26	26.33
Amount paid/utilized during the year	26.33	19.51
Closing Balance	29.26	26.33

* **Pension:** In view of the issuance of DPE (Department of Public Enterprise) guidelines for providing superannuation benefits w.e.f. 01.01.07, the Company is in the process of finalizing Pension Scheme for its employee. Pending framing of the scheme, the company has made a provision of ₹ 1.78 crores for the period from 01.01.2007 to 31.03.2010.

27. (i) During the year, the Company has sent letters seeking confirmation of balances as on 31-12-2009 to borrowers. The balance confirmation is received from all the borrowers confirming 99.99% of the total outstanding balance amount sought for confirmation. Some of the balances of debtors, creditors and loan and advances are subject to confirmation / reconciliation / adjustments, if any.

(ii) Some of the designated bank accounts opened for making interest payment to bondholders/ debenture holders have outstanding balance of ₹ 0.61 crore (remaining unpaid for more than 9 months) are subject to reconciliation/ confirmation.

28. Preliminary Expenses of ₹ 0.34 crore (previous year ₹ 0.01 crore) relating to the formation of Subsidiary/Joint Controlled Entity has been charged to Profit and Loss Account.

29. The pay revision of non executives (including non-unionized supervisors) of the company is due w.e.f. 01.01.2007. Pending implementation of pay revision, a provision of ₹ 1.57 crore (previous year ₹ 4.77 crore both for executives and non- executives) for the year has been made towards wage revision on an estimated basis in line with office memorandum issued by DPE.

30. The Company and its subsidiary do not have more than one reportable segment in terms of Accounting Standard No. 17 on Segment Reporting.

31. For certain items, the Company and its subsidiary have followed different accounting policies. However, the impact of the same is not material.

32. Previous year's figures have been re-grouped / re-arranged, wherever practicable, to make them comparable with the current year. The previous year figures in consolidated financial statements are not inclusive of figures of "Energy Efficiency Services Limited" and "Power Equity Capital Advisor (P) Ltd." as being the first year of consolidation of accounts.

33. The disclosure requirement in respect of subsidiary/Joint Venture Company have been disclosed to the extent available from their audited accounts.

34. Figures have been rounded off to the nearest lakh of rupees.

Schedules 1 to 18 form an integral part of Balance Sheet and Profit & Loss Account.

(J.S. AMITABH)	**(R NAGARAJAN)**	**(SATNAM SINGH)**
Company Secretary	Director (Finance & Financial Operations)	Chairman & Managing Director

Signed in terms of our report of even date

	For K K SONI & CO. Chartered Accountants Firm Regd. No.-000947N	For RAJ HAR GOPAL & Co. Chartered Accountants Firm Regd. No.-00207N
	(S S SONI)	**(G K GUPTA)**
Place : New Delhi	Partner	Partner
Date : 18th June 2010	**Membership No.94227**	**Membership No.81085**

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010

(₹ in crore)

PARTICULARS		Year ended 31.03.2010		Year ended 31.03.2009
I. Cash Flow from Operating Activities :-				
Net Profit before Tax and Extraordinary items	**3046.23**		**2005.50**	
ADD: Adjustments for				
Loss on Sale of Assets	0.02		0.01	
Depreciation / Amortisation	3.82		4.13	
Amortisation of Zero Coupon Bonds	20.83		19.27	
Foreign Exchange Loss/Gain	(248.27)		235.66	
Dimunition in value of investments	(1.52)		1.49	
Provision for Contingencies	(0.57)		2.17	
Provision for Retirement Benefits/Other Welfare Expenses/Wage revision	16.74		8.16	
Preliminary expenses written off	(0.26)		0.00	
Operating profit before working Capital Changes:	**2837.02**		**2276.39**	
Increase/Decrease :				
Loans Disbursed (Net)	(15496.04)		(12701.30)	
Other Current Assets	(255.66)		(289.48)	
Loans & Advances	99.31		(102.07)	
Miscellaneous Expenditure (not written off/adjusted)	0.00		(0.04)	
Current Liabilities and provisions	234.90		685.03	
Cash flow before extraordinary items	**(12580.47)**		**(10131.47)**	
Extraordinary items	0.00		0.00	
Cash Inflow/Outflow from operations before Tax	**(12580.47)**		**(10131.47)**	
Income Tax & Fringe Benefit Tax Paid	(825.33)		(599.42)	
Net Cash flow from Operating Activities		**(13405.80)**		**(10730.89)**
II. Cash Flow From Investing Activities :				
Sale of Fixed Assets	0.05		0.05	
Purchase of Fixed Assets	(1.57)		(2.64)	
Work in progress	(1.73)		0.00	
Plant & Machinery (Lease Equalisation)	0.00		0.27	
Investments in Subsidiaries	(0.05)		(0.12)	
Other Investments	6.58		29.14	
Net Cash Used in Investing Activities		**3.28**		**26.70**
III. Cash Flow From Financial Activities :				
Issue of Share Capital	0.00		0.00	
Issue of Bonds	12283.30		12808.90	
Short Term Loans (Net)	(750.00)		(1080.00)	

(₹ in crore)

PARTICULARS		Year ended 31.03.2010		Year ended 31.03.2009
Loan Against Fixed Deposits (Net)	1675.12		0.00	
Raising of Long Term Loans	8004.50		4750.00	
Repayment of Long Term Loans	(4473.00)		(4449.00)	
Redemption of Bonds	(1981.86)		(892.30)	
Foreign Currency Loans (Net)	486.88		(40.46)	
Interest Subsidy Fund from GOI (Net)	(245.45)		(157.81)	
Unclaimed Bonds (Net)	21.87		0.09	
Payment of Final Dividend (including Corporate Dividend Tax) of Previous year	(181.28)		(134.29)	
Payment of Interim Dividend (including Corporate Dividend Tax) of Current year	(402.85)		(355.85)	
Share Application Money	6.09		0.00	
Net Cash in-flow from Financing Activities		**14443.32**		**10449.28**
Net Increase/Decrease in Cash & Cash Equivalents		**1040.80**		**(254.91)**
Add : Cash & Cash Equivalents at beginning of the period		419.59		674.50
Cash & Cash Equivalents at the end of the period #		**1460.39**		**419.59**
Details of Cash & Cash Equivalents at the end of the period:				
Cheques in hand,Imprest with Postal authority & Balances with Banks		10.45		3.15
Fixed Deposits with Scheduled Banks		1449.94		416.44
		1460.39		**419.59**

Includes ₹ 6.78 crore (Previous year ₹ 0.79 crore) share of Jointly Controlled Entity.

For and on behalf of the Board of Directors

J S AMITABH
Company Secretary

R NAGARAJAN
Director (Finance & Financial Operations)

SATNAM SINGH
Chairman and Managing Director

Signed in terms of our report of even date

For K.K. SONI & Co.
Chartered Accountants
Firm Regd. No - 000947N

(S S SONI)
PARTNER
Membership No - 94227

For RAJ HAR GOPAL & Co.
Chartered Accountants
Firm Regd. No - 002074N

(G K GUPTA)
PARTNER
Membership No - 81085

Place : New Delhi
Date : 18.06.2010

REPORT OF THE AUDITORS TO THE BOARD OF DIRECTORS OF POWER FINANCE CORPORATION LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF POWER FINANCE CORPORATION LIMITED, ITS SUBSIDIARY, JOINT VENTURE AND ASSOCIATE.

1 We have audited the attached Consolidated Balance Sheet of Power Finance Corporation Limited ("the Company"), subsidiary and joint venture (hereinafter referred to as "Group") as at March 31, 2010 and the consolidated Profit and Loss Account and Consolidated Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the management of the Company. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

3 We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard (AS) 21, viz., 'Consolidated Financial Statements', Accounting Standard (AS) 27, viz., 'Financial Reporting of interest in Joint Ventures' and Accounting Standard (AS) 23, viz., 'Accounting for Investment in Associates in Consolidated Financial Statements' issued pursuant to the Companies (Accounting Standards) Rules, 2006 as per Section 211(3C) of the Companies Act, 1956.

4 These include Company's share in the total value of assets, liabilities, expenditure, income and net profit of a Subsidiary, two Joint Venture and one Associate. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of the subsidiary, joint ventures and associate is based solely on the report of the respective auditors.

5 We report that :

(i) Power Finance Corporation Limited (The Company) pursuant to the opinion of the Expert Advisory Committee (EAC) of the Institute of Chartered Accountants of India (ICAI) provided "Deferred Tax Liability" (DTL) on special reserve created under section 36(1) (viii) of the Income Tax Act, 1961 in the year 2004-05, by charging Profit & Loss Account with ₹142.87 crores and debiting the Free Reserves by Rs 745.14 crores (for creating DTL for the years 1997-98 to 2003-04). Since, then the Company continued to provide DTL till the end of March, 2008 by charging Profit & Loss Account. The total amount towards DTL upto 31st March, 2008 comes to ₹ 1228.38 crores. The Company during the year 2008-09 reversed the DTL provided in earlier years amounting to ₹ 1228.38 crores and also did not provide DTL amounting to ₹ 291.21 crores (including ₹ 133.28 crores for the year 2008-09)in the current year, contrary to, opinions expressed by the EAC of the ICAI on two occasions dated 23.11.2004 and 18.05.2006, clarification furnished in July,2009 by the ICAI on the request of the Comptroller and Auditor General of India and mandatory provisions of Accounting Standard-22.

In view of the facts and circumstances placed before us, the Profits and Free Reserves of the Company are overstated by Rs 774.45 crores and Rs 745.14 crores (previous year ₹ 616.52 crores and ₹ 745.14 crores), respectively and DTL has been understated by ₹ 1519.59 crores (previous year ₹ 1361.66 crores). (Refer Note No. 20 of Schedule 18)

(ii) As regards the liability of ₹ 663.49 crores (previous year ₹ 908.94 crores) shown as "Interest Subsidy Fund from GOI" in the Balance Sheet, received under Accelerated Generation and Supply Program (AG&SP) Scheme from the Ministry of Power, Government of India, the Company has estimated the net excess amount of ₹ 166.25 crores (previous year ₹ 283.14 crores) and ₹ 209.97 crores (previous year ₹ 44.27 crores) as at 31st March 2010, for IX and X plan respectively. This net excess amount is worked out on overall basis and not on individual basis and may vary due to change in assumptions, if any, during the projected period such as changes in moratorium period, repayment period, loan restructuring, pre payment, interest rate reset, etc. Hence, the impact of this excess, if any could not be determined. As such we are not in a position to express our opinion thereon (Note No.16 of Schedule 18).

6. Attention is drawn to the following Notes in Schedule 18:-
   (a) Note No.4 regarding variation in accepted principal outstanding of a borrower consequent upon transfer of outstanding as per State Government Order.
   (b) Note No.5 (i) and Accounting Policy No 2.1.1 read with 7.2 (i) regarding a Project under implementation, which has been classified as a Standard Asset.
   (c) Note No.5 (ii) regarding Gas Based Power Project which is under implementation and has been classified as a Standard Asset.
   (d) Note No.7 (ii) regarding default of ₹ 24.67crores by one Party in refunding the interest subsidy under AG&SP Scheme payable to the Ministry of Power on receipt.
   (e) Note No.18 regarding working as Nodal Agency for operationalisation and implementation of the R-APDRP Scheme.
   (f) Note No. 25 regarding actuarial valuation for Employee Benefits
   (g) Note No.27 regarding reconciliation/confirmation of balances.
7. Subject to our observations as stated in Para 5 and read with other items on which attention is drawn vide Para 6 above, with consequential effects on the Consolidated Financial Statements, we report that on the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of the Company, its subsidiary, joint venture and Associate, we are of the opinion that the consolidated financial statements read with notes to accounts give a true and fair view in conformity with the accounting principles generally accepted in India:
   a) In case of Consolidated Balance Sheet, of the consolidated state of affairs of the Group as at 31st March 2010;
   b) In case of Consolidated Profit & Loss Account, of the consolidated results of operations of the Group for the year ended on that date; and
   c) In case of Consolidated Cash Flow Statement, of the Consolidated Cash Flows for the Group for the year ended on that date.

	For K K Soni & Co.	**For Raj Har Gopal & Co.**
	Chartered Accountants	Chartered Accountants
	Firm's Regd No.: 000947N	Firm's Regd No. : 002074N
	(S. S. Soni)	**(G.K.Gupta)**
Place : New Delhi	Partner	Partner
Date : 18th June 2010	Membership No. 94227	Membership No. 081085

Statement Pursuant to Section 212 of the Companies Act, 1956 relating to companies interest in the Subsidiary companies

Sl. No.	Name of the Subsidiary Company	Chhattisgarh Surguja Power Ltd.(Formerly Akaltara Power Ltd.)	Coastal Karnataka Power Ltd.	Coastal Maharashtra Mega Power Ltd.	Orrisa Integrated Power Ltd.	Coastal Tamil Nadu Power Ltd.	PFC Consulting Limited	Sakhigopal Integrated Power Company Ltd.	Ghogarpalli Integrated Power Company Ltd.	Tatiya Andhra Mega Power Ltd.	Jabalpur Transmission Company Limited (Subsidiary of PFC Consulting Limited)	Bhopal Dhule Transmission Company Limited (Subsidiary of PFC Consulting Limited)
1.	The Financial Year of the Subsidiary Company ended on.	31st March, 2010	31st March, 2010	31st March, 2010	31st March, 2010	31st March, 2010	31st March, 2010	31st March, 2010	31st March, 2010	31st March, 2010	31st March, 2010	31st March, 2010
2.	Date from which it became Subsidiary Companies.	10th February, 2006	10th February, 2006	01st March, 2006	24th August, 2006	9th January, 2007	25th March, 2008	21st May, 2008	22nd May, 2008	17th April, 2009	8th September, 2009	8th September, 2009
3.	a) Number of shares held by Power Finance Corporation Ltd. along with its nominees in the Subsidiary at the end of the financial year of the Subsidiary Companies.	50000 Equity shares of Rs. 10 each	50000 Equity shares of Rs. 10 each	50000 Equity shares of Rs. 10 each	50000 Equity shares of Rs. 10 each	50000 Equity shares of Rs. 10 each	50000 Equity shares of Rs. 10 each	50000 Equity shares of Rs. 10 each	50000 Equity shares of Rs. 10 each	50000 Equity shares of Rs. 10 each	50000 Equity shares of Rs. 10 each	50000 Equity shares of Rs. 10 each
	b) Extent of interest of Holding Company at the end of the financial year of the Subsidiary Companies.	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
4.	The net aggregate amount of the Subsidiary Company's Profit / (Loss) so far as it concerns the members of the Holding Company.	N.A.	N.A.	N.A.	N.A.	N.A.	Rs. 31.37 cr.	N.A.	N.A.	N.A.	N.A.	N.A.
	a) Not dealt within the Holding Company's Accounts:											
	i) For the Financial year ended 31st March 2009.											
	ii) For the previous financial year(s) of the Subsidiary Companies since it became the Holding Company's Subsidiaries.											
	b) Not dealt within the Holding Company's Accounts:											
	i) For the Financial year ended 31st March 2009.											
	ii) For the previous financial year(s) of the Subsidiary Companies since it became the Holding Company's Subsidiaries.											

Pursuant to the requirement of Section 212 of the Companies Act, 1956, Annual Accounts, Directors' Report and Auditor's Report of the Subsidiary Companies whose Financial Year has ended on 31st March, 2010, have been attached

SUBSIDIARIES

PFC CONSULTING LTD.

CHHATTISGARH SURGUJA POWER LTD.
(Formerly known as Akaltara Power Ltd.)

COASTAL KARNATAKA POWER LIMITED

COASTAL MAHARASHTRA MEGA POWER LIMITED.

ORISSA INTEGERATED POWER LIMITED

COASTAL TAMIL NADU POWER LIMITED

SAKHIGOPAL INTEGRATED POWER COMPANY LIMITED

GHOGARPALLI INTEGRATED POWER COMPANY LIMITED.

TATIYA ANDHRA MEGA POWER LTD.

JABALPUR TRANSMISSION COMPANY LIMITED
(Subsidiary of PFC Consulting Ltd.)

BHOPAL DHULE TRANSMISSION COMPANY LIMITED
(Subsidiary of PFC Consulting Ltd.)

PFC CONSULTING LIMITED

DIRECTORS' REPORT 2009-2010

To

The Members,

The Directors of your Company have pleasure in presenting the 2nd Annual Report on the performance of your Company for the financial year 2009-10 together with Audited Statements of Accounts and Auditors report thereon for the year ended 31st March, 2010.

FINANCIAL HIGHLIGHTS

Profitability:

(Figures in Rs. Lakh)

	2009-10	2008-09
Profit before Tax	3,300.79	1,506.10
Less: Provision for Tax	1,138.49	525.36
Less: Provision for Fringe Benefit Tax	——	5.45
Less: Deferred Tax Liability	0.27	(0.15)
Profit after Tax	2,162.03	975.44
Add: Balance brought forward	975.44	——-
Profit After Tax carried to Balance Sheet	**3137.47**	**975.44**

FINANCIAL PERFORMANCE

i) REVENUES

The total income during financial year 2009-10 increased by 102.14% to Rs.4,526.91 Lakh as compared to Rs.2,239.46 Lakh in financial year 2008-09. During the year, the income from operations was Rs.4,110.36 Lakh as compared to Rs.2,085.48 Lakh in 2008-09 showing an increase of 97.09%. During the year, the Company also earned other income of Rs.416.55 Lakh which includes interest on deposit of surplus funds with banks amounting to Rs.334.65 Lakh and miscellaneous income of Rs.81.90 Lakh.

ii) EXPENSES

The total expenditure for the financial year 2009-10 amounting to Rs.1226.11 Lakh accounted for 27.08% of the total income earned by the Company during the year.

iii) PROFIT

During the financial year 2009-10, your company earned a Profit before Tax of Rs.3300.79 Lakh as compared to Rs.1506.10 Lakh for the financial year 2008-09 registering an increase of 119.16%. of previous year. The Profit after Tax for the current financial year is Rs.2162.03 Lakh as compared to Rs.975.44 Lakh of previous year showing an increase of 121.65%.

iv) DIVIDEND

Your Directors have decided to carry forward the profit to the Reserve & Surplus. Hence no dividend has been declared for the financial year 2009-10.

v) SHARE CAPITAL

The paid-up share capital of the Company was Rs.5,00,000/- (50,000 equity shares of Rs. 10/- each) as on 31st March, 2010, and the entire share capital was held by Power Finance Corporation Limited (PFC) and its nominees.

OPERATIONAL HIGHLIGHTS

Your company has been established to provide Consultancy Services in Power Sector including development of UMPPs and ITPs. The major Services provided during the year are:

- Assisted Ministry of Power (MoP), Govt. of India (GoI), in developing Standard Bid Documents for Procurement of Power under 'Case 1' bidding through Tariff Based Competitive Bidding Process.
- ENICL, the first ITP SPV transferred to M/s Sterlite Technologies Limited, the successful bidder after completion of bid process.
- Rajpura Thermal Power Project of 1320 MW, consultancy assignment of Govt. of Punjab under 'Case 2' transferred to M/s L&T Power Development Ltd. the successful bidder after completion of bid process.
- Successfully carried out assignment for 1200 MW under 'Case 1' for Rajasthan. PPA signed by RRVPNL with the successful bidder M/s Adani Power Rajasthan Co. Ltd.
- RfQ issued for 70 MW TPP on Gurha (West) Mines a consultancy assignment of Govt. of Rajasthan.
- RfQ issued for 1320 MW TPP at Banswara a consultancy assignment of Govt. of Rajasthan.
- PFCCL appointed as 'Bid Process Coordinator' by MoP, GoI, to undertake work on two new Independent Transmission Projects.
- RfQ for Jabalpur Transmission Company Ltd. (JTCL) - ITP issued in February '2010.
- RfQ for Bhopal Dhule Transmission Company Ltd. (BDTCL) - ITP issued in March '2010.
- RfQ issued for the Chhattisgarh Surguja Power Ltd., Chhattisgarh UMPP in March '2010.
- Carried out modifications in Standard Bid Documents for Bidding under 'Case 2' scenario of Guidelines for Determination of Tariff by bidding process for Procurement of power by distribution licensees for Ministry of Power.
- Based on the report submitted by the company, Govt. of Meghalaya notified transfer scheme vide Gazette Notification dated 31.03.10 for restructuring of Meghalaya State Electricity Board (MeSEB) into four companies (Generation, Transmission, Distribution and Holding Cos.). All the companies incorporated and Commencement of Business (CoB) obtained for all the companies.

ULTRA MEGA POWER PROJECTS (UMPPs)

Your Company has been undertaking all the work related to the development of Ultra Mega Power Projects (UMPPs), an initiative of Ministry of Power (MoP), Govt. of India (GoI), on behalf of Power Finance Corporation Limited (PFC), which is the 'Nodal Agency' appointed by MoP, GoI.

With its concerted efforts round the year, work on four other UMPPs viz. Surguja UMPP in Chhattisgarh, Sundargarh UMPP in Orissa, Cheyyur UMPP in Tami Nadu, and Nayunipalli UMPP in Andhra Pradesh is under progress. So far, RfQ for two more UMPPs namely UMPP in Surguja District of Chhattisgarh and UMPP in Sundargarh District of Orissa have been issued in March '2010 and June '2010 respectively.

INDEPENDENT TRANSMISSION PROJECTS (ITPs)

East North Interconnection Company Limited, the SPV for the Independent Transmission Project, has been transferred to the successful bidder i.e. M/s Sterlite Technologies Limited on March 31, 2010. During the period, Ministry of Power has appointed your company as 'Bid Process Coordinator' for the two Independent Transmission Projects (ITPs).

To implement the projects, two (2) new SPVs namely Jabalpur Transmission Company Limited (JTCL) and Bhopal Dhule Transmission Company Limited (BDTCL) for the ITPs have been established by your company. RfQs for both the projects have been issued in February '2010 and March '2010 respectively and the evaluation of the RfQ bids submitted is under progress.

Client Base

Your company is continuously endeavoring to become a premier consulting organisation in the Power Sector. On the basis of satisfaction in terms of quality of services rendered, clients reposed confidence by awarding of repeat orders. The Client base includes both Public i.e. State/Central owned Power Sector Utilities (SPSUs/CPSUs) as well as Private entities (IPPs), State Electricity Regulatory Commissions and State Governments. The numbers of states including the profile of clients are given below:

Clients	Nos.
States/ UTs	20
Total No. of Clients	37
State Utilities	15
Public Sector Undertakings	4
State Governments	7
Regulatory Commissions	3
Licensees/ IPPs	8

Till date, PFCCL has assisted 37 Clients spread across 20 States. Assignments have been undertaken in various states, which include Punjab, Rajasthan, Jharkhand, West Bengal, Himachal Pradesh, Bihar, Jammu & Kashmir, Meghalaya, Assam, Andhra Pradesh, Uttar Pradesh, Haryana, Chhattisgarh, Bihar, Meghalaya, Madhya Pradesh, Kerala, Maharashtra, Karnataka and Delhi.

PFCCL is handling significant consultancy assignments under Procurement of Power for Govt. of Punjab, Rajasthan & Jharkhand through 'Case 1' and 'Case 2' bidding as per the "Guidelines for Determination of Tariff by Bidding Process for Procurement of Power by Distribution Licensees", issued by MoP, GoI.

PFCCL has also been awarded assignments to conduct study on reform & restructuring of the State Electricity Boards (SEBs) in the states of Bihar, Jharkhand, Kerala and Meghalaya.

SUBSIDIARIES

Your Company had established three wholly owned subsidiaries namely i) Sakhigopal Integrated Power Company Limited ii) Ghogarpalli Integrated Power Company Limited, both in the State of Orissa and iii) Tatiya Andhra Mega Power Limited in the State of Andhra Pradesh for development of Ultra Mega Power Projects. These subsidiaries are the Special Purpose Vehicles (SPVs) for the specific project and will be transferred to the successful bidder after completion of bidding process. However, as per the direction of Ministry of Power, the shares of all the three subsidiaries have been transferred to Power Finance Corporation Limited on 9th February, 2010. After transfer of the shares, theses SPVs become the subsidiaries of PFC.

During the year, your Company has established another two wholly owned subsidiaries for development of Independent Transmission Projects:

i) JABALPUR TRANSMISSION COMPANY LIMITED (JTCL)

Jabalpur Transmission Company Ltd., has been incorporated on 08.09.2009. It is a transmission system project for 'System Strengthening Common for Western Region (WR) and Northern Region (NR)'. The project includes 756 kV 1 x D/C line from Dhramjaygarh to Jabalpur and 765 kV S/C line from Jabalpur Pool to Bina.

Request for Qualification (RfQ) for the project has been issued in February '2010. RfQ responses received from 33 developers. Evaluation of RfQ responses is in progress.

ii) BHOPAL DHULE TRANSMISSION COMPANY LIMITED (BDTCL)

Bhopal Dhule Transmission Company Ltd., has been incorporated on 08.09.2009. It is a transmission system project for 'System Strengthening for Western Region (WR)'. The project includes System Strengthening for WR (Jabalpur-Bhopal, Bhopal-Indore, Aurangabad-Dhule, Dhule-Vadodra), all 765 kV S/C lines with associated 765 kV substation at Bhopal and Dhule.

Request for Qualification (RfQ) for the project has been issued in March '2010. RfQ responses received from 28 developers. Evaluation of RfQ responses is in progress.

HRD INITIATIVES

i) Employee Training

During the year 2009-10, three executives of the Company attended Advance Management Program in India and abroad.

ii) Client Meet

During the year under review, company organized a client meet in June, 2009 at Ooty. Representatives of CEA and various State Power Utilities particularly those associated with UMPPs and consultancy assignment of PFCCL attended the meet.

AUDITOR'S REPORT

M/s. Lalit Gupta & Associates, Chartered Accountants, were appointed as Statutory Auditors of the Company for the financial year 2009-2010 by the Comptroller & Auditor General of India. There is no adverse comment, observation or reservation in the Auditor's Report on the accounts of the Company.

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

There are no significant particulars, relating to conservation of energy, technology absorption under the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 as your Company does not own any manufacturing facility. During the year under review, there is no foreign exchange earning and outgo.

PARTICULARS OF EMPLOYEES U/S 217 (2A) OF THE COMPANIES ACT, 1956.

The Company is a wholly owned subsidiary of PFC and all the employees working for the Company are the employees of PFC. The remuneration to the employees working for the Company are paid by PFC but charged to the Company. Accordingly, the details of employees who were in receipt of gross remuneration in excess of Rs.24 Lakh per annum or Rs.2 Lakh per month and above, is given in Annexure - A.

DIRECTORS

The Board of Directors presently consists of:

1.	Shri Satnam Singh	: Chairman / CMD, PFC
2.	Shri M. K. Goel	: Director / Director (Commercial), PFC
3.	Shri R. Nagarajan	: Director / Director (Finance), PFC

In accordance with provisions of Companies Act, 1956, Shri M. K. Goel, Director, shall retire by rotation at the ensuing Annual General Meeting of the Company and being eligible offers himself for re-appointment.

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL (C&AG) OF INDIA

C&AG of India vide their letter dated 6th August, 2010 has intimated that on the basis of audit, nothing significant has come to their knowledge which would give rise to any comment upon or supplement to Statuary Auditor's Report under section 619(4) of the Companies Act, 1956 A copy of the letter issued by C&AG in this regard is place at Annex-B.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to section 217(2AA) of the Companies Act, 1956, the Directors confirm as follows in the preparation of annual accounts ended 31st March, 2010:-

- The applicable accounting standards have been followed along with proper explanation.
- Reasonable and prudent judgment and estimates were made so as to give a true and fair view of the state of the Company as on 31st March, 2010 and Profit & Loss account of the Company for the period 2009-10.
- Proper and sufficient care was taken 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.
- The accounts have been prepared on a "going concern" basis.

ACKNOWLEDGEMENT

The Directors put on record their gratitude to the Central Government, various State Governments and their respective agencies for the assistance, co-operation and encouragement they extended to the Company. The Company, in particular, is thankful to the Comptroller & Auditor General of India, the Ministry of Power, Govt. of India, the Statutory Auditors, Bankers and PFC for their unstinted co-operation and guidance without whose active support the achievement of the Company during the year under review would not have been possible.

For and on behalf of the Board of Directors

Place : New Delhi **(Satnam Singh)**
Date : 20/08/2010 **Chairman**

ANNEXURE 'A'

PARTICULARS OF EMPLOYEES PURSUANT TO SECTION 217(2A) OF THE COMPANIES ACT, 1956

Name	Designation and Nature of Duties	Remuneration (In Rs.)	Qualification	Date of Commencement of Employment	Exp.(yrs)	Age as on 31.03.2010	Previous Employment held	Remarks
Sh. N D TYAGI	Chief Executive Officer	50,04,688.00	B.E.	29-Jan-90	20	54 Yr.	BHEL	-
Sh. DINESH VIJ	Executive Director	39,95,863.00	M.TECH.	14-Feb-90	20	50 Yr.	BHEL	-
Sh. S. MULCHANDANI	Executive Vice President	44,76,729.00	CA	14-Jul-88	21	49 yr.	IFFCO	-
Sh. ASHWANI SHARMA	Executive Vice President	36,14,942.00	B.SC.(ENGG)	8-Nov-06	3	58 yr.	NTPC LTD.	On deputation from NTPC
Sh. YOGESH JUNEJA	Senior Vice President	39,27,689.00	B.SC.(ENGG.), MBA	1-Sep-05	4	49 yr.	POWER GRID CORPORATION LTD.	-
Sh. NAVEEN KUMAR KOHLI	Vice President	37,90,883.00	M.TECH.	2-Nov-93	16	52 yr.	BIRLA GTM ENTERPRISE LTD.	-
Sh. MANOJ KUMAR RANA	Associate Vice President	30,05,412.00	B.TECH.	13-Jan-97	13	39 yr	ORIENTAL BANK OF COMMERCE	-
Sh. P C HEMBRAM	Associate Vice President	29,47,428.00	M.TECH.	31-Jan-97	13	45 yr.	CEA	-
Sh. SANJAY MEHROTRA	Associate Vice President	32,14,370.00	ICWA	5-Jan-07	3	45 yr.	POWER GRID CORPORATION LTD.	-
Sh. VIRENDRA KUMAR JAIN	Associate Vice President	30,57,558.00	CA	5-Jan-07	3	46 yr.	POWER GRID CORPORATION LTD.	-
Sh. RAJESH KUMAR SHAHI	Associate Vice President	29,53,832.00	B.SC.(ENGG.)	9-Jan-07	3	43 yr.	POWER GRID CORPORATION LTD.	-
Sh. SANJAY KUMAR RAI	Associate Vice President	30,19,461.00	B.E.	29-Jan-07	3	47 yr.	POWER GRID CORPORATION LTD.	-

Note:

1. Persons named above are employees of Power Finance Corporation Limited and working for the Company.
2. The remuneration are paid by PFC but charged from the Company.
3. None of the employees listed above is related to any director of the company.
4. The amount shown above is inclusive of all the payment made to them during the whole of Financial Year 2009-2010.
5. Year of experience of each emplyee are years of sevice in PFC/PFCCL.

AUDITOR'S REPORT

TO THE MEMBERS OF PFC CONSULTING LIMITED

1. We have audited Balance Sheet of **PFC CONSULTING LIMITED**, New Delhi as at **31st March 2010** and also the Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standard generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) order, 2003 and read together with the Companies (Auditor's Report) Amendment Order, 2004, issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order:
4. Further to our comments in the annexure referred to in paragraph 1 above we report that;
   a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
   b) In our opinion proper books of accounts as required by Law have been kept by the company so far as it appears from our examination of those books;
   c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt by this report are in agreement with the books of Accounts;
   d) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
   e) The requirement of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956 relating to disqualification of directors are not applicable to the Company, being a wholly owned subsidiary company of a Government Company, in term of Notification No. G.S.R.829(E), dated 21.10.2003 issued by Ministry of Finance, Department of Company Affairs.
   f) In our opinion and to the best of our information and according to the explanations given to us, the said Accounts give the information required by the Companies Act, 1956, in the manner so required and give a true & fair view in conformity with the accounting principles generally accepted in India:
   i) In case of the Balance Sheet, of the State of Affairs of the company as at 31st March 2010.
   ii) In case of Profit & Loss Account, of the profit of the Company for the year ended 31st March 2010.and
   iii) In case of Cash Flow Statement, of the cash flow for the year ended on that date.

PLACE : NEW DELHI
DATE : 06.06.2010

For LALIT GUPTA & ASSOCIATES
(Chartered Accountants)
Firm Registration No.004540N
(LALIT K. GUPTA)
Partner
M.No.82727

ANNEXURE TO AUDITORS' REPORT OF PFC CONSULTING LIMITED

(REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE)

1. a) The company has maintained proper records showing full particulars, including details and situation of fixed assets on the basis of information available.
   b) According to the information and explanations given to us, the fixed assets have been physically verified by the management during the year in a phased periodical manner which, in our opinion, is reasonable, having regard to the size of the company and nature of the assets.
   c) No material discrepancies were noticed on such verification.
   d) There was no disposal of any fixed assets during the year.
2. The Company is in the business of Consultancy Services and does not have inventories, hence clause (ii) of paragraph 4 of the Order is not applicable to the Company.
3. The company has neither taken nor granted any loans or advances in the nature of loan to parties covered in the register maintained under Section 301of the Companies Act, 1956. Hence, the question of reporting whether the terms and conditions of such loans are prudential to the interest of the company, whether reasonable steps for recovery/ repayment of over dues on such loans are taken, does not arise.
4. In our opinion and according to the information and explanation given to us, there is an adequate internal control system commensurate with the size of the company and nature of its business with regards to purchase of fixed assets and for the sale of services. There are no purchases of inventory and sale of goods. On the basis of our examination of the books and records of the company, carried out in accordance with the accounting standards generally accepted, we have not observed any continuing failure to correct major weaknesses in the aforesaid internal control system. Internal Control System for awarding of sub-consultancy assignments to individuals by the company could be improved based on experience.
5 Based on the audit procedure applied by us and the information and the explanation provided by the management, we are of the opinion that there were no transactions during the year that need to be entered in the register maintained under section 301 of the Companies Act, 1956.
6. Based on our scrutiny of the company's records and according to the information and explanations given to us, in our opinion, the Company has not accepted deposited from the public with in the meaning of Section 58 A, 58 AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under.
7. In our opinion and according to the information and explanation given to us, the company has an internal audit system, which is commensurate with the size and nature of business of the company.
8. According to the information and explanations given to us, the maintenance of cost records has not been prescribed by the Central Government under section 209(1)(d) of the Companies Act, 1956, for any of the activities of the company.
9. a). The company is generally regular in depositing undisputed statutory dues with appropriate authorities including Provident Fund, Investor Education & Protection Fund, Employees' State Insurance, Income Tax, Fringe Benefit Tax, Vat, Wealth-Tax, Service Tax, Custom Duty, Excise-Duty/ Education Cess and other statutory dues applicable to it.
   b). According to the information and explanations given to us, there are no undisputed statutory dues payable in respect of Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income-tax, Sales-tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess which are outstanding as at 31st March, 2010 for a period of more than six months from the date they became payable.

10. The Company has not completed five years since the date of incorporation, hence clause (x) of paragraph 4 of the Order is not applicable to the Company.
11. According to the records made available to us and information and explanations given by the management, the company has not taken any loan, from any financial institution or bank or debenture holder, hence clause (xi) of paragraph 4 of the Order is not applicable to the Company.
12. The company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The company is neither a Chit Fund nor a Nidhi/ mutual benefit fund/ Society, hence, clause (xiii) of paragraph 4 of the order is not applicable to the company.
14. The company is not dealing in or trading in shares, securities, debentures and other investments, hence, clause (xiv) of paragraph 4 of the order is not applicable to the company.
15. According to the information and explanations given to us, the company has not given any guarantee for loans taken by others from bank or financial institutions.
16. Since the company has not taken loan from any, financial institution or bank or debenture holder, hence clause (xvi) of paragraph 4 of the Order is not applicable to the company.
17. According to the information and explanations given to us, and on an overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used for long-term investment.
18. According to the information and explanations given to us, no preferential allotment of shares have been made by the company to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
19. The company has not issued any debentures, hence clause (xix) of paragraph 4 of the Order is not applicable to the company.
20. The Company has not raised capital by the public issue, hence clause (xx) of paragraph 4 of the Order is not applicable to the company.
21. Based upon the audit procedures performed and information and explanations given by the Management, we report that no fraud on or by the company has been noticed or reported during the course of our audit.

For LALIT GUPTA & ASSOCIATES
CHARTERED ACCOUNTANT

Place : New Delhi
Date : 06.06.2010

(LALIT K. GUPTA)
PARTNER
M.No. 82727

PFC CONSULTING LIMITED
(A Wholly Owned Subsidiary of Power Finance Corporation Ltd.)

BALANCE SHEET AS AT 31st MARCH 2010

Figures in Rupees

DESCRIPTION	**SCHEDULE No.**	**As at 31st March 2010 Rs.**	As at 31st March 2009 Rs.
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS:			
Share Capital	**1**	**500,000**	500,000
Reserves & Surplus	**2**	**313,747,272**	97,544,010
Deferred tax Liability		**12,818**	-
Total		**314,260,090**	98,044,010
APPLICATION OF FUNDS			
Fixed Assets:	**3**		
Gross Block		**857,796**	386,209
Less: Depreciation		**227,866**	89,494
Net Block		**629,930**	296,715
Investments	**4**	**1,000,000**	1,000,000
Deferred Tax Assets		**-**	14,600
Current Assets, Loans & Advances	**5**		
Cash and Bank Balances		**586,815,723**	259,693,290
Sundry Debtors		**71,049,999**	46,262,383
Other Current Assets		**11,376,445**	1,502,636
Loans and Advances		**137,146,981**	42,511,347
		806,389,148	349,969,656
Less: Current Liabilities & Provisions	**6**		
Current Liabilities		**379,910,413**	199,921,836
Provisions		**113,848,575**	53,315,126
		493,758,988	253,236,962
Net Current Assets		**312,630,159**	96,732,694
Total		**314,260,090**	98,044,010
Significant Accounting Policies	**12**		
Notes on Accounts	**13**		
Schedules referred above form an integral part of Balance Sheet			

For & On Behalf of Board of Directors

(N.D.TYAGI)	**(R. NAGARAJAN)**	**(SATNAM SINGH)**
CEO	**Director**	**Chairman**

SIGNED IN TERMS OF OUR REPORT OF EVEN DATE
For Lalit Gupta & Associates
CHARTERED ACCOUNTANTS

Place : New Delhi
Date : 06/06/2010

LALIT K. GUPTA
Partner
M. No. 82727

PFC CONSULTING LIMITED
(A Wholly Owned Subsidiary of Power Finance Corporation Ltd.)

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON 31st MARCH 2010

Figures in Rupees

DESCRIPTION	SCHEDULE No.	Year Ended 31st March 2010 Rs.	Year Ended 31st March 2009 Rs.
INCOME			
Income from Consulting Services		**411,035,729**	208,548,000
Other Income	**7**	**41,654,796**	15,398,268
Total		**452,690,525**	223,946,268
EXPENSES			
Direct Overheads for Consultancy Services	**8**	**24,058,055**	36,881,897
Establishment Expenses	**9**	**58,454,772**	19,551,907
Administration Expenses	**10**	**32,592,982**	16,659,411
Financial Expenses	**11**	**7,367,088**	153,589
Depreciation		**138,372**	89,494
Total		**122,611,269**	73,336,298
Profit Before Tax		**330,079,256**	150,609,970
Less: - Provision for Tax			
-Current Tax		**113,848,575**	52,535,624
-Fringe Benefit Tax		**-**	544,937
-Deferred Tax		**27,418**	(14,600)
Profit After Tax		**216,203,262**	97,544,010
Add: - Balance brought forward		**97,544,010**	-
Balance carried to Balance Sheet		**313,747,272**	97,544,010
Basic & Diluted Earning per share of Rs.10 each		**4,324**	1,951
Significant Accounting Policies	**12**		
Notes on Accounts	**13**		
Schedules referred above form an integral part of Profit & Loss Account			

For & On Behalf of Board of Directors

(N.D.TYAGI)	(R. NAGARAJAN)	(SATNAM SINGH)
CEO	Director	Chairman

SIGNED IN TERMS OF OUR REPORT OF EVEN DATE
For Lalit Gupta & Associates
CHARTERED ACCOUNTANTS

Place : New Delhi — **LALIT K. GUPTA**
Date : 06/06/2010 — **Partner**
M. No. 82727

PFC CONSULTING LIMITED

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

SCHEDULE '1'
SHARE CAPITAL

Figures in Rupees

DESCRIPTION	As at 31st March 2010 Rs.	As at 31st March 2009 Rs.
AUTHORISED		
50,000 Equity Shares of Rs. 10 each (Previous year 50,000 Equity Shares of Rs. 10 each)	**5,00,000**	5,00,000
Issued, Subscribed and Paid up		
50,000 Equity Shares of Rs 10 each fully paid up (Previous year 50,000 Equity Shares of Rs. 10 each) (Wholly owned by Power Finance Corporation Limited)	**500,000**	500,000
Total	**500,000**	500,000

SCHEDULE '2'
RESERVES & SURPLUS

Figures in Rupees

DESCRIPTION	As at 31st March 2010 Rs.	As at 31st March 2009 Rs.
Profit and Loss Account	**313,747,272**	97,544,010
Total	**313,747,272**	97,544,010

SCHEDULE '3'
FIXED ASSETS

FIGURES IN RUPEES

Description	GROSS BLOCK Opening Balance As at 01-04-2009	Addtion during the year	Sales/ Adjustments during the year	Closing Balance as at 31.03.2010	DEPRECIATION BLOCK Opening Balance as at 01.04.2009	Dep. during the year	Disposed/ Written off during the year	Closing Balance as at 31.03.2010	NET BLOCK As at 31.03.2010	As at 31.03.2009
Furniture & Fixtures	202,871	32,590	-	235,461	48,105	35,599	-	83,704	151,757	154,766
EDP Equipments	150,573	418,402	-	568,975	34,799	95,627	-	130,426	438,549	115,774
Other Office Equipments	32,765	20,595	-	53,360	6,590	7,146	-	13,736	39,624	26,175
Total	**386,209**	**471,587**	**-**	**857,796**	**89,494**	**138,372**	**-**	**227,866**	**629,930**	**296,715**
Previous Year	-	386,209	-	386,209	-	89,494	-	89,494	296,715	-

SCHEDULE '4'
INVESTMENTS

Figures in Rupees

DESCRIPTION	As at 31st March 2010 Rs.	As at 31st March 2009 Rs.
Investment in Shares		
(Long Term, Unquoted and Non Trade)		
Sakhigopal Integrated Power Ltd., Subsidiary Company	-	500,000
50,000 Equity Shares of Rs. 10 each fully paid up		
Ghogarpalli Integrated Power Ltd., Subsidiary Company	-	500,000
50,000 Equity Shares of Rs. 10 each fully paid up		
Bhopal Dhule Transmission Company Ltd., Subsidiary Company		
50,000 Equity Shares of Rs. 10 each fully paid up	500,000	
Jabalpur Transmission Power Company Ltd., Subsidiary Company		
50,000 Equity Shares of Rs. 10 each fully paid up	500,000	-
Total	1,000,000	1,000,000

SCHEDULE '5'
CURRENT ASSETS, LOANS AND ADVANCES

Figures in Rupees

DESCRIPTION	As at 31st March 2010 Rs.	As at 31st March 2009 Rs.
(A) CASH & BANK BALANCES		
Bank Balance with Scheduled Banks		
(i) In Current Accounts	2,479,683	4,963,290
(ii) In Deposit Accounts	584,336,040	254,730,000
Total (A)	586,815,723	259,693,290
(B) SUNDRY DEBTORS		
(Unsecured, Considered Good)		
-Outstanding for more than six months	28,154,933	6,208,008
-Others	42,895,065	40,054,375
Total (B)	71,049,999	46,262,383
(C) OTHER CURRENT ASSETS		
Interest accrued but not due on term deposits	11,376,445	1,502,636
Total (C)	11,376,445	1,502,636
(D) LOANS & ADVANCES		
(Unsecured, Considered Good)		
(i) Advance Income Tax and Tax Deducted at Source	122,226,201	35,078,513
(ii) Fringe Benefit Tax	70,498	850,000
(iii) CENVAT Credit Receivable	1,049,651	1,600,546
(iv) Advances to Consultants/ Others	4,204,700	4,335,900
(v) Recoverable from Others/Utilities	4,298,248	536,030
(vi) Recoverable from Subsidiary Companies	5,297,683	110,358
Total (D)	137,146,981	42,511,347
Grand Total (A+B+C+D)	806,389,148	349,969,656

SCHEDULE '6'
CURRENT LIABILITIES AND PROVISIONS

Figures in Rupees

DESCRIPTION	As at 31st March 2010 Rs.	As at 31st March 2009 Rs.
(A) CURRENT LIABILITIES		
(a) Sundry Creditors for Services		
-Micro and Small Enterprises	-	-
-Others	11,688,278	7,884,385
(b) Earnest Money Deposits	2,100,000	4,200,000
(c) Payable to Power Finance Corporation (Holding Company)	-	2,262,770
(d) Advances from Customers & Unaccrued Income	86,967,790	131,312,599
(e) Commitment Advance	257,100,000	48,000,000
(f) Interest Payable on Commitment Advance	7,191,394	-
(g) Other Liabilities	14,862,951	6,262,082
Total (A)	379,910,413	199,921,836
(B) PROVISIONS		
Income Tax	113,848,575	52,535,624
Fringe Benefit Tax	-	779,502
Total (B)	113,848,575	53,315,126
Total (A+B)	493,758,988	253,236,962

SCHEDULE '7'
OTHER INCOME

	Year ended 31st March, 2010	Period ended 31st March, 2009
Interest Income (Gross,TDS Rs. 6,453,691/-, Previous year Rs.2,827,966/-)	33,464,796	14,918,268
Misc. Income	8,190,000	480,000
Total	41,654,796	15,398,268

SCHEDULE '8'
DIRECT OVERHEAD FOR CONSULTANCY SERVICES

	Year ended 31st March, 2010	Period ended 31st March, 2009
Consultancy Charges	20,043,567	31,729,648
Advertisement Expenses	2,950,162	2,705,630
Conference & Meeting Expenses	1,064,326	2,446,619
Total	24,058,055	36,881,897

SCHEDULE '9'
ESTABLISHMENT EXPENSES

	Year ended 31st March, 2010	Period ended 31st March, 2009
Salary, Bonus, Allowances & Benefits	46,069,927	16,918,389
Contribution to Provident & Other Funds	2,608,639	605,030
Wages & Stipend	808,455	1,067,001
Staff Welfare	8,967,751	961,487
Total	58,454,772	19,551,907

SCHEDULE '10'
ADMINISTRATION EXPENSES

DESCRIPTION	Year ended 31st March 2010 Rs.	Period ended 31st March 2009 Rs.
Rent	**1,701,377**	770,300
Electricity and Water Charges	**3,141,361**	1,265,550
Site Office Expenses	**280,327**	145,937
Repairs & Maintenance	**2,234,623**	300,078
Tour & Travelling	**4,742,762**	5,699,627
Postage and Telegram	**533,542**	66,812
Book & Periodicals	**106,122**	53,413
Entertainment Expenses	**193,720**	121,418
Festival Celebration Expenses	**135,150**	222,397
House Tax	**3,131,888**	1,408,893
Insurance	**37,208**	27,522
Incorporation Expenses	**-**	21,915
Marketing Expenses	**-**	333,500
Misc. Expenses	**71,111**	25,293
Office Maintenance	**2,243,723**	943,932
Depreciation Cost Allocated by Holding Company	**4,479,872**	1,429,554
Printing & Stationary	**1,315,613**	1,137,760
Legal & Professional Expenses	**338,116**	474,857
Security Expenses	**2,054,698**	451,626
Telephone Expenses	**3,476,855**	1,095,706
Vehicle Hiring and Running Expenses	**574,643**	302,278
Equipment Hire Charges	**1,035,158**	231,043
Audit Fees	**195,000**	130,000
Prior Period Expenses	**261,273**	-
Training Expenses	**308,840**	-
Total	**32,592,982**	16,659,411

SCHEDULE '11'
FINANCIAL EXPENSES

Interest on Commitment Advance	**7,096,298**	122,959
Bank Charges	**30,290**	30,630
Other Interest	**240,500**	-
Total	**7,367,088**	153,589

PFC CONSULTING LIMITED

Schedules Annexed to and forming part of account

For the Financial Year 2009-2010

SCHEDULE -12
SIGNIFICANT ACCOUNTING POLICIES

1. Basis for Preparation of Financial Statements

The financial statements are prepared as per going concern assumption under the historical cost convention on accrual basis and in accordance with the generally accepted accounting principles and relevant provisions of the Companies Act, 1956 complying with Accounting Standards notified therein. Accounting policies have been consistently applied except where an accounting standard is newly adopted or an accounting policy is revised by the company.

The preparation of financial statements requires management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities), revenues and expenses of the reporting period. The difference between the actual results and estimates are recognized in the period in which the results are known and/or materialised.

2. Fixed Assets

a. Fixed Assets are shown at historical cost less accumulated depreciation and impairment losses, if any. The assets retired from active use and held for disposal are stated at lower of the book value or net realizable value. The historical cost includes all cost attributable for bringing the assets to its working condition for its intended use.

b. Expenditure on existing assets resulting in increase in previously assessed useful life/standard of performance is added in relevant assets.

c. Intangible Assets are recorded at their cost of acquisition.

3. Borrowing Cost

Borrowing Costs that are attributable to the acquisition, construction of fixed assets which take substantial time to get ready for its intended use are capitalized as part of the cost of such assets to the extent they relate to the period till such assets are ready to be put to use. Other borrowing costs are charged to Profit and Loss Account in the year in which they are incurred.

4. Depreciation/Amortization

a. Depreciation on assets is provided on pro rata basis on written down value method at the rates prescribed under schedule XIV of the Companies Act, 1956.

b. Depreciation on addition to / deduction from fixed assets during the year is charged on prorata basis from/up to the date in which assets are available for use / disposal.

c. Items of Fixed Assets acquired during the year costing up to Rs. 5,000/- are fully depreciated.

d. Intangible Assets such as software are amortized by straight-line method over useful life of the assets estimated by the company. However software individually costing less than Rs. 1,00,000/ is fully amortized in the year of acquisition.

5. Investments

a. Investments that are readily realizable and intended to be held for not more than a year are classifie d as Current Investments. All other investments are classified as Long Term Investments.

b. Current Investments are valued at lower of cost and fair market value determined on an individual investment basis.

c. Long term investments are carried at cost. Provision is made for diminution, other than temporary, in the value of such investments.

6. Impairment of Assets

At each balance sheet date, the Company reviews the carrying amount of its assets to determine whether there is any indication that those assets suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of impairment loss. Assets are valued at Recoverable Value or the Value as per the books of account whichever is less.

7. Expenditure Incurred by Holding Company

Expenditures incurred by the Holding Company on behalf of the company are recognized on accrual basis and same are classified as Current Liabilities payable to Holding Company.

8. Cash Flow Statement

Cash flows are reported using the indirect method, whereby profit before tax is adjusted for the effects of the transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts and payments. The cash flows from Operating, Financing and Investing activities are shown separately in accordance with AS-3.

9. Revenue Recognition

Income and expenses are accounted for on accrual basis, unless otherwise stated.

a. Income from consultancy service is accounted for on the basis of assessment by the management of actual progress of work executed proportionately with respect to the total scope of work in line with the terms of respective consultancy contracts.

b. Fees for advisory and professional services for developing ultra mega power projects/Independent Transmission Projects will be accounted for on transfer of the project to the successful bidder.

c. Cost of employees working for developing ultra mega power projects and Independent Transmission Projects are charged on Cost to Company basis in proportionate to the man days spent on the respective projects, as assessed by the management.

d. Consultancy fees calculated as above is net of Service Tax as payable under Finance Act 1994.

e. Interest from investment is accounted for on accrual basis.

f. Profit on sale of investments is recorded on transfer of title from the company and is determined as the difference between the sale price and the carrying value of the investment. Dividends are recorded when the right to receive income is established.

10. Preliminary Expenditure

Preliminary Expenses relating to the formation of the company has been written off in the year in which the same has been incurred.

11. Taxes on Income

Provision for taxation includes provision for Income Tax and Deferred Tax. Current Income tax has been provided at the rates in force in accordance with the provisions of Income Tax Act 1961 including interest liability, if any. Deferred Tax assets/ liabilities have been accounted for in accordance with the principles laid down under Accounting Standard 22 notified under the Companies act 1956.

12. Profit and Loss Account

a. The liabilities towards employee benefits in respect of gratuity, leave encashment, post retirement medical benefits, transfer traveling allowance on retirement/death, long service awards to employees, farewell, gift on retirement and economic rehabilitation scheme are ascertained annually by the Holding Company i.e. PFC Limited on actuarial valuation at the year-end. The company provides for such employee benefits as apportioned by the Holding Company.

b. Pre-paid expenses and prior period expenses/income of items of Rs.5,000/- and below are charged to natural heads of accounts.

13. Provisions and Contingencies

(a) A provision is recongnised when the company has a present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation and in respect of which a reliable estimate can be made. Provisions as determined based on management estimate required to settle the obligation at the balance sheet date and are not discounted to present value. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates.

(b) Contingent liabilities are disclosed at present value. Contingent liabilities are disclosed on the basis of judgment of the management/ independent experts based on information available at Balance Sheet Date. These are reviewed at each Balance Sheet Date and adjusted to reflect the current management estimate.

14. INDEPENDENT TRANSMISSION PROJECTS

Expenditures on the particular Ultra Mega Power Project/ Independent Power Project is debited to the account "Amount recoverable from concerned Special Purpose Vehicles (SPVs) and shown under Loans & Advances"

SCHEDULE-'13'

NOTES ON ACCOUNTS

1. "PFC Consulting Limited" (PFCCL) was incorporated under Companies Act, 1956 as a wholly owned subsidiary of Power Finance Corporation Limited (PFC) on 25.03.2008 for providing Consultancy Services to Power Sector including development of Independent Transmission Projects (ITPs). The Certificate for Commencement of Business was obtained by the Company on 25.04.2008.
2. All the employees of the Company are on secondment basis from the Holding Company i.e. Power Finance Corporation Limited. All the expenses relating to employees are charged from Company by the Holding Company. The liabilities towards PF, ESI, gratuity, leave encashment, Bonus, Incentive etc. have been provided by the holding company and accounted for by the Company accordingly.
3. The common establishment cost and administration expenses are apportioned by Holding Company and have been accounted as 36% of salary and allowances of employees as detailed as under and charged to respective account head: -

Expenses	Current Year (Rs.)	Previous Year (Rs.)
Electricity & Water Charges	31,29,361	11,62,725
Insurance (Other than vehicles)	37,208	27,522
House Tax	31,31,888	14,08,893
Repairs & Maintenance	22,11,109	2,89,383
Printing & Stationery	7,65,287	6,91,109
Postage & Telegram	5,33,542	65,449
Books & Periodicals	1,05,652	45,815
Security Expenses	20,54,698	4,51,626
Equipment Hire Charges	10,35,158	2,31,043
Office Maintenance	22,43,723	7,44,676
Bank Charges	11,484	15,568
Canteen Expenses	18,30,762	-
EDP Stores & Consumables	2,72,628	1,74,635
Telephone Expenses	27,31,100	5,81,238
Casual Labour	-	4,57,593
Depreciation	44,79,872	14,29,554
Total	**2,45,73,472**	**77,76,829**

4. The Company is operating in a single segment, i.e. providing consultancy services and is operating within India, therefore the disclosure requirements of AS-17 on Segment Reporting is not applicable to the company.
5. Wherever any expenditure is incurred or payment made by Holding Company on behalf of the Company, procedural and statutory requirements in respect of deduction of Tax at Source and other statutory compliances, as applicable, are complied by the Holding Company.
6. The Company has incurred expenditure for its Subsidiary Companies of Integrated Transmission Projects (ITPs) out of its own funds, which has been shown as amount recoverable from the respective company in the Balance Sheet under "Other Current Assets".
7. The on-going assignment being executed by Consultancy Services Group of Power Finance Corporation Ltd. (Holding Company) till 24.03.2008 were transferred to the Company from the date of its commencement of business i.e. 25.04.2008. The total values of assignments transferred

by Holding Company during the financial year 2008-09 were Rs. 13,08,00,000. The company has received the full consideration against the transferred assignments from the Holding Company. The income against these transferred assignments has been recognized on the basis of assessment of completed work against total scope of work by the management as on date of Balance Sheet. The total income recognized against these assignments is Rs. 3,77,94,729/- (Previous Year Rs. 6,20,38,000) and has been accounted for accordingly.

8. All the sub-consultancy assignments awarded by Power Finance Corporation Ltd. (Holding Company) and individual consultants appointed by Power Finance Corporation Ltd. relating to all on going assignments have been transferred to the Company from the date of commencement of business i.e. 25.04.2008. Accordingly sub-consultants are executing the work on behalf of the Company. All payments for work executed from date of commencement of business are being made by the Company on same terms and conditions.

9. The details of income recognized during the year are as under:-

Particulars		2009-2010		2008-2009
	Total Amount (Rs.)	Income Recognised (Rs.)	Total Amount (Rs.)	Income Recognised (Rs.)
Billed Amount (Without S.Tax)	34,46,91,000	32,62,41,000	23,10,10,000	14,65,10,000
On-going assignments transferred from PFC w.e.f. 25.04.2008	-	3,77,94,729	13,08,00,000	6,20,38,000
Income Recognised against bills raised during FY 2008-09	-	4,70,00,000	-	-
Total	**34,46,91,000**	**41,10,35,729**	**36,18,10,000**	**20,85,48,000**

10. As per the information available with the company, there is no dues to micro, small & medium enterprises.

11. Contingent Liabilities:

Particulars	Amount (Rs.) (2009-2010)	Amount (Rs.) (2008-2009)
Claims against the Company not acknowledged as Debts	NIL	NIL
Estimated amount of contracts remaining to be executed and not provided for	8,71,83,856/-	8,37,27,185/-
TOTAL	**8,71,83,856/-**	**8,37,27,185/-**

12. Auditors Remuneration:

Particulars	2009-2010 (Rs.)			2008-2009 (Rs.)		
	Fees	Service Tax	Total	Fees	Service	Total Tax
Statutory Audit Fee	1,50,000	15,450	1,65,450	1,00,000	10,300	1,10,300
Tax Audit Fee	45,000	4,635	49,635	30,000	3,090	33,090

13. Government of India has designated Power Finance Corporation Ltd. (Holding Company) as the nodal agency for development of Ultra Mega Power Projects (UMPPs). On incorporation of the Company, PFC has assigned all the UMPPs related work to the Company for existing Special Purpose Vehicles (SPV's). In Previous year 2008-09, the Company has established two subsidiary companies namely, Sakhigopal Integrated Power Company Ltd. (incorporated on 21.05.2008) and Ghogarpalli Integrated Power Company Ltd. (incorporated on 22.05.2008). The company has also established another subsidiary company namely, Tatiya Andhra Mega Power Limited (incorporated on 17.04.2009) as a SPV for UMPP projects. However as per the directions of Ministry of Power, these three companies have been transferred to the holding company at book value during the year.

14. During the year the company has established two new subsidiary companies namely, Bhopal Dhule transmission Co. Limited (incorporated on 08.09.2009) and Jabalpur transmission Co. Limited (incorporated on 08.09.2009) to act as SPV's for transmission with the intention that these SPV's will be handed over to the successful bidder on completion of the bidding process The financial statements of these subsidiaries of PFC Consulting Ltd. as adopted by the Board of Directors of the respective companies for the year ended 31.03.2010 are to be attached as required under section 212 of Companies Act, 1956. As per AS 21 para 11, a subsidiary should be excluded from consolidation when control is intended to be temporary because the subsidiary is acquired and held exclusively with a view to its subsequent disposal in the near future. Therefore, the financial statements of the subsidiaries are not consolidated with the financial statements of the Company.

15. The company has received commitment advance from its subsidiary companies namely Sakhigopal Integrated Power Company Limited (SIPCL) and Ghogarpalli Integrated Power Company Limited (GIPCL) amounting Rs.25,71,00,000/-(Previous Year Rs.4,80,00,000/-). The commitment advance will be utilized for the expenditure to be incurred for SIPCL & GIPCL and unutilized amount is being invested from time to time. The interest on unutilized portion has been transferred to SIPCL & GIPCL. The company has transferred Rs 4,80,00,000/- to holding company (Power Finance Corporation Ltd.) as both the subsidiaries has been transferred during the year to the holding company.

16. The disclosure as per AS 18 Related Party Disclosure: -

The PFC Consulting Ltd is a wholly owned subsidiary of Power Finance Corporation Ltd. All key decisions are taken by the Board of PFCCL where the PFC nominees exercise the control, however in light of the nature of business of consultancy and to give flexibility in day to day operations in order to further growth of the same, full power have been delegated by Board of Directors to C.E.O of the Company to carry out the operations and day to day functions of the Company.

(a) Name and nature of the relationship of the related parties: -

S. no.	Name of the Related Party	Nature of Relationship
1.	Holding Company	Power Finance Corporation Limited
2.	Subsidiaries	Bhopal Dhule Transmission Company Limited
		Jabalpur Transmission Company Limited
		Sakhigopal Integrated Power Company Limited*
		Ghogarpalli Integrated Power Company Ltd.*
		Tatiya Andhra Mega Power Limited*
3.	Fellow Subsidiaries i.e. Subsidiary of Holding Company	Chhatisgarh Surguja Power Limited (Akaltara power Limited)
		Coastal Karnataka Power Limited
		Coastal Maharastra Power Limited
		Orissa Integrated Power Limited
		Coastal Tamil Nadu Power Limited
		East North Interconnection Company Limited@
		Jharkhand Integrated Power Limited#
		Bokaro Kopdarma Maithon Transmission Company Limited$
		Sakhigopal Integrated Power Company Limited*
		Ghogarpalli Integrated Power Company Limited*
		Tatiya Andhra Mega Power Limited*

* the companies were subsidiaries of the Company (PFCCL) upto 9.02.2010, thereafter have become fellow subsidiaries. # the company has been transferred by the holding company in the month of August,2009.$ the application for strike off the name of the Company is under process with Registrar of Companies.@the company has been transferred by the holding company on 31st March 2010.

4. Key Management Personnel:

The Key Management personnel of the Company are employees of the Holding Company (PFC) deployed on part time basis except C.E.O. who is on full time basis. No sitting fees has been paid to the directors. The details of such key Management Personnel are as follows:

S. No.	Name	Designation	Date of Appointment	Date of Resignation
1	Shri Satnam Singh	Chairman	01.08.2008	Continuing
2	Shri M. K. Goel	Director	25.03.2008	Continuing
3	Shri R.Nagarajan	Director	22.10.2008	Continuing
4	Shri N.D. Tyagi	CEO	25.03.2008	Continuing

(b) Details of related parties transactions: -

S. No.	Particulars	Holding Company	Subsidiaries	Fellow Subsidiaries	Key Management Personnel	Total
1.	Consulting Income					
	Year Ended 31.3.2010	8,03,00,000*	17,16,000	15,00,00,000	-	23,20,16,000
	Period Ended 31.3.2009	-	-	-	-	-
2.	Interest Expense					
	Year Ended 31.3.2010	-	53,12,721	17,83,577	-	70,96,298
	Period Ended 31.3.2009	-	1,22,959	-	-	1,22,959
3.	Remuneration Paid					
	CEO					
	Year Ended 31.3.2010	-	-	-	50,04,688	50,04,688
	Period Ended 31.3.2009	-	-	-	8,10,524	8,10,524
4.	Equity Investment by holding company					
	Year Ended 31.3.2010	-	-	-	-	-
	Period Ended 31.3.2009	5,00,000	-	-	-	5,00,000
5.	Sale of Shares					
	Year Ended 31.3.2010	15,00,000	-	-	-	15,00,000
	Period Ended 31.3.2009	-	-	-	-	-
6.	Investment in Subsidiaries					
	Year Ended 31.3.2010	-	15,00,000	-	-	15,00,000
	Period Ended 31.3.2009	-	10,00,000	-	-	10,00,000
7.	Closing Balances					
(i)	Investments					
	As on 31.3.2010	-	10,00,000	-	-	10,00,000
	As on 31.3.2009	-	10,00,000	-	-	10,00,000
(ii)	Amount Recoverable					
	As on 31.3.2010	-	52,97,683	29,88,198	-	82,85,881
	As on 31.3.2009	-	5,88,238	-	-	5,88,238
(iii)	Sundry Debtors					
	As on 31.3.2010	1,89,04,839	-	-	-	1,89,04,839
	As on 31.3.2009	-	-	-	-	-
(iv)	Commitment Advance					
	As on 31.3.2010	-	-	25,71,00,000	-	25,71,00,000
	As on 31.3.2009	-	4,80,00,000	-	-	4,80,00,000
(v)	Interest Payable					
	As on 31.3.2010	-	-	71,91,394	-	71,91,394
	As on 31.3.2009	-	95,096	-	-	95,096
(vi)	Amount Payable					
	As on 31.3.2010	-	-	-	-	-
	As on 31.3.2009	22,62,770	-	-	-	22,62,770

*the billing in respect of the work done for fellow subsidiaries has been done to the Holding company which has further charged the same to the respective fellow subsidiary.

17. The Deferred Tax Asset/Liabilities have been created in terms of the Accounting Standard No.22 notified under the Companies Act 1956. The net deferred tax Liability is Rs12,818/- (Previous Year- Deferred Tax Asset Rs.14,600/-) the breakup of which is as follows: -

S. No.	Description	Amount (Rs.) (2009-10)	Amount (2008-09)
A	**Deferred Tax Liability**		
	Depreciation	17,287	-
	Total (A)	**17,287**	**-**
B	**Deferred Tax Assets**		
	Depreciation	-	8,641
	Preliminary Expenses	4,469	5,959
	Total (B)	**4,469**	**14,600**
	Net Deferred Tax Liability/ (Asset) (A-B)	**12,818**	**(14,600)**

18. In terms of Accounting Standard 20 on "Earnings per Share" notified under the Companies Act 1956, Earning per share (Basic & Diluted) is worked out as follows: -

S. No.	Description	(2009-10)	(2008-09)
1.	Nominal Value of share (Rs.)	10	10
2.	Number of Equity shares (No.)	50,000	50,000
3.	Net Profit after tax (Rs.)	21,62,03,262	9,75,44,010
4.	Earning per share (Rs.)	4,324	1,951

19. Transactions in foreign currency (Income/ Expenses)-Rs. NIL.
20. Figures have been rounded off to the nearest rupees unless otherwise stated.
21. Previous year's figure have been re-grouped/ re-arranged, wherever practicable, to make them comparable with the current year figures.
22. Balances shown under advances, debtors and creditors are subject to confirmation/reconciliation and consequential adjustment, if any.
23. In the opinion of the management, the value of current assets, loans and advances on realiazation in the ordinary course of business, will not be less than the value at which these are stated in the Balance Sheet.
24. Schedules 1 to 13 form an integral part of financial statements and has been so authenticated.

For and on behalf of Board of Directors

(N.D.TYAGI)	(R. NAGARAJAN)	(SATNAM SINGH)
CEO	Director	Chairman

SIGNED IN TERMS OF OUR REPORT OF EVEN DATE
For Lalit Gupta & Associates
Chartered Accountants

Place : New Delhi
Date : 06/06/2010

LALIT K. GUPTA
(Partner)
M. No. 82727

PFC CONSULTING LIMITED
(A Wholly Owned Subsidiary of Power Finance Corporation Ltd.)

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2010

Figures in Rupees

Description	**Year ended 31st March 2010**	Period ended 31st March 2009
A. Cash Flow from Operating Activities:		
Net profit before tax	**330,079,256**	150,609,970
Adjustments		
Add: Depreciation	**138,372**	89,494
Operating profit before working capitalchanges	**330,217,628**	150,699,464
Adjustment For Increase/Decrease in:		
Sundry Debtors	**(24,787,616)**	(46,262,383)
Other Current Assets	**(9,873,809)**	(1,502,636)
Loans & Advances	**(8,267,448)**	(6,582,834)
Current Liabilities & Provisions	**179,988,577**	199,921,836
Cash Inflow/Outflow from operations before Tax	**467,277,332**	296,273,447
Less: Taxes Paid	**(139,683,312)**	(35,693,948)
Net Cash Flow from Operating Activities (A)	**327,594,020**	260,579,499
B. Cash Flow from Investing Activities:		
Purchase of Fixed Assets	**(471,587)**	(386,209)
Investments in Shares of subsidiaries companies (refer note no. 13 & 14 of Schedule-13)	**(1,500,000)**	(1,000,000)
Sale of Investments in Shares of subsidiaries companies (refer note no. 13 & 14 of Schedule-13)	**1,500,000**	-
Net Cash Flow from Investing Activities (B)	**(471,587)**	(1,386,209)
C.Cash Flow from Financing Activities:		
Issue of Share Capital	**-**	500,000
Net Cash Flow from Financing Activities (C)	**-**	500,000
Net Increase/Decrease in Cash and Cash Equivalents (A+B+C)	**327,122,433**	259,693,290
Add: Cash and Cash Equivalents as on beginning	**259,693,290**	-
Cash and Cash Equivalents as on 31st March	**586,815,723**	259,693,290
Cash in hand and balance with banks	**586,815,723**	259,693,290
	-	-

For and On behalf of Board of Directors

(N.D.TYAGI)	(R. NAGARAJAN)	(SATNAM SINGH)
CEO	Director	Chairman

SIGNED IN TERMS OF OUR REPORT OF EVEN DATE
For Lalit Gupta & Associates
(Chartered Accountants)

Place : New Delhi
Date : 06/06/2010

LALIT K. GUPTA
(Partner)
M. No. 82727

PFC CONSULTING LIMITED

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I **Registration details**

Registration No : **U74140DL2008GOI175858** State Code: 55

Balance Sheet Date :

31	3	2010
Date	Month	Year

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

Public Issue	Right issue
-	-
Bonus Issue	**Private Placement**
-	-

III **Position of Mobilsation and Deployment of Funds (Amount in Rs. Thousands)**

	Total Liabilities	Total Assets
	808,019	808,019
Sources of Funds	Paid up capital	Reserve & Surplus
	500	313,747
	Secured Loans	Unsecured Loans
	-	-
	Deferred Tax Liability	
	13	
Application of Funds	Net Fixed Assets	Capital Work in Progress
	630	-
	Investment	Net Current Assets
	1,000	312,630
	Misc. Expenditure	Accumulated Losses
	-	-
	Deferred Tax Asset	
	-	

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

Turnover	Total Expenditure
452,690	122,611
Profit/ Loss before Tax	Profit/ Loss after Tax
330,079	216,203
Earning per Share	Dividend
4,342	-

V **Generic Names of Three Priciples Products/Services of Company (as per monetary terms)**

1. Item Code No. (ITC Code)	
Product Description	
2. Item Code No. (ITC Code)	
Product Description	
3. Item Code No. (ITC Code)	
Product Description	

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF PFC CONSULTING LIMITED, NEW DELHI, FOR THE YEAR ENDED 31 MARCH 2010

The preparation of financial statements of PFC Consulting Limited, New Delhi, for the year ended 31 March 2010 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The statutory auditors appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 06 June 2010.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under Section 619(3) (b) of the Companies Act, 1956 of the financial statements of PFC Consulting Limited, New Delhi, for the year ended 31 March 2010. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditors' report under Section 619(4) of the Companies Act, 1956.

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

Place: New Delhi **(M.K. Biswas)**
Dated: 06 August 2010 **Principal Director of Commercial Audit &**
Ex-officio Member Audit Board–III,New Delhi

CHHATTISGARH SURGUJA POWER LIMITED

(Formerly known as Akaltara Power Limited)

(A Wholly owned subsidiary of Power Finance Corporation Limited)

Directors' Report 2009-2010

To

The Members,

Your Directors have pleasure in presenting the 4th Annual Report on the performance of the Company for the financial year ending on 31st March, 2010 along with Audited Statement of Accounts and Auditor's Report thereon.

OPERATIONAL ACTIVITIES

Govt of India through Ministry of Power launched the initiative of Ultra Mega Power Projects (UMPPs) i.e. 4,000 MW super thermal power projects (both pit-head and imported coal based) in November 2005 with the objective to develop large capacity power projects in India. The Projects are based on Super Critical Technology aiming to improve the efficiency of the Power Plants and reduce losses. The Chhattisgarh UMPP is the fifth UMPP in the series of UMPP.

A Special Purpose Vehicle (SPV) namely Chhattisgarh Surguja Power Limited (CSPL) was incorporated for the Project. The name of the SPV was changed from Akaltara Power Limited to "Chhattisgarh Surguja Power Limited" (CSPL) in FY 2009-10 as the Project site was shifted from Akaltara to District Surguja, Chhattisgarh.

The Power from the project would be procured by seven States namely Chhattisgarh (2000 MW), Maharashtra (1000 MW), Gujarat (275 MW), Madhya Pradesh (425 MW), Goa (200 MW), Dadra & Nagar Haveli (50 MW), Daman & Diu (50 MW).

Gram Sabhas for Land Acquisition were held in 11 villages and the application for issuance of Section-4 Notification under Land Acquisition Act 1894 was submitted to the District Administration in October 2009. About 2500 Acres of Land is likely to be acquired for the project.

During the year, the following Pre-requisites required for the issuance of Request for Qualification (RfQ) were completed.

- **Land:** Section 4 notification under Land Acquisition Act 1894 was issued for the land being acquired for the project in December 2009.
- **Coal:** Two Coal Blocks namely Puta Parogia Coal Block (692.16 MT) and Pindarakhi Coal Block (421.51 MT) in Hasdoe Arand coalfields of South Eastern Coalfields Limited have been allocated to Chhattisgarh Surguja Power Limited by Ministry of Coal vide letter no. 13016/19/2007-CA-I dated 09.09.2009
- **Water Linkage:** 135 MCM water was allocated by Water Resource Department, Govt. of Chhattisgarh vide letter dated 9.07.2009. The water would be provided from Rehar River by constructing Hydro structures/ Anicuts / Checkdams.
- **Environmental Clearance:** Rapid EIA Report for the Power Station is available.

Accordingly, the RfQ for the Project was issued on March 15,2010. An RfQ conference for the project was organized at New Delhi on April 9, 2010 and many prospective developers showed keen interest in the project. The clarifications to the queries sought by the prospective developers were published on PFC website.

The last date for submission of responses to RfQ was May 3, 2010 which has now been extended to September 6, 2010 on the advice of Ministry of Power.

CHANGE OF NAME OF THE COMPANY

During the year under review, the name of the Company has been changed from Akaltara Power Limited to Chhattisgarh Surguja Power Limited. A fresh Certificate of Incorporation consequent upon change of name has been issued by Registrar of Companies, NCT of Delhi & Haryana on 10th December, 2009.

FINANCIAL REVIEW

During the year under review, your Company has not started its commercial activities. However, during the year the Company has spent an amount of Rs.3,140.32 Lacs in the development of the Project which has been transferred to capital work in progress. The major expenditure includes Capital Advance for land amounting to Rs.2,295.66 Lacs paid to Land Acquisition Officer, Ambikapur as advance towards acquisition of land at Surguja for the project.

DIVIDEND

As the Company has not started its commercial activities no dividend has been declared for the period commencing from 1st April, 2009 to 31st March 2010.

SHARE CAPITAL

The entire paid up share capital of the Company continues to be held by Power Finance Corporation Limited and its nominees. The paid-up-capital of the Company remained Rs. 5,00,000/- consisting of 50,000 equity share of Rs. 10/- each at the end of March, 2010.

COMMITMENT ADVANCE

During the year under review, the commitment advance amounting to Rs.10 crores has been received from Maharashtra State Electricity Distribution Co. Ltd. against 1000 MW power allocated from the project.

FIXED DEPOSITS

The Company has not accepted any fixed deposit during the period ending 31st March 2010.

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

There are no significant particulars, relating to conservation of energy, technology absorption under the companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 as your company does not own any manufacturing facility. There was no foreign exchange earning and outgo during the year under consideration.

AUDITOR'S REPORT

M/s B. S. Chhatwal & Co., Chartered Accountants, were appointed by the Comptroller Auditor General of India as statutory auditors of the Company for the financial year 2009-2010. There are no adverse comments, observation or reservation in the statutory auditor's report on the accounts of the Company.

PARTICULARS OF EMPLOYEES U/S 217 (2A) OF THE COMPANIES ACT, 1956.

The Company has no employees on its roll. Hence, the particulars of employees as prescribed under section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are not applicable.

DIRECTORS

The Board of Directors presently comprise of the eight members:

1.	Shri Rajeev Sharma	: Chairman
2.	Shri N. D. Tyagi	: Director
3.	Shri Dinesh Vij	: Director
4.	Shri K. Sridhar	: Director
5.	Shri Yogesh Juneja	: Director
6.	Shri Umesh Agarwal	: Director(Rep. State of Chhattisgarh)
7.	Shri G. S. Trimukhe	: Director(Rep. State of Maharashtra)
8.	Shri P. K. Vaishya	: Director(Rep. State of Madhya Pradesh)

During the period under review Shri Rajeev Sharma, Director (Projects), PFC has been nominated and appointed as Chairman of the Company with effect from 19th November, 2009 by Power Finance Corporation Ltd. (PFC) in place of Shri M. K. Goel, Director (Commercial), PFC. Further, PFC has nominated Shri N. D. Tyagi, Shri Dinesh Vij and Shri Yogesh Juneja as Directors of the company with effect from 17th February, 2010.

Shri Umesh Agarwal, Jt. Secretary (Energy), Govt. of Chhattisgarh has been nominated on the Board of the Company by Govt. of Chhattisgarh in place of Shri Aman Singh, Special Secretary (Energy), Govt. of Chhattisgarh with effect from 17th February, 2010.

In accordance with provisions of Companies Act, 1956, Shri K. Sridhar, Director shall retire by rotation at the ensuing Annual General Meeting of the Company and being eligible offers himself for re-appointment.

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

C&AG of India vide their letter dated 4th August, 2010 has intimated that on the basis of audit, nothing significant has come to their knowledge which would give rise to any comment upon or supplement to statuary auditor's report under section 619(4) of the companies Act, 1956. A copy of the letter issued by C&AG in this regard is place at Annex-1.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to section 217(2AA) of the Companies Act, 1956, the Directors confirm that in the preparation of Annual Accounts for year ending on 31st March, 2010:-

- The applicable Accounting Standards have been followed along with proper explanation.
- Reasonable and prudent judgment and estimate were made so as to give a true and fair view of the state of affairs of the Company as on 31st March, 2010.
- Proper and sufficient care was taken 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.
- The Accounts have been prepared on a going concern basis.

ACKNOWLEDGEMENT

The Directors place on record their gratitude to the Central and State Governments and various Government agencies for the assistance, co-operation and encouragement they extended to the company. The Company, in particular, is thankful to the Comptroller & Auditor General of India, the Ministry of Power, Govt. of Chhattisgarh, the Statutory Auditors and PFC for their suggestions and unstinted co-operation and guidance.

For and on behalf of the Board of Directors

Place: New Delhi **(Rajeev Sharma)**
Date: 13/08/2010 **Chairman**

AUDITOR'S REPORT

TO THE MEMBERS OF CHHATTISGARH SURGUJA POWER LIMITED
(Formerly known as Akaltara Power Limited).

We have audited the Balance Sheet of **Chhattisgarh Surguja Power Limited** as at **31st March 2010**, Profit & Loss Account and Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As required by the Companies (Auditor Report) order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in the paragraphs 4 and 5 of said order. Further to our comments in the Annexure referred to above we report that.

1. We have obtained all the information and explanation, which to the best of our knowledge and belief were necessary for the purposes of our audit.
2. In our opinion the Company has kept proper books of accounts as required by law so far, as appears from our examination of those books. Since all payments on behalf of the Company made by Holding Company, PFC the original supports for expenditure etc are kept with PFC.
3. The Balance Sheet, Profit & Loss Account and Cash flow statement dealt with by this report are in agreement with the books of account.
4. The Balance Sheet, Profit & Loss Account and Cash flow statement dealt with by this report are prepared in accordance with the accounting standards referred to in sub-section (3C) of section 211 of the companies act, 1956.
5. Being a Government Company clause (g) of sub-section (i) of section 274 of the companies Act, 1956 is not applicable as per Notification no. GSR 829 (E) dated 21.10.2003 issued by the Deptt. of Company Affairs.
6. In our opinion and to the best of our information and according to the explanation given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required & give a true and fair view in conformity with the accounting principles generally accepted in India.
   (i) In case of the balance sheet, of the state of affairs of the Company as at 31st March 2010,
   (ii) In case of the Profit & Loss Account, of the loss of the company for the year ended on that date, and
   (iii) In case of Cash Flow Statement, of the Cash Flows of the company for the year ended on that date.

For and on behalf of
B.S. CHHATWAL & CO.
Chartered Accountants.
Place: New Delhi **ICAI Firm Registration No. 006225N**
Dated: 10.06.2010 **B.S. CHHATWAL**
Partner
Membership No.: 084243

ANNEXURE TO AUDITORS REPORT OF CHHATTISGARH SURGUJA POWER LIMITED (Formerly known as Akaltara Power Limited) (REFERRED TO IN PARAGRAPH (2) OF OUR REPORT OF EVEN DATE)

I. (a) In our opinion and according to information and explanation given to us, the company has maintained proper records showing full particulars, including details and situation of fixed assets as per provision of para 4(i) (a) of the Companies (Auditors Report) Order, 2003

(b) In our opinion and according to information and explanation given to us the fixed assets have been physically verified by the management during the year which, in our opinion, is reasonable, having regard to the size of the company and nature of the assets as per provision of para 4(i) (b) of the companies (Auditors Report) Order, 2003.

(c) In our opinion and according to information and explanation given to us, there was no disposal of any substantial part of fixed assets during the year as per provision of para 4(i) (c) of the companies (Auditors Report) Order, 2003

II. (a) In our opinion and according to information and explanation given to us provision of para 4(ii) (a) of the companies (Auditors Report) Order, 2003 relating to physical verification of inventory is not applicable to Company as it does not have any inventories as on balance sheet date.

(b) In our opinion and according to information and explanation given to us provision of para 4(ii) (b) of the companies (Auditors Report) Order, 2003 is not applicable to company.

(c) In our opinion and according to information and explanation given to us provision of para 4(ii) (c) of the companies (Auditors Report) Order, 2003 is not applicable to company.

III. The company has not taken any loans secured or unsecured from/ to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. The Company has given an advance of Rs.40,00,00,000/- to its holding company Power Finance Corporation Ltd. to incur expenditure in connection with the development of Company's Power Project and the year end balance of the same is Rs.79,108,134/-. The terms and conditions of the loan are prima facie not prejudicial to the interest of the Company. The un-spent amount of advance along with interest accrued thereon shall be repaid by the holding company at the time of final handing over of the project to its successful bidder, for onward repayment to state electricity boards.

IV. In our opinion according to the information and explanation given to us, there is an adequate internal control system commensurate with the size of the company and nature of its business with regards to purchase of fixed assets .The company does not have inventories and has no commercial activities by the company during the year the provision of para 4(iv) of the companies (Auditors Report) Order 2003.

V. According to the information and explanation given to us, there are no transaction made in pursuance of the contracts or arrangements that need to be entered in the register maintained under section 301 of the Companies Act, 1956.

VI. According to the information and explanation given to us, the company has not accepted any deposits from public.

VII. The company does not have paid up capital and reserves of Rs 50 lakhs as at the commencement of the financial year concerned, or have a average annual turnover exceeding five crore rupees for a period of three consecutive financial years immediately preceding the financial year concerned, the provision of para 4 (vii) of the Companies (Auditor Report) Order, 2003 are not applicable to company.

VIII. The company does not have any business activities during the year, the provision of para 4 (viii) of the Companies (Auditor Report) order, 2003 relating to maintaining of cost records under section 209 (I) (d) of the companies act is not applicable to the company.

IX. (a) According to information and explanation given to us, the company is regular in depositing undisputed statutory dues including Provident Fund, Investors Education and Protection Fund Employees State Insurance, Income Tax, Wealth Tax, Interest Tax, and other statutory dues with the appropriate Authorities through holding company i.e. Power Finance Corporation Ltd. According to information and explanation given to us, there are no undisputed statutory dues outstanding as at 31st March, 2010 for a period of more than six months from the date they become payable.

(b) According to information and explanation given to us there are no dues of Income Tax, Wealth Tax, which have not been deposited on account of any dispute.

X. In our opinion the Company has accumulated losses at the end of the financial year. However it has not incurred any cash losses in the current financial year and in the immediately preceding financial year.

XI. In our opinion and according to information and explanation given to us, the Company has not defaulted in repayment of its dues to Banks, Financial Institutions.

XII. In our opinion and according to information and explanation given to us, provision of para 4 (xii) of the Companies (Auditors Report) Order, 2003 are not applicable to Company as it has not given any loans and advance on security of shares, Debentures and other securities.

XIII. In our opinion and according to information and explanation given to us, the Company is not a Chit Fund, Nidhi or Mutual benefit, Trust/Society. Accordingly, the provision of para 4(xiv) of the companies (Auditor Report) Order, 2003 is not applicable to company.

XIV. According to information and explanation given to us, the Company is not dealing or trading in shares, Securities, debenture and other investment and hence the requirement of para 4(xiv) of the Companies (Auditor Report) Order, 2003 is not applicable to Company.

XV. According to information and explanation given to us, the Company has not given any guarantee in respect of loan taken by it from banks and financial institutions.

XVI. In our opinion and according to information and explanation given to us the company is not obtained any term loan and hence the requirement of para 4 (xvi) of the Companies (Auditors Report) Order, 2003 are not applicable to Company.

XVII. According to information and explanation given to us and on an overall examination of the balance sheet and cash flow statement of the Company, we report that prima facie no funds raised on short-term basis have utilized for long term investment purpose.

XVIII. The Company has not made any preferential allotment of share to parties and companies covered in the register maintained under section 301 of the Companies Act 1956.

XIX. According to information and explanation given to us the company does not have any debentures and hence the requirement of para 4(xix) of the Companies (Auditors Report) order, 2003 are not applicable to Company.

XX. According to information and explanation given to us the company has not raised any money from public issues during the year.

XXI. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the year.

For and on behalf of
B.S. CHHATWAL & CO.
Chartered Accountants.
ICAI Firm Registration No. 006225N

Place: New Delhi
Dated: 10.06.2010

B.S. CHHATWAL
Partner
Membership No.: 84243

CHHATTISGARH SURGUJA POWER LIMITED
(Formerly known as Akaltara Power Limited)

BALANCE SHEET AS AT 31ST MARCH 2010

PARTICULARS	SCHEDULE	As on 31st March 2010 Rs.	As on 31st March 2009 Rs.
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	500,000	500,000
LOAN FUNDS			
Unsecured Loans	2	400,000,000	300,000,000
TOTAL		400,500,000	300,500,000
APPLICATION OF FUNDS			
FIXED ASSETS	3		
a) Gross Block		56,250	
Less : Depreciation		8,137	-
Net Block		48,113	-
b) Capital Work in Progress	4	330,702,159	16,670,628
INVESTMENTS		-	-
CURRENT ASSETS, LOANS & ADVANCES	5		
a) Cash & Bank Balances		98,900	99,450
b) Other Current Assets		10,932,564	1,248,840
c) Loans & Advances		82,827,694	287,579,969
		93,859,158	288,928,259
Less : CURRENT LIABILITIES & PROVISIONS	6		
Current Liabilities		24,130,227	5,119,684
Provisions		-	-
		24,130,227	5,119,684
NET CURRENT ASSETS		69,728,931	283,808,575
MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)			
Preliminary Expenses		-	20,797
Profit & Loss A/c		20,797	-
TOTAL		400,500,000	300,500,000
EXPENDITURE DURING CONSTRUCTION PERIOD	7		
SIGNIFICANT ACCOUNTING POLICIES	8		
NOTES TO ACCOUNTS	9		

Schedule 1 to 8 form integral part of Accounts

For and on behalf of Board of Directors

Rajeev Sharma	K.Sridhar	Yogesh Juneja
Chairman	Director	Director

SIGNED IN TERMS OF OUR REPORT OF EVEN DATE
For & On Behalf of
B S Chhatwal & Co
(CHARTERED ACCOUNTANTS)

Place New Delhi **(B S CHHATWAL)**
Date : 10.06.2010 **(Partner)**
M No. 84243

CHHATTISGARH SURGUJA POWER LIMITED
(Formerly known as Akaltara Power Limited)

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON 31st MARCH 2010

PARTICULARS	SCHEDULE	As on 31st March 2010 Rs.	As on 31st March 2009 Rs.
Income		NIL	NIL
		-	-
Expenses			
Prior Period Expenses (Preliminary Expenses written off)		20,797	-
		20,797	-
Net Profit/(Loss) for the year		(20,797)	-
Net Loss Carried to Balance Sheet		20,797	-
Basic & Diluted Earning per share of Rs.10 each		(0.42)	-
EXPENDITURE DURING CONSTRUCTION PERIOD	7		
SIGNIFICANT ACCOUNTING POLICIES	8		
NOTES TO ACCOUNTS	9		

Schedule referred above form an integral part of Profit & Loss Account

For and on behalf of Board of Directors

Rajeev Sharma	K.Sridhar	Yogesh Juneja
Chairman	Director	Director

SIGNED IN TERMS OF OUR REPORT OF EVEN DATE
For & On Behalf of
B S Chhatwal & Co
(CHARTERED ACCOUNTANTS)

Place New Delhi **B S CHHATWAL**
Date : 10.06.2010 **(Partner)**
M No. 084243

CHHATTISGARH SURGUJA POWER LIMITED
(Formerly known as Akaltara Power Limited)

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

SCHEDULE '1'
SHARE CAPITAL

PARTICULARS	As on 31st March, 2010 Rs.	As on 31st March, 2009 Rs.
AUTHORISED		
50,000 Equity Shares of Rs. 10/- each (Previous year 50,000 Equity Shares of Rs. 10/- each)	500,000	500,000
	500,000	500,000
ISSUED, SUBSCRIBED & PAID UP		
50,000 Equity Shares of Rs. 10/- each Fully Paid up (Previous year 50,000 Equity Shares of Rs. 10/- each) (Wholly owned by Power Finance Corporation Limited)	500,000	500,000
	500,000	500,000

SCHEDULE '2'
UNSECURED LOANS

Commitment Advance received from Procurers	400,000,000	300,000,000
	400,000,000	300,000,000

SCHEDULE '3'

FIXED ASSETS

FIGURES IN RUPEES

Description	Opening Balance As at 01-04-2009	Additions/ during the period	Sales Adjustments during the year	As at 31.03.2010	Opening Balance As at 01-04-2009	Dep. during the Year	Disposed/ Written off during the year	As at 31.03.2010	As at 31.03.2010	As at 31.03.2009
	GROSS BLOCK				DEPRECIATION BLOCK				NET BLOCK	
EDP Equipments	-	56,250	-	56,250	-	8,137	-	8,137	48,113	-
TOTAL	**-**	**56,250**	**-**	**56,250**	**-**	**8,137**	**-**	**8,137**	**48,113**	**-**
Previous Year	-	-	-	-	-	-	-	-	-	-

SCHEDULE '4'

CAPITAL WORK IN PROGRESS

	As on March 31, 2010 Rs.	As on March 31, 2009 Rs.
Opening Balance	**16,670,628**	3,426,704
CWIP: Transferred from Expenditure During Construction Period (Schedule-7)	**84,465,919**	13,243,924
	101,136,547	16,670,628
Capital Advance for Land	**229,565,612**	-
	330,702,159	16,670,628

SCHEDULE '5'

CURRENT ASSETS, LOANS & ADVANCES

a. Cash and Bank Balances		
Cash Balance	-	-
Balance with Scheduled Bank (SBI) in Current Account	**98,900**	99,450
	98,900	99,450
b. Other Current Assets		
	-	-
Interest Accrued but not due from PFC	**10,932,564**	1,248,840
	10,932,564	1,248,840
c. Loans & Advances		
(Unsecured, Considered Good) Power Finance Corporation Limited (Holding Company)	**79,108,134**	285,258,769
Advance for Consultancy Services/Studies	**3,719,560**	2,321,200
	82,827,694	287,579,969
TOTAL (a+b+c)	**93,859,158**	288,928,259

SCHEDULE '6'

CURRENT LIABILITIES AND PROVISIONS

CURRENT LIABILITIES		
Interest Accrued but not due		
Power Finance Corporation Limited	**1,351,347**	1,221,420
Procurers	**17,506,060**	1,096,335
Others		
Sundry Creditors for Expenses	**3,380,579**	2,174,420
Audit Fees Payable	**62,044**	49,470
TDS Payable	**1,830,197**	578,039
TOTAL	**24,130,227**	5,119,684

SCHEDULE '7'

EXPENDITURE DURING CONTRUCTION PERIOD

	Year ended on 31st March, 2010 Rs.	Year ended on 31st March, 2009 Rs.
(a) Expenses		
Administration Expenses including Manpower Charges	**23,552,864**	9,959,187
Study & Survey Expenses	**43,057,432**	1,730,000
Audit Fees	**68,938**	55,150
Legal & Professional charges	**110,416**	8,000
Consultancy Charges	**1,778,838**	140,256
Commitment Charges for Water Resources	**3,375,000**	-
Conference & Meetings	**702,772**	129,970
Advertisement Expenses	**3,131,225**	-
Bank Charges	**550**	550
Interest	**18,363,472**	2,469,651
Depreciation	**8,137**	-
Total (a)	**94,149,643**	14,492,764
(b) Other Income		
Interest Income	**9,683,724**	1,248,840
(TDS Rs.Nil, Previous year Rs.Nil)		
Total (b)	**9,683,724**	1,248,840
Balance (a-b) Carried to CWIP-Schedule-4	**84,465,919**	13,243,924

Schedule - '8'

Significant Accounting Policies

1. The Company prepares its financial statements in accordance with applicable accounting standards and generally accepted accounting principles and also in accordance with requirements of the Companies Act, 1956.
2. **Revenue Recognition:**

   Income and expenses (except as stated below) are accounted for on accrual basis.

   Fees for advisory and professional services for developing Ultra Mega Power Project payable to PFC/PFCCL will be accounted for in the year of transfer of the company to the successful bidder.
3. **Fixed Assets/ Depreciation:**
   a. Fixed assets are shown at historical cost less current/ accumulated depreciation. The company capitalizes all direct cost including borrowing cost up to the date of commercial use of such assets.
   b. Depreciation on assets is provided on Written down Value method, in accordance with the rates prescribed in Schedule XIV of the Companies Act, 1956.
   c. Items of fixed assets acquired during the year costing up to Rs. 5,000/- are fully depreciated.
4. **Capital work In Progress:**

   Expenditure incurred on Survey/Studies/Investigations/Consultancy/Administration/Depreciation/Interest etc has been treated as Capital Work In Progress.

5. **Loans:**

   Expenditure incurred by the company for the Project is financed by the Holding Company/Procurers and considered as Unsecured Loan. Interest has been charged on funds deployed by them.

6. Investments are stated at cost.

7. Borrowing cost is charged to the profit & loss account for the year in which it is incurred except for capital assets which is capitalized till the date of commercial use of the assets.

8. **Preliminary expenses**

   Preliminary expenses were being written off hitherto in the year in which the company would start its commercial activities. However in compliance of the opinion of the Expert Advisory Committee (EAC) of The Institute of Chartered Accountants of India, the same has been charged to the Profit & Loss account in the year in which such expenditure has been incurred.

9. Contingent liabilities are not provided but are disclosed by way of notes on the basis of available information/judgment of the management.

Schedule – '9'

Notes to Accounts

1. The Company was incorporated on 10.02.2006 under the Companies Act, 1956 as a wholly owned subsidiary of Power Finance Corporation Limited (PFC), a Govt. of India Undertaking in the name of M/s Akaltara Power Limited and the name of the company was changed to the Chattisgarh Surguja Power Ltd (present name) w.e.f 10.12.2009. Certificate for Commencement of Business was issued on 25.04.2008. The Company is a special purpose vehicle incorporated to facilitate the acquisition of land and complete preliminary work regarding statutory clearances including that of environment, forest, etc. for the purpose of establishing ultra mega power project of 4000 MW in the state of Chhattisgarh (Project).

2. The Key Management Personnel of the Company are employees of the Power Finance Corporation Ltd (PFC)/Holding Company & PFC Consulting Ltd (A wholly owned subsidiary of PFC) and deployed on Part Time basis.

   The details of such Key Management Personnel are as follows:

S. No.	Name	Designation	Date of Appointment	Date of Cessation
1.	Shri M.K. Goel	Chairman	17.12.2008	19.11.2009
2.	Shri S.P. Pathak	Director	10.02.2006	20.08.2009
3.	Shri R.K.Jain	Director	29.05.2009	19.11.2009
4.	Shri C. Gangopadhyay	Director	17.12.2008	Continuing
5.	Shri K.Sridhar	Director	17.12.2008	Continuing
6.	Shri Dinesh Vij	Director	17.02.2010	Continuing
7.	Shri P.K.Vaishya	Director	24.06.2009	Continuing
8.	Shri G.S.Trimukhe	Director	24.06.2009	Continuing
9.	Shri Rajeev Sharma	Chairman	19.11.2009	Continuing
10.	Shri N.D.Tyagi	Director	17.02.2010	Continuing
11.	Shri Umesh.Agrawal	Director	17.02.2010	Continuing
12.	Shri Yogesh Juneja	Director	17.02.2010	Continuing
13.	Shri Aman Singh	Director	19.11.2009	17.02.2010
14.	Shri Devasheesh Das	Director	24.06.2009	19.12.2009

3. Pursuant to the Financing Agreement between PFC and the Company, the entire expenditure on development of the Project being developed by the Company shall be incurred by PFC from its own funds until receipt of the commitment advance from the procurers and thereafter out of Commitment Advance received from Procurers.

4. Employees working for the Company are from PFC (Holding Company) and PFC Consulting Ltd. (PFCCL)/ (A wholly owned subsidiary of PFC). The related expenses are paid by the Holding Company for PFC employees and allocated to the Company on the basis of percentage of involvement of concerned employees for the work. These expenses appearing as Administrative Expenses in the "Expenditure during Construction period" amounted to Rs.2,35,52,864/- for the year (Previous Year Rs.99,59,187/-) and include Salary of PFC employees and related expenses, manpower charges of PFCCL employees, expenses on account of Traveling & Conveyance, Printing & Stationery, Telephone, Hospitality, Office Maintenance, Depreciation on Fixed Assets owned by holding company and other common administrative expenses apportioned and allocated by the holding company. Original Supporting bills in respect of expenditure incurred by the holding company are retained by them, of which copies are available with the Company. The holding company PFC is complying with all the statutory provisions relating to the 'Deduction of tax at source' etc. applicable to these allocated expenses. The total expenditure during the construction period along with interest shall be recovered by PFC from the successful bidder at the time of award of the project.

5. Administrative Expenses include manpower charges of Rs. 2,03,83,440/- of PFCCL employees, charged by PFCCL on the basis of cost to company based on actual man days spent for the Company as per invoice raised by PFCCL which includes charges for Sh.N.D.Tyagi Rs. 13,58,896/-, Sh. Dinesh Vij Rs.48,532/-, Sh. Yogesh Juneja Rs.26,20,728/-, Sh. R.K. Jain Rs.22,08,206/- and Sh. C. Gangopadhyay Rs. 1,45,596.

6. In view of decision of Ministry of Power, Government of India, the Company has received the entire Commitment Advance of Rs. 40,00,00,000/- (Previous Year Rs 30,00,00,000/-) from the Power Procuring Utilities (Procurers), as their contribution against allotment of specified quota of power to be made on completion of the project by way of a Power Purchase Agreement with respective Procurers and successful bidder. The said commitment advance has been shown in the Balance Sheet as Unsecured Loan. The Company is under no obligation to pay interest on the commitment advance, but as per the decision taken by the company/holding company, interest has been provided on this commitment advance. The said commitment advance along with accrued interest as per terms of financing agreement shall be repayable to the procurers within 15 days from the date of transfer of the company by the Holding Company to its successful bidder.

7. Pursuant to the Financing Agreement with PFC, commitment advance of Rs. 40,00,00,000/- (Previous Year 29,99,00,000/-) received from procurers was given to the Holding Company (PFC) to meet out expenditures for the project on behalf of the company and to invest / retain remaining unutilized portion of commitment advance as short term deposit which lies in Loans and Advances (Assets) in the Balance Sheet.

8. The expenditures on development of the project were incurred by PFC from its own funds until receipt of the commitment advance from the procurers. The Company pays interest to PFC on the expenses incurred by them on behalf of the company and also to the Procurers on commitment advance bifurcating into fund utilized for the project and funds unutilized at rates as per the policy of the holding company. The interest paid on the utilized amount of funds is at rate charged by PFC for the 'Term Loans for large generation projects of reforming States (Pre-COD)' as determined from time to time, and on unutilized portion of funds, the interest paid/ received is on 'monthly average short term deposit rate of PFC'. Interest on unutilized portion of funds is receivable from PFC and the same is payable to procurers. Interest expenses of Rs. 1,83,63,472/- includes interest on borrowed fund amounting to Rs.1,83,62,955/- (Gross) (Previous Year Rs 24,69,651/-) for the year comprised of interest of Rs.96,83,724/-(Previous Year Rs 12,48,840/-) on unutilized portion and Rs. 86,79,231/- (Previous Year Rs 12,20,811/-) on utilized portion (including Rs.1,29,927/ Previous year Rs. 10,63,949/- payable to PFC on amount spent by it before receipt of advance from procurers.). Interest so payable (Net of interest receivable from PFC) is capitalized under the head 'Capital Work In Progress'. Interest payable to procurers being accrued but not due is shown under the head current liabilities.

9. i) Estimated amount of contracts remaining to be executed on capital account and not provided for is Rs.1,85,69,600/- (Previous year 2,08,90,800/-).

   ii) Contingent liabilities of the company and claims against the company not acknowledged by the company as certified by the management for the period is Nil (Previous year Nil).

10. Hitherto preliminary expenses were being written off in the year in which the company starts its commercial activities. However the Expert Advisory Committee (EAC) of The Institute of Chartered Accountants of India has opinioned (Opinion was finalised on 15.12.2009 and published in March 2010 Journal of ICAI) that in compliance of AS-26 on intangible assets, such expenditure should be charged to Profit & Loss Account even if a company is yet to start its commercial activities and for this purpose the Profit & Loss Account should be prepared. Moreover if earlier such amount has been capitalized in the balance sheet, the same should be dealt with as per the requirements of AS-5 i.e. should be treated as Prior Period Item. Accordingly the profit & loss account has been prepared by the company and preliminary expenses earlier capitalized in the balance sheet have been charged to profit & loss account as a prior period item.

11. Expenditure during Construction Period (Schedule-7) containing all expenses required to be capitalized has been prepared and the same has been included in Capital Work In Progress.

12. During the year company has paid Rs.22,83,49,959/- to Land acquisition officer Ambikapur, (Govt. Authority) as advance towards acquisition of Land at Surguja for Chattisgarh, UMPP. In addition the company has also incurred Rs.12,15,653/- towards Gram Sabha expenses for land acquisition. The same has been shown in the balance sheet as Capital work in progress being in the nature of capital expenditure, pending completion of all the legal formalities.

13. The Company has to pay a sum of Rs 50,00,00,000/-(Previous Year Rs 50,00,00,000/-) (plus applicable taxes) to PFC/ PFC Consulting Ltd. on account of fees for providing Advisory & Professional Services rendered by them. The fee is to be paid at the time of transfer of project and the company to successful bidder after the bidding process is completed. No liability has been provided in the accounts for fee payable and the same will be charged in the year in which the company is transferred to successful bidder.

14. As per the scheme of setting up of the project, entire expenditure to be incurred by the company for project exploration and initial development work, including interest on funds deployed and Professional Fee of Rs. Rs.50,00,00,000/- plus applicable taxes will be recovered from the successful bidder of the project as acquisition price for purchase of 100% equity shareholding of the company from its holding company, consequent upon which the company along with all its assets and liabilities shall stand transferred to such bidder.

15. As per decision of MOP, Procurers are required to pay commitment advance against their respective share of allocated power to them, without any obligation of payment of interest on commitment advance. Accordingly commitment advance has been received from procurer without any obligation or commitment for payment of interest on commitment advance paid by them. However company has provided interest liability on commitment advance received from procurer as per decision of Company/ Holding Company.

16. The disclosure as per AS18 – Related Party Disclosure :

    Chhattisgarh Surguja Power Limited is a wholly owned subsidiary of Power Finance Corporation Ltd. All key decisions are taken by the Board of Chhattisgarh Surguja Power Limited where the PFC nominee exercises control.

    Detail of maximum debit balance during the period in the accounts of directors and other related parties as appeared in the accounts and as certified by the management is as under:

    Power Finance Corporation Ltd   Amount   Rs.38,07,73,410/-
    (Previous Year   Rs. 28,15,45,697/-)

    The related Party Transactions was done only with Holding Company (PFC), details are as follows:-

S. No.	Particulars	2009-10 Rs.	2008-09 Rs.
1.	Interest payable for the year	1,29,927/-	10,63,949/-
2.	Interest receivable for the year	96,83,724/-	12,48,840/-
3.	Closing Balances		
(a)	Interest Payable	13,51,347/-	12,21,420/-
(b)	Interest Receivable	1,09,32,564/-	12,48,840/-
(c)	Loans & Advance (Receivable)	7,91,08,134/-	28,52,58,769/-

17. Unsecured Loans (Commitment advance) and interest payable thereof, Sundry Creditors are subject to confirmation and reconciliation.

18. Auditors Remuneration

	2009-10	2008-09
Audit Fees	62,500/-	50,000/-
Service Tax	6,438/-	5,150/-

19. The Company has complied with all the applicable Accounting Standards notified under section 211 of the Companies Act 1956. However AS -22 relating to Deferred Tax Liability /Asset pertaining to timing difference is not applicable to the company in view of the fact that the company is still in the construction phase and yet to commence its operation.

20. The Company owes no dues to small-scale units at year-end and hence provision of interest does not arise. Further based on information available with the management, there are no dues payable to enterprises covered under "Micro, Small and Medium Enterprises Development Act, 2006"

21. Most of the additional information pursuant to the provisions of Paragraph 3, 4C and 4D of part II of Schedule VI to the Companies Act, 1956 are not applicable to the company as the project is still its development stage and the company has yet to start its commercial activities. Applicable information is provided as under:

    a. Expenditure in foreign currency – Nil (Previous year-Nil)

    b. Income in foreign exchange – Nil (Previous year-Nil)

22. Figures have been rounded off to the nearest Rupee unless otherwise stated.

23. Previous year's figure have been re-grouped/ re-arranged, wherever practicable, to make them comparable with the current year.

24. Schedule 1 to 9 form an integral part of the financial statements and have been authenticated.

For and on behalf of Board of Directors

Rajeev Sharma	K.Sridhar	Yogesh Juneja
Chairman	Director	Director

SIGNED IN TERMS OF OUR REPORT OF EVEN DATE
For B S Chhatwal & Co
(CHARTERED ACCOUNTANTS)

Place New Delhi
Date : 10.06.2010

B S CHHATWAL
(Partner)
M No. 084243

CHHATTISGARH SURGUJA POWER LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED ON 31st MARCH 2010

	Particulars	Year ended on 31st March 2010 Rs.	Year ended on 31st March 2009 Rs.
A.	**CASH FLOW FROM OPERATING ACTIVITIES**		
	Net Profit/(Loss) as per Profit & Loss A/c	**(20,797)**	-
	Prior Period Expenses/ Preliminary expenses	**20,797**	-
	Operating profit before working capital changes	**-**	-
	Adjustment For Increase/Decrease in:		
	Other Current Assets	**(9,683,724)**	(1,248,840)
	Loans & Advances	**204,752,275**	(287,579,969)
	Current Liabilities & Provisions	**19,010,543**	4,889,758
	TOTAL	**214,079,094**	(283,939,051)
B.	**CASH FLOW FROM INVESTING ACTIVITIES**		
	Capital Work in Progress		
	(Net of Depreciation)	**(314,023,394)**	(13,243,924)
	Purchase of Fixed Assets	**(56,250)**	-
	TOTAL	**(314,079,644)**	(13,243,924)
C.	**CASH FLOW FROM FINANCING ACTIVITIES**		
	Unsecured Loan	**100,000,000**	297,282,425
	TOTAL	**100,000,000**	297,282,425
	Net Increase/(Decrease) In Cash Flow(a+B+C)	**(550)**	99,450
	Cash & Cash Equivalent At the Beginning Of The Year	**99,450**	-
	Cash & Cash Equivalent At the End Of The Year	**98,900**	99,450
	Cash on hand and balance with banks	**98,900**	99,450
	Other Cash and Ca]sh Equivalents	**-**	-

For and on behalf of Board of Directors

Rajeev Sharma	K.Sridhar	Yogesh Juneja
Chairman	Director	Director

SIGNED IN TERMS OF OUR REPORT OF EVEN DATE
For & On Behalf of
B S Chhatwal & Co
(CHARTERED ACCOUNTANTS)

Place New Delhi
Date : 10.06.2010

B S CHHATWAL
(Partner)
M No. 084243

CHHATTISGARH SURGUJA POWER LIMITED

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I **Registration details**

Registration No : **U40102DL2006GOI146111** State Code: 55

Balance Sheet Date :

31	3	2010
Date	Month	Year

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

	Public Issue	Right issue
	-	-
	Bonus Issue	Private Placement
	-	-

III **Position of Mobilsation and Deployment of Funds (Amount in Rs. Thousands)**

	Total Liabilities	Total Assets
	424,630	**424,630**
Sources of Funds	Paid up capital	Reserve and Surplus
	500	-
	Secured Loans	Unsecured Loans
	-	**400,000**
Application of Funds	Net Fixed Assets	Capital Work in Progress
	48	**330,702**
	Investment	Net Current Assets
	-	**69,729**
	Misc. Expenditure	Accumulated Losses
	-	**21**

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

Turnover	Total Expenditure
-	**21**
Profit/ Loss before Tax	Profit/ Loss after Tax
(21)	**(21)**
Earning per Share	Dividend
(0.42)	-

V **Generic Names of Three Priciples Products/Services of Company (as per monetary terms)**

1. Item Code No. (ITC Code)	
Product Description	
2. Item Code No. (ITC Code)	
Product Description	
3. Item Code No. (ITC Code)	
Product Description	

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF CHHATTISGARH SURGUJA POWER LIMITED, NEW DELHI, FOR THE YEAR ENDED 31 MARCH 2010

The preparation of financial statements of Chhattisgarh Surguja Power Limited, New Delhi, for the year ended 31 March 2010 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The statutory auditors appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 10 June 2010.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under Section 619(3) (b) of the Companies Act, 1956 of the financial statements of Chhattisgarh Surguja Power Limited, New Delhi, for the year ended 31 March 2010. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditors' report under Section 619(4) of the Companies Act, 1956.

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

Place: New Delhi **(M.K. Biswas)**
Dated: 04 August 2010 **Principal Director of Commercial Audit &**
Ex-officio Member Audit Board–III,New Delhi

COASTAL KARNATAKA POWER LIMITED

(A Wholly owned subsidiary of Power Finance Corporation Limited)

Directors' Report 2009-20010

To

The Members,

Your Directors have pleasure in presenting the 4th Annual Report on the performance of the Company for the financial year ended on 31st March, 2010 along with Audited Statement of accounts and Auditor's Report thereon.

OPERATIONAL ACTIVITIES

Coastal Karnataka Power Ltd. was incorporated on 10th February 2006 under Companies Act, 1956 as wholly owned subsidiary of Power Finance Corporation for the development of Ultra Mega Power Project in Karnataka. The power from the project has been allocated to Karnataka, Maharashtra, Tamil Nadu, Rajasthan and Kerala.

During the year under review, Govt. of Karnataka has been asked to suggest new site for the proposed Ultra Mega Power Projects. Govt. of Karnataka, reaffirmed that Tadadi is the best suitable site for the project and State Govt. are taking confidence building measures for clearing doubts of local residents regarding environmental impact of the project.

Secretary (Power), Govt. of India has also requested Chief Secretary, Govt. of Karnataka to suggest suitable site at the earliest.

Since the site for the project is yet to be finalised, project development activities are not yet started.

FINANCIAL REVIEW

During the year under review, your company has not started its commercial activities. However, during the year the company has spent an amount of Rs.37.42 Lacs in the development of the project which has been transferred to Capital work in progress.

DIVIDEND

As the company has not started its commercial activities, the company has not declared any dividend for the period commencing from 1st April, 2009 to 31st March 2010.

SHARE CAPITAL

The entire paid up share capital of the company Continues to be held by Power Finance Corporation Limited and its nominees. The paid-up-capital of the company remained to Rs. 5,00,000/- consisting of 50000 equity share of Rs. 10/- each at the end of march, 2010.

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

There are no significant particulars, relating to conservation of energy, technology absorption under the companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 as your company does not own any manufacturing facility. There was no foreign exchange earning and outgo during the year under consideration.

AUDITOR'S REPORT

M/s Sunil Vijay & Associates, Chartered Accountants, were appointed by the Comptroller Auditor General of India as Statutory Auditors of the Company for the financial year 2009-2010. There are no adverse comments, observation or reservation in the auditor's report on the accounts of the Company.

PARTICULARS OF EMPLOYEES U/S 217 (2A) OF THE COMPANIES ACT, 1956.

The Company has no employees on its roll. Hence, the particulars of employees as prescribed under section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are not applicable.

DIRECTORS

The Board of Directors presently comprise of four members:

1.	Shri Rajeev Sharma	: Chairman
2.	Shri Dinesh Vij	: Director
3.	Shri A. K. Gupta	: Director
4.	Shri Yogesh Juneja	: Director

During the year, PFC has nominated Shri Yogesh Juneja as Director of the company w.e.f. 31st December, 2009 in place of Shri R. K. Jain.

In accordance with provisions of Companies Act, 1956 Shri A. K. Gupta, Director shall retire by rotation at the ensuing Annual General Meeting of the Company and being eligible offers himself for re-appointment.

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

C&AG of India vide their letter dated 4th August, 2010 has intimated that on the basis of audit, nothing Significant has come to their knowledge which would give rise to any comment upon or supplement to Statuary Auditor's Report under section 619(4) of the companies Act, 1956 A copy of the letter issued by C&AG in this regard is place at Annex-1.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to section 217(2AA) of the Companies Act, 1956, the Directors confirm as follow in the preparation of annual accounts ended 31st March, 2010:-

- The applicable accounting standards have been followed along with proper explanation.
- Reasonable and prudent judgment and estimate were made so as to give a true and fair view of the state of affairs of the Company as on 31st March, 2010.
- Proper and sufficient care was taken 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.
- The accounts have been prepared on a going concern basis.

ACKNOWLEDGEMENT

The Directors place on record their gratitude to the central and state Governments and various Government agencies for the assistance, co-operation and encouragement they extended to the company. The company, in particular, is thankful to the Comptroller & Auditor General of India, the Ministry of Power, Govt. of Karnataka, the Statutory Auditors and PFC for their suggestions and unstinted co-operation and guidance.

For and on behalf of the Board of Directors

Place : New Delhi **(Rajeev Sharma)**

Date : 13/08/2010 **Chairman**

AUDITOR'S REPORT

TO THE MEMBERS OF COASTAL KARNATAKA POWER LIMITED.

We have audited the Balance Sheet of **COASTAL KARNATAKA POWER LIMITED** as at **31st March 2010** and Profit & Loss account and Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As required by the Companies (Auditor Report) order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in the paragraphs 4 and 5 of said order. Further to our comments in the Annexure referred to above we report that.

1. We have obtained all the information and explanation, which to the best of our knowledge and belief were necessary for the purposes of our audit.
2. In our opinion the Company has kept proper books of accounts as required by law so far, as appears from our examination of those books. Since all payments on behalf of the Company made by Holding Company i.e. Power Finance Corporation Ltd. and the original supports for expenditure etc are kept with them.
3. The Balance Sheet, Profit & Loss account and Cash flow statement dealt with by this report are in agreement with the books of account.
4. The Balance Sheet, Profit & Loss account and Cash flow statement dealt with by this report are prepared in accordance with the accounting standards referred to in sub-section (3C) of section 211 of the companies act, 1956, to the extent the same are applicable to the Company.
5. Being a Government Company clause (g) of sub-section (i) of section 274 of the companies Act, 1956 is not applicable as per Notification no. GSR 829 (E) dated 21.10.2003 issued by the Deptt. of Company Affairs.
6. In our opinion and to the best of our information and according to the explanation given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required & give a true and fair view in conformity with the accounting principles generally accepted in India.
   (i) In case of the balance sheet, of the state of affairs of the Company as at 31st March 2010,
   (ii) In case of the Profit & Loss Account, of the loss of the company for the year ended on that date, and
   (iii) In case of Cash Flow Statement, of the Cash Flows of the company for the year ended on that date.

for and on behalf of

SUNIL VIJAY & ASSOCIATES
Chartered Accountants.
ICAI Firm Registration NO:005802N

PAVAN TAMRAKAR
Partner
Membership No.502271

Place: New Delhi
Dated: 26/05/2010

ANNEXURE TO AUDITORS REPORT OF COASTAL KARNATAKA POWER LIMITED (REFERRED TO IN PARAGRAPH (3) OF OUR REPORT OF EVEN DATE)

I. (a) In our opinion and according to information and explanation given to us, provision of para 4(i) (a) of the Companies (Auditors Report) Order, 2003 relating to maintaining proper records showing full particulars, including quantitative details and situation of fixed assets are not applicable to company as it does not have fixed assets.

(b) In our opinion and according to information and explanation given to us provision of para 4(i) (b) of the companies (Auditors Report) Order, 2003 relating to physical verification of fixed assets by the management is not applicable to Company as it does not have fixed assets.

(c) In our opinion and according to information and explanation given to us provision of para 4(i) (c) of the companies (Auditors Report) Order, 2003 relating to disposal of any substantial part of fixed assets during the year are not applicable to Company as it does not have fixed assets.

II. (a) In our opinion and according to information and explanation given to us provision of para 4(ii) (a) of the companies (Auditors Report) Order, 2003 relating to physical verification of inventory is not applicable to Company as it does not have any inventories as on balance sheet date.

(b) In our opinion and according to information and explanation given to us provision of para 4(ii) (b) of the companies (Auditors Report) Order, 2003 is not applicable to company.

(c) In our opinion and according to information and explanation given to us provision of para 4(ii) (c) of the companies (Auditors Report) Order, 2003 is not applicable to company.

III. (a) As per management certificate given by the management, the company has not taken secured or unsecured loans from companies, firms or other parties listed in the register maintained under section 301 of the companies act, 1956.

(b) As the company has not granted any loans secured or unsecured, the provision of para 4(iii) (b) (c) of the companies (Auditors Report)Order 2003 is not applicable to Company.

IV. In our opinion according to the information and explanation given to us, the company does not have fixed assets and inventories and has no commercial activities by the company during the year, the provision of para 4(iv) of the companies (Auditors Report) Order 2003 relating to adequate internal control procedure commensurate with the size of company and nature of its business, for the purchase of inventory and fixed assets and for the sale of goods are not applicable to company.

V. According to the information and explanation given to us, there are no transaction made in pursuance of the contracts or arrangements that need to be entered in the register maintained under section – 301 of the Companies Act, 1956.

VI. As company does not accept any deposits from public, the provision of para 4(vi) of the Companies (Auditor Report) Order,2003 are not applicable to company.

VII. The company does not have paid up capital and reserves of Rs 50 lakhs as at the commencement of the financial year concerned, or have a average annual turnover exceeding five crore rupees for a period of three consecutive financial years immediately preceding the financial year concerned, the provision of para 4 (vii) of the Companies (Auditor Report) Order, 2003 are not applicable to company.

VIII. The company does not have any business activities during the year, the provision of para 4 (viii) of the Companies (Auditor Report) order, 2003 relating to maintaining of cost records under section 209 (I) (d) of the companies act is not applicable to the company.

IX. (a) According to information and explanation given to us, the company is regular in depositing undisputed statutory dues including Provident Fund, Investors Education and Protection Fund Employees State Insurance, Income Tax, Wealth Tax, Interest Tax, and other statutory dues with the appropriate Authorities through holding company i.e. Power Finance Corporation Ltd. According to information and explanation given to us, there are no undisputed statutory dues outstanding as at 31st March, 2010 for a period of more than six months from the date they become payable.

(b) According to information and explanation given to us there are no dues of Income Tax, Wealth Tax, which have not been deposited on account of any dispute.

X. In our opinion the Company has accumulated losses at the end of the financial year. However it has not incurred any cash losses in the current financial year and in the immediately preceding financial year.

XI. In our opinion and according to information and explanation given to us, the Company has not defaulted in repayment of its dues to Banks, Financial Institutions.

XII. In our opinion and according to information and explanation given to us, provision of para 4 (xii) of the Companies (Auditors Report) Order, 2003 are not applicable to Company as it has not given any loans and advance on security of shares, Debentures and other securities.

XIII. In our opinion and according to information and explanation given to us, the Company is not a Chit Fund, Nidhi or Mutual benefit, Trust/Society. Accordingly, the provision of para 4(xiii) of the companies (Auditor Report) Order, 2003 is not applicable to company.

XIV. According to information and explanation given to us, the Company is not dealing or trading in shares, Securities, debenture and other investment and hence the requirement of para 4(xiv) of the Companies (Auditor Report) Order, 2003 is not applicable to Company.

XV. According to information and explanation given to us, the Company has not given any guarantee in respect of loan taken by it from banks and financial institutions.

XVI. In our opinion and according to information and explanation given to us the company is not obtained any term loan and hence the requirement of para 4 (xvi) of the Companies (Auditors Report) Order, 2003 are not applicable to Company.

XVII. According to information and explanation given to us and on an overall examination of the balance sheet and cash flow statement of the Company, we report that prima facie no funds raised on short-term basis have utilized for long term investment purpose or vice versa.

XVIII. The Company has not made any preferential allotment of share to parties and companies covered in the register maintained under section 301 of the Companies Act 1956.

XIX. According to information and explanation given to us the company does not have any debentures and hence the requirement of para 4(xix) of the Companies (Auditors Report) order, 2003 are not applicable to Company.

XX. According to information and explanation given to us the company has not raised any money from public issues during the period.

XXI. According to information and explanation given to us no material fraud on or by the Company was noticed or reported during the year.

for and on behalf of
SUNIL VIJAY & ASSOCIATES
Chartered Accountants.
ICAI Firm Registration NO : 005802N

Place: New Delhi
Dated: 26/05/2010

PAVAN TAMRAKAR
Partner
Membership No.502271

COASTAL KARNATAKA POWER LIMITED

BALANCE SHEET AS AT 31st MARCH 2010

PARTICULARS	SCHEDULE	As on 31st March 2010 Rs.	As on 31st March 2009 Rs.
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	500,000	500,000
LOAN FUNDS			
Unsecured Loans	2	13,898,999	11,991,363
TOTAL		14,398,999	12,491,363
APPLICATION OF FUNDS			
FIXED ASSETS	3		
a) Gross Block		-	-
Less : Depreciation		-	-
Net Block		-	-
b) Capital Work in Progress	4	18,412,944	14,671,029
INVESTMENTS		-	-
CURRENT ASSETS, LOANS & ADVANCES	5		
a) Cash & Bank Balances		498,350	498,900
b) Other Current Assets		-	-
c) Loans & Advances		-	-
		498,350	498,900
Less : CURRENT LIABILITIES & PROVISIONS	6		
Current Liabilities		4,533,097	2,699,368
Provisions		-	-
		4,533,097	2,699,368
NET CURRENT ASSETS		(4,034,747)	(2,200,468)
MISCELLANEOUS EXPENDITURE			
(To the extent not written off or adjusted)			
Preliminary Expenses		-	20,802
Profit & Loss A/c		20,802	-
TOTAL		14,398,999	12,491,363
EXPENDITURE DURING CONSTRUCTION PERIOD	7		
SIGNIFICANT ACCOUNTING POLICIES	8		
NOTES TO ACCOUNTS	9		

Schedule referred above form an integral part of Balance Sheet

For and on Behalf of Board of Directors

Rajeev Sharma — **Chairman**
A.K.Gupta — **Director**

SIGNED IN TERMS OF OUR REPORT OF EVEN DATE
For & On Behalf of
SUNIL VIJAY & ASSOCIATES
(CHARTERED ACCOUNTANTS)

Pavan Tamrakar
(Partner)
M No. 502271

Place : New Delhi
Date : 26/05/2010

COASTAL KARNATAKA POWER LIMITED
PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2010

Particulars	SCHEDULE	for the Year Ended on 31st March 2010 Rs.	for the YearEnded on 31st March 2009 Rs.
Income		**NIL**	NIL
		-	-
Expenses			
Prior Period Expenses (Preliminary Expenses written off)		**20,802**	-
		20,802	-
Net Profit/(Loss) for the year		**(20,802)**	-
Net Loss Carried to Balance Sheet		**20,802**	-
Basic & Diluted Earning per share of Rs.10 each		**(0.42)**	
EXPENDITURE DURING CONSTRUCTION PERIOD	7		
SIGNIFICANT ACCOUNTING POLICIES	8		
NOTES TO ACCOUNTS	9		

Schedule referred above form an integral part of Profit & Loss Account

For and on Behalf of Board of Directors

Rajeev Sharma — **Chairman**

A.K.Gupta — **Director**

SIGNED IN TERMS OF OUR REPORT OF EVEN DATE
For & On Behalf of
SUNIL VIJAY & ASSOCIATES
(CHARTERED ACCOUNTANTS)

Place : New Delhi
Date : 26/05/2010

Pavan Tamrakar
(Partner)
M No. 502271

COASTAL KARNATAKA POWER LIMITED
SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

SCHEDULE '1'
SHARE CAPITAL

	As on 31st March 2010 Rs.	As on 31st March 2009 Rs.
AUTHORISED		
50,000 Equity Shares of Rs. 10/- each (Previous year 50,000 Equity Shares of Rs. 10/- each)	**500,000**	500,000
	500,000	500,000
ISSUED, SUBSCRIBED & PAID UP		
50,000 Equity Shares of Rs. 10/- each Fully Paid up (Previous year 50,000 Equity Shares of Rs. 10/- each) (Wholly owned by Power Finance Corporation)	**500,000**	500,000
	500,000	500,000

SCHEDULE '2'
UNSECURED LOANS

Power Finance Corporation Ltd.	**13,898,999**	11,991,363
	13,898,999	11,991,363

SCHEDULE '3'
FIXED ASSETS

FIGURES IN RUPEES

Particulars	GROSS BLOCK				DEPRECIATION BLOCK				NET BLOCK	
	Opening Balance As at 01-04-2009	Addtions/ Adjustments during the period	Deductions/ Adjustments during the period	Closing Balance As at 31.03.2010	Opening Balance As at 01-04-2009	Additions/ Adjustments during the year	Deductions/ Adjustments during the year	Closing Balance As at 31.03.2010	As at 31.03.2010	As at 31.03.2009
	-	-	-	-	-	-	-	-	-	
TOTAL	-	-	-	-	-	-	-	-	-	-
PREVIOUS YEAR	-	-	-	-	-	-	-	-	-	-

SCHEDULE '4'
CAPITAL WORK IN PROGRESS

	As on 31st March 2010 Rs.	As on 31st March 2009 Rs.
Opening Balance	**14,671,029**	7,339,822
CWIP: Transferred from Expenditure During ConstructionPeriod (Schedule-7)	**3,741,915**	7,331,207
	18,412,944	14,671,029

SCHEDULE '5'
CURRENT ASSETS, LOANS & ADVANCES

a. Cash and Bank Balances		
Cash Balance	-	-
Balance with Scheduled Bank in Current Accounts (SBI)	**498,350**	498,900
b. Other Current Assets	-	-
c. Loans and Advances (Unsecured, Considered Good)	-	-
TOTAL (a+b+c)	**498,350**	498,900

SCHEDULE '6'
CURRENT LIABILITIES AND PROVISIONS

	As on 31st March 2010 Rs.	As on 31st March 2009 Rs.
CURRENT LIABILITIES		
Interest Accrued but not due Power Finance Corporation Ltd.	**4,464,159**	2,585,992
Others		
Audit fee payable	**62,044**	49,470
TDS Payable	**6,894**	5,680
Expenses Payable	**-**	58,226
	4,533,097	2,699,368

SCHEDULE '7'

EXPENDITURE DURING CONTRUCTION PERIOD

	As on 31st March 2010 Rs.	As on 31st March 2009 Rs.
(a) Expenses		
Administrative Expenses including Manpower Charges	**1,730,488**	5,918,512
Audit Fees	**68,938**	55,150
Bank Charges	**550**	550
Interest	**1,878,167**	1,356,995
Legal & Professional Charges	**63,772**	-
Total (a)	**3,741,915**	7,331,207
(b) Other Income	**-**	-
Total (b)	**-**	-
Balance(a-b) Carried to CWIP: Schedule-4	**3,741,915**	7,331,207

Schedule - '8'

Significant Accounting Policies

1. The Company prepares its financial statements in accordance with applicable accounting standards and generally accepted accounting principles and also in accordance with requirements of the Companies Act, 1956.
2. **Revenue Recognition**:

   Income and expenses (except as stated below) are accounted for on accrual basis.

   Fees for advisory and professional services for developing Ultra Mega Power Project payable to PFC/PFCCL will be accounted for in the year of transfer of the company to the successful bidder.
3. **Fixed Assets/ Depreciation**:
   a. Fixed assets are shown at historical cost less current/ accumulated depreciation. The company capitalizes all direct cost including borrowing cost up to the date of commercial use of such assets.
   b. Depreciation on assets is provided on Written Down Value method, in accordance with the rates prescribed in Schedule XIV of the Companies Act, 1956.
   c. Items of fixed assets acquired during the year costing up to Rs. 5000/- are fully depreciated.
4. **Capital work In Progress:**

   Expenditure incurred on Survey/Studies/Investigations/Consultancy/ Administration /Depreciation/Interest etc has been treated as Capital Work In Progress.
5. **Loans:**

   Expenditure incurred by the company for the Project is financed by the Holding Company/ Procurers and considered as Unsecured Loan. Interest has been charged on funds deployed.
6. Investments are stated at cost.
7. Borrowing cost is charged to the profit & loss account for the year in which it is incurred except for capital assets which is capitalized till the date of commercial use of the assets.
8. Preliminary expenses were being written off hitherto in the year in which the company would start its commercial activities. However in compliance of the opinion of the Expert Advisory Committee (EAC) of The Institute of Chartered Accountants of India the same has been charged to the Profit & Loss account in the year in which such expenditure has been incurred.
9. Contingent liabilities are not provided but are disclosed by way of notes on the basis of information available/judgment of the management.

Schedule – '9'

Notes to Accounts

1. The Company was incorporated on 10/02/2006 under the Companies Act, 1956 as a wholly owned subsidiary of Power Finance Corporation Limited (PFC), a Govt. of India Undertaking. Certificate for Commencement of Business was issued on 23/11/2006. The Company is a special purpose vehicle incorporated to facilitate the acquisition of land and complete preliminary work regarding statutory clearances including that of environment, forest, CRZ etc. for the purpose of establishing ultra mega power project of 4000 MW in the state of Karnataka (Project).
2. The Key Management Personnel of the Company are employees of the Power Finance Corporation Ltd (PFC)/Holding Company & PFC Consulting Ltd (A wholly owned subsidiary of PFC) and deployed on Part Time basis.

   The details of such Key Management Personnel are as follows:

S. No.	Name	Designation	Date of Appointment	Date of Cessation
1.	Shri M.K.Goel	Chairman	17.12.2008	26.05.2009
2.	Shri Rajiv Sharma	Chairman	26.05.2009	Continuing
3.	Shri Dinesh Vij	Director	17.12.2008	Continuing
4.	Shri R.K. Jain	Director	17.12.2008	31.12.2009
5.	Shri A.K. Gupta	Director	17.12.2008	Continuing
6.	Shri Yogesh Juneja	Director	31.12.2009	Continuing

3. Pursuant to the Financing Agreement between PFC and the Company, the entire expenditure on development of the Project being developed by the Company shall be incurred by PFC from its own funds until receipt of the commitment advance from the procurers and thereafter out of Commitment Advance received from Procurers. So far no commitment advance received by the Company from Procurer of Power.
4. Since most of the payments are made by the holding company, all attached statutory liabilities and relevant provisions such as PF, ESI, TDS, service tax, bonus, etc. are taken care of by the holding company.
5. Employees working for the Company are from PFC(Holding Company) and PFC Consulting Ltd(PFCCL)/(A wholly owned subsidiary of PFC). The related expenses are paid by the Holding Company for PFC employees and allocated to the Company on the basis of percentage of involvement of concerned employees for the work. These expenses appearing as Administrative Expenses in the "Expenditure during Construction period" amounted to Rs.1,730,488/- for the year (Previous Year Rs.5,918,512/-) and include Salary of PFC employees and related expenses, manpower charges of PFCCL employees, expenses on account of Conference & Meeting, Legal &Filing Exp, Printing & Stationery, Consultancy, Office Maintenance, Depreciation on Fixed Assets owned by holding company etc and other common administrative expenses apportioned and allocated by the holding company. Original Supporting bills in respect of expenditure incurred by the holding company are retained by them of which copies are available with the Company. The holding company PFC is complying statutory provisions relating to the 'Deduction of tax at source' etc. applicable to these allocated expenses. Charges of Rs. 1,140,502/ for man power cost of PFCCL employees (included in Administrative Expenses) are charged by PFCCL on the basis of cost to company based on actual man days spent by the employees for the Company as per invoice raised by PFCCL includes Rs. 2,91,192/ of Sh.Dinesh Vij and Rs. 1,45,596/ of Sh. R.K. Jain. The total expenditure during the construction period along with interest shall be recovered by PFC from the successful bidder at the time of award of the project.
6. The expenditures on development of the project were incurred by PFC from its own funds. The Company pays interest to PFC on the expenses incurred by them on behalf of the company. Interest so payable is capitalized under capital work in progress. The rate of interest charged / paid on the utilized amount of funds is as applicable in PFC for the Term Loans for large generation projects of reforming States (Pre COD) as determined from time to time. Total interest amounting to Rs.1,878,167/- (Previous Year Rs. 1,356,995/-) has been accounted in the books of account. Interest has been capitalized. Interest payable has been shown under Current Liabilities.
7. i) Estimated amount of contracts remaining to be executed on capital account and not provided for is Rs. Nil. (Previous year Nil).

ii) Contingent liabilities of the company and claims against the company not acknowledged by the company as certified by the management for the period is Nil (Previous year Nil).

8. Hitherto preliminary expenses were being written off in the year in which the company starts its commercial activities. However the Expert Advisory Committee (EAC) of The Institute of Chartered Accountants of India has opinioned (Opinion was finalised on 15.12.2009 and published in March 2010 Journal of ICAI) that in compliance of AS-26 on intangible assets, such expenditure should be charged to Profit & Loss Account even if a company is yet to start its commercial activities and for this purpose the Profit & Loss Account should be prepared. Moreover if earlier such amount has been capitalized in the balance sheet, the same should be dealt with as per the requirements of AS-5 i.e. should be treated as Prior Period Item. Accordingly the profit & loss account has been prepared by the company and preliminary expenses earlier shown seprately in the balance sheet have been charged to profit & loss account as a prior period item.

9. Expenditure during Construction Period (Schedule-7) containing all expenses required to be capitalized has been prepared and the same has been included in Capital Work In Progress

10. The Company has agreed to pay a sum of Rs. 500,000,000/- plus applicable taxes (Previous year Rs. 500,000,000/- plus applicable taxes) to PFC/PFCCL on account of fees for providing advisory & professional services rendered by PFC/PFCCL. The fees for providing advisory& professional services is payable to PFC/PFCCL when successful bidder for the Project will be selected and company will be transferred to successful bidder, therefore no liability has been provided for fees payable to PFC/PFCCL, the same will be charged in the year of transfer of the company to successful bidder.

11. As per the scheme of setting up of the project, entire expenditure to be incurred by the company for project exploration and initial spade work, including interest on funds deployed and Professional Fee of Rs.500,000,000/- plus applicable taxes will be recovered from the successful bidder of the project as acquisition price for purchase of 100% equity shareholding of the company from its holding company, consequent upon which the company along with all its assets and liabilities shall stand transferred to such bidder.

12. Auditors Remuneration

	2009-10	2008-09
Audit Fees	Rs. 62,500/-	Rs. 50,000/-
Service Tax	Rs. 6,438/-	Rs. 5,150/-

13. Most of the additional information pursuant to the provisions of Paragraph 3, 4C and 4D of part II of Schedule VI to the Companies Act, 1956 are not applicable to the company as the project is still at its development stage and the company has yet to start its commercial activities. Applicable information is provided as under:

a. Expenditure in foreign currency – NIL (Previous year-Nil)

b. Income in foreign exchange –NIL (Previous year-Nil)

14. The disclosure as per AS18 – Related Party Disclosure :

The Coastal Karnataka Power Limited is a wholly owned subsidiary of Power Finance Corporation Ltd. All key decisions are taken by the Board of Coastal Karnataka Power Limited where the PFC nominees exercise control.

Detail of maximum debit balance during the period in the accounts of directors and other related parties as appeared in the accounts and as certified by the management is as under:

Power Finance Corporation Ltd	Amount Rs. Nil
Previous Year	Rs. Nil

The related Party Transactions was done only with Holding Company (PFC), details are as follows:-

S.No.	Particulars	2009-10 (Rs.)	2008-09 (Rs.)
1.	Loans taken during the year	1,907,636/-	5,916,466/-
2.	Interest Expense for the year	1,878,167/-	1,356,995/-
3.	Closing Balances till 31.3.2010		
(a)	Interest Payable	4,464,159/-	2,585,992/-
(b)	Loan Payable	138,98,999/-	11,991,363/-

15. The Company has complied with all the applicable Accounting Standards notified under section 211 of the Companies Act 1956. However AS -22 relating to Deferred Tax Liability /Asset pertaining to timing difference is not applicable to the company in view of the fact that the company is still in the construction phase and yet to commence its operation.

16. The Company owes no dues to small-scale units at year-end and hence provision of interest does not arise. Further based on information available with the management, there are no dues payable to enterprises covered under "Micro, Small and Medium Enterprises Development Act, 2006"

17. Figures have been rounded off to the nearest Rupee unless otherwise stated.

18. Previous year's figure have been re-grouped/ re-arranged, wherever practicable, to make them comparable with the current year.

19. Schedule 1 to 9 form an integral part of the Financial Statements and have been authenticated

For and On behalf of Board of Directors

Rajeev Sharma — **Chairman**
A.K. Gupta — **Director**

Signed in terms of our report of even date
For Sunil Vijay & Associates
Chartered Accountants

Pavan Tamrakar
Partner
M. No. 502271

Place: New Delhi
Date: 26/05/2010

COASTAL KARNATAKA POWER LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2010

	Year ended 31st March 2010 Rs.	Year ended March 31, 2009 Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit/(Loss) as per Profit & Loss A/c	**(20,802)**	-
Prior Period Expenses/ Preliminary expenses	**20,802**	-
Operating profit before working capital changes	**-**	-
Adjustment For Increase/Decrease in:		
Other Current Assets		
Loans & Advances	**-**	-
Current Liabilities & Provisions	**1,833,729**	1,414,191
Net Inflow from Operating Activities (A)	**1,833,729**	1,414,191
B. CASH FLOW FROM INVESTING ACTIVITIES		
Capital Work in Progress	**(3,741,915)**	(7,331,207)
Net Inflow from Investing Activities (B)	**(3,741,915)**	(7,331,207)
C. CASH FLOW FROM FINANCIAL ACTIVITIES		
Unsecured Loan	**1,907,636**	5,916,466
Net Inflow from Financing Activities (C)	**1,907,636**	5,916,466
NET INCREASE/(DECREASE) IN CASH FLOW	**(550)**	(550)
CASH & CASH EQUIVALENT AT THE BEGINNING OF THE YEAR	**498,900**	499,450
CASH & CASH EQUIVALENT AT THE END OF THE YEAR	**498,350**	498,900
Cash on hand and balance with banks	**498,350**	498,900
Other Cash and Cash Equivalents	**-**	-

For and on behalf of Board of Directors

Rajeev Sharma — **Chairman**
A.K.Gupta — **Director**

SIGNED IN TERMS OF OUR REPORTOF EVEN DATE
For & On Behalf of
Sunil Vijay & Assocites
(CHARTERED ACCOUNTANTS)

Pavan Tamrakar
(Partner)
M No. 502271

Place : New Delhi
Date : 26/05/2010

COASTAL KARNATAKA POWER LIMITED

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I **Registration details**

Registration No :	**U40102DL2006GOI146109**	State Code: 55	
Balance Sheet Date :	31	3	2010
	Date	Month	Year

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

Public Issue	Right issue
-	-
Bonus Issue	**Private Placement**
-	-

III **Position of Mobilsation and Deployment of Funds (Amount in Rs. Thousands)**

	Total Liabilities	Total Assets
	18,932	18,932
Sources of Funds	Paid up capital	Reserve and Surplus
	500	-
	Secured Loans	Unsecured Loans
	-	13,899
Application of Funds	Net Fixed Assets	Capital Work in Progress
	-	18,413
	Investment	Net Current Assests
	-	(4,035)
	Misc. Expenditure	Accumulated Losses
	-	21

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

Turnover	Total Expenditure
-	21
Profit/ Loss before Tax	Profit/ Loss after Tax
(21)	(21)
Earning per Share	Dividend
(0.42)	-

V **Generic Names of Three Priciples Products/Services of Company (as per monetary terms)**

1. Item Code No. (ITC Code)	
Product Description	
2. Item Code No. (ITC Code)	
Product Description	
3. Item Code No. (ITC Code)	
Product Description	

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF COASTAL KARNATAKA POWER LIMITED, NEW DELHI, FOR THE YEAR ENDED 31 MARCH 2010

The preparation of financial statements of Coastal Karnataka Power Limited, New Delhi, for the year ended 31 March 2010 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The statutory auditors appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 26 May 2010.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under Section 619(3) (b) of the Companies Act, 1956 of the financial statements of Coastal Karnataka Power Limited, New Delhi, for the year ended 31 March 2010. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditors' report under Section 619(4) of the Companies Act, 1956.

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

Place: New Delhi **(M.K. Biswas)**
Dated: 04 August 2010 **Principal Director of Commercial Audit &**
Ex-officio Member Audit Board–III,New Delhi

COASTAL MAHARASHTRA MEGA POWER LIMITED

(A Wholly owned subsidiary of Power Finance Corporation Limited)

Directors' Report 2009-2010

To

The Members,

Your Directors have pleasure in presenting the 4th Annual Report on the performance of the Company for the financial year ending on 31st March, 2010 along with Audited Statement of Accounts and Auditor's Report thereon.

OPERATIONAL ACTIVITIES

Coastal Maharashtra Mega Power Ltd. was incorporated on 1st March 2006 under Companies Act, 1956 as wholly owned subsidiary of Power Finance Corporation for the development of Ultra Mega Power Project in Maharashtra. The power from the project has been allocated to Maharashtra, Karnataka, Madhya Pradesh, Chhattisgarh and Rajasthan.

Secretary (Power), Govt. of India has requested Chief Secretary (Govt. of Maharashtra) to suggest alternate site(s) or resolve the local issues related to site at Munge.

Since the site for the project is yet to be finalized, project development activities are not yet started.

FINANCIAL REVIEW

During the year under review, your Company has not started its commercial activities. However, during the year the Company has spent an amount of Rs.46.62 Lacs in the development of the project which has been transferred to Capital work in progress.

DIVIDEND

As the Company has not started its commercial activities no dividend has been declared for the period commencing from 1st April, 2009 to 31st March 2010.

SHARE CAPITAL

The entire paid up share capital of the Company continues to be held by Power Finance Corporation Limited and its nominees. The paid-up-capital of the Company remained Rs. 5,00,000/- consisting of 50,000 equity share of Rs. 10/- each at the end of March, 2010.

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

There are no significant particulars, relating to conservation of energy, technology absorption under the companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 as your company does not own any manufacturing facility. There was no foreign exchange earning and outgo during the year under consideration.

AUDITOR'S REPORT

M/s J. Bhagwan & Associates, Chartered Accountants, were appointed by the Comptroller & Auditor General of India as Statutory Auditors of the Company for the financial year 2009-2010. There are no adverse comments, observation or reservation in the statutory Auditor's Report on the Accounts of the Company.

PARTICULARS OF EMPLOYEES U/S 217 (2A) OF THE COMPANIES ACT, 1956.

The Company has no employees on its roll. Hence, the particulars of employees as prescribed under section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are not applicable.

DIRECTORS

The Board of Directors presently comprise of the following members:

1.	Shri R. Nagarajan	: Chairman
2.	Shri Dinesh Vij	: Director
3.	Shri Alok Sud	: Director
4.	Shri Yogesh Juneja	: Director

Shri R. Nagarajan, Director (Finance), PFC has been nominated by PFC as Chairman of the Company w.e.f. 31st December, 2009 in place of Shri Rajeev Sharma, Director (Projects), PFC. Further, PFC also nominated Shri Dinesh Vij and Shri Yogesh Juneja as Directors w.e.f. 31.12.2009 on the Board of the Company in palce of Shri C. Gangopadhyay and Shri R. K. Jain.

In accordance with provisions of Companies Act, 1956 Shri Alok Sud, Director shall retire by rotation at the ensuing Annual General Meeting of the Company and being eligible offers himself for re-appointment.

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

C&AG of India vide their letter dated 4th August, 2010 has intimated that on the basis of audit, nothing Significant has come to their knowledge which would give rise to any comment upon or supplement to Statuary Auditor's Report under section 619(4) of the companies Act, 1956 A copy of the letter issued by C&AG in this regard is place at Annex-1.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to section 217(2AA) of the Companies Act, 1956, the Directors confirm that in the preparation of Annual Accounts for year ending on 31st March, 2010:-

- The applicable Accounting Standards has been followed along with proper explanation.
- Reasonable and prudent judgment and estimate were made so as to give a true and fair view of the state of affairs of the Company as on 31st March, 2010.
- Proper and sufficient care was taken 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.
- The Accounts have been prepared on a going concern basis.

ACKNOWLEDGEMENT

The Directors place on record their gratitude to the Central and State Governments and various Government agencies for the assistance, co-operation and encouragement they extended to the Company. The Company, in particular, is thankful to the Comptroller & Auditor General of India, the Ministry of Power Govt. of Maharashtra, the Statutory Auditors, Bankers and PFC for their suggestions and unstinted co-operation and guidance.

For and on behalf of the Board of Directors

Place: New Delhi **(R. Nagarajan)**

Date: 13/08/2010 **Chairman**

AUDITOR'S REPORT

TO THE MEMBERS OF COASTAL MAHARASHTRA MEGA POWER LIMITED

We have audited the Balance Sheet of **COASTAL MAHARASHTRA MEGA POWER LIMITED** as at **31st March 2010**, Profit & Loss Account and Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As required by the Companies (Auditor Report) order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in the paragraphs 4 and 5 of said order. Further to our comments in the Annexure referred to above we report that.

1. We have obtained all the information and explanation, which to the best of our knowledge and belief were necessary for the purposes of our audit.
2. In our opinion the Company has kept proper books of accounts as required by law so far, as appears from our examination of those books. Since all payments on behalf of the Company made by Holding Company, PFC the original supports for expenditure etc are kept with PFC.
3. The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.

4. The Balance Sheet, Profit & Loss Account and Cash flow statement dealt with by this report are prepared in accordance with the accounting standards referred to in sub-section (3C) of section 211 of the companies act, 1956.

5. Being a Government Company clause (g) of sub-section (i) of section 274 of the companies Act, 1956 is not applicable as per Notification no. GSR 829 (E) dated 21.10.2003 issued by the Deptt. of Company Affairs.

6. In our opinion and to the best of our information and according to the explanation given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required & give a true and fair view in conformity with the accounting principles generally accepted in India: -

   (i) In case of the balance sheet, of the state of affairs of the Company as at 31st March 2010,

   (ii) In case of the Profit & Loss Account, of the loss of the company for the year ended on that date, and

   (iii) In case of Cash Flow Statement, of the Cash Flows of the company for the year ended on that date.

for and on behalf of
J.BHAGWAN & ASSOCIATES
Chartered Accountants
ICAI Firm Registration No 013414N

JAI BHAGWAN MITTAL
Partner
Membership No.: 084512

Place : New Delhi
Dated : 15/05/2010

ANNEXURE TO AUDITORS REPORT OF COASTAL MAHARASHTRA MEGA POWER LIMITED (REFERRED TO IN PARAGRAPH (2) OF OUR REPORT OF EVEN DATE)

I. (a) In our opinion and according to information and explanation given to us, provision of para 4(i) (a) of the Companies (Auditors Report) Order, 2003 relating to maintaining proper records showing full particulars, including quantitative details and situation of fixed assets are not applicable to company as it does not have fixed assets.

   (b) In our opinion and according to information and explanation given to us provision of para 4(i) (b) of the companies (Auditors Report) Order, 2003 relating to physical verification of fixed assets by the management is not applicable to Company as it does not have fixed assets.

   (c) In our opinion and according to information and explanation given to us provision of para 4(i) (c) of the companies (Auditors Report) Order, 2003 relating to disposal of any substantial part of fixed assets during the year are not applicable to Company as it does not have fixed assets.

II. (a) In our opinion and according to information and explanation given to us provision of para 4(ii) (a) of the companies (Auditors Report) Order, 2003 relating to physical verification of inventory is not applicable to Company as it does not have any inventories as on balance sheet date.

   (b) In our opinion and according to information and explanation given to us provision of para 4(ii) (b) of the companies (Auditors Report) Order, 2003 is not applicable to company.

   (c) In our opinion and according to information and explanation given to us provision of para 4(ii) (c) of the companies (Auditors Report) Order, 2003 is not applicable to company.

III. (a) The company has not taken any loans secured or unsecured from/ to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.

   (b) As the company has not granted any loans secured or unsecured, the provision of para 4(iii) (b) (c) of the companies (Auditors Report) Order 2003 is not applicable to Company.

IV. In our opinion according to the information and explanation given to us, the company does not have fixed assets and inventories and has no commercial activities during the year, the provision of para 4(iv) of the companies (Auditors Report) Order 2003 relating to adequate internal control procedure commensurate with the size of company and nature of its business, for the purchase of inventory and fixed assets and for the sale of goods are not applicable to company.

V. According to the information and explanation given to us, there are no transaction made in pursuance of the contracts or arrangements that need to be entered in the register maintained under section – 301 of the Companies Act, 1956.

VI. As company does not accept any deposits from public, the provision of para 4(vi) of the companies (Auditor Report) order, 2003 are not applicable to company.

VII. The company does not have paid up capital and reserves of Rs 50 lakhs as at the commencement of the financial year concerned, or have a average annual turnover exceeding five crore rupees for a period of three consecutive financial years immediately preceding the financial year concerned, the provision of para 4 (vii) of the Companies (Auditor Report) Order, 2003 are not applicable to company.

VIII. The company does not have any business activities during the year, the provision of para 4 (viii) of the Companies (Auditor Report) order, 2003 relating to maintaining of cost records under section 209 (I) (d) of the companies act is not applicable to the company.

IX. (a) According to information and explanation given to us, the company is regular in depositing undisputed statutory dues including Provident Fund, Investors Education and Protection Fund Employees State Insurance, Income Tax, Wealth Tax, Interest Tax, and other statutory dues with the appropriate Authorities through holding company i.e. Power Finance Corporation Ltd. According to information and explanation given to us, there are no undisputed statutory dues outstanding as at 31st March, 2010 for a period of more than six months from the date they become payable.

   (b) According to information and explanation given to us there are no dues of Income Tax, Wealth Tax, which have not been deposited on account of any dispute.

X. In our opinion the Company has accumulated losses at the end of the financial year. However it has not incurred any cash losses during the current financial year and in the immediately preceding financial year.

XI. In our opinion and according to information and explanation given to us, the Company has not defaulted in repayment of its dues to Banks, Financial Institutions.

XII. In our opinion and according to information and explanation given to us, provision of para 4 (xii) of the Companies (Auditors Report) Order, 2003 are not applicable to Company as it has not given any loans and advance on security of shares, Debentures and other securities.

XIII. In our opinion and according to information and explanation given to us, the Company is not a Chit Fund, Nidhi or Mutual benefit, Trust/Society. Accordingly, the provision of para 4(xiv) of the companies (Auditor Report) Order, 2003 is not applicable to company.

XIV. According to information and explanation given to us, the Company is not dealing or trading in shares, Securities, debenture and other investment and hence the requirement of para 4(xiv) of the Companies (Auditor Report) Order, 2003 is not applicable to Company.

XV. According to information and explanation given to us, the Company has not given any guarantee in respect of loan taken by it from banks and financial institutions.

XVI. In our opinion and according to information and explanation given to us the company is not obtained any term loan and hence the requirement of para 4 (xvi) of the Companies (Auditors Report) Order, 2003 are not applicable to Company.

XVII. According to information and explanation given to us and on an overall examination of the balance sheet and cash flow statement of the Company, we report that prima facie no funds raised on short-term basis have utilized for long term investment purpose or vice versa.

XVIII. The Company has not made any preferential allotment of share to parties and companies covered in the register maintained under section 301 of the Companies Act 1956.

XIX. According to information and explanation given to us the company does not have any debentures and hence the requirement of para 4(xix) of the Companies (Auditors Report) order, 2003 are not applicable to Company.

XX. According to information and explanation given to us the company has not raised any money from public issues during the year

XXI. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the year.

for and on behalf of
J.BHAGWAN & ASSOCIATES
Chartered Accountants
ICAI Firm Registration No 013414N

JAI BHAGWAN MITTAL
Partner
Membership No.: 084512

Place : New Delhi
Dated : 15/05/2010

COASTAL MAHARASHTRA MEGA POWER LIMITED

BALANCE SHEET AS AT 31st MARCH 2010

PARTICULARS	SCHEDULE	As on 31st March 2010 Rs.	As on 31st March 2009 Rs.
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	**500,000**	500,000
LOAN FUNDS			
Unsecured Loans	2	**400,000,000**	400,000,000
TOTAL		**400,500,000**	400,500,000
APPLICATION OF FUNDS			
FIXED ASSETS	3		
a) Gross Block		-	-
Less : Depreciation		-	-
Net Block		-	-
b) Capital Work in Progress	4	**38,820,324**	34,157,975
INVESTMENTS		-	-
CURRENT ASSETS, LOANS & ADVANCES	5		
a) Cash & Bank Balances		**885,495**	886,045
b) Other Current Assets		**23,990,658**	11,803,707
c) Loans & Advances		**368,555,972**	372,399,293
		393,432,125	385,089,045
Less : CURRENT LIABILITIES & PROVISIONS	6		
Current Liabilities		**31,790,451**	18,785,022
Provisions		-	-
		31,790,451	18,785,022
NET CURRENT ASSETS		**361,641,674**	366,304,023
MISCELLANEOUS EXPENDITURE			
(To the extent not written off or adjusted)			
Preliminary Expenses		-	38,002
Profit & Loss A/c		**38,002**	
TOTAL		**400,500,000**	400,500,000
		-	-
EXPENDITURE DURING CONSTRUCTION PERIOD	7		
SIGNIFICANT ACCOUNTING POLICIES	8		
NOTES TO ACCOUNTS	9		

The Schedule 1 to 9 form an integral part of Balance Sheet

For and on Behalf of Board of Directors

R.Nagarajan — **Chairman**
Alok Sud — **Director**

SIGNED IN TERMS OF OUR REPORT OF EVEN DATE
For & On Behalf of
J.Bhagwan & Associates
(CHARTERED ACCOUNTANTS)

Place : New Delhi
Date : 15/05/2010

Jai Bhagwan Mittal
(Partner)
M No. 84512

COASTAL MAHARASHTRA MEGA POWER LIMITED
PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2010

Particulars	SCHEDULE	For the Year ended on 31st March 2010 Rs.	For the Year ended on 31st March 2009 Rs.
Income		**NIL**	NIL
		-	-
Expenses			
Prior Period Expenses			
(Preliminary Expenses Written Off)		**38,002**	-
		38,002	-
Net Profit/(Loss) for the year		**(38,002)**	-
Net Loss Carried to Balance Sheet		**38,002**	-
Basic & Diluted Earning per share of Rs. 10 each		**(0.76)**	
EXPENDITURE DURING CONSTRUCTION PERIOD	7		
SIGNIFICANT ACCOUNTING POLICIES	8		
NOTES TO ACCOUNTS	9		

The Schedule 1 to 9 form an integral part of Profit & Loss A/c

For and On behalf of Board of Directors

R. Nagarajan — **Chairman**
Alok Sud — **Director**

SIGNED IN TERMS OF OUR REPORT OF EVEN DATE
For & On Behalf of
J.Bhagwan & Associates
(CHARTERED ACCOUNTANTS)

Place : New Delhi
Date : 15/05/2010

Jai Bhagwan Mittal
(Partner)
M No. 84512

COASTAL MAHARASHTRA MEGA POWER LIMITED

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

SCHEDULE '1'
SHARE CAPITAL

	As on 31st March 2010 Rs.	As on 31st March 2009 Rs.
AUTHORISED		
50,000 Equity Shares of Rs. 10/- each	**500,000**	500,000
(Previous year 50,000 Equity Shares of Rs. 10/- each)	**500,000**	500,000
ISSUED, SUBSCRIBED & PAID UP		
50,000 Equity Shares of Rs. 10/- each Fully Paid up	500,000	500,000
(Previous year 50,000 Equity Shares of Rs. 10/- each)		
(Wholly owned by PFC)	**500,000**	500,000
SCHEDULE '2'		
UNSECURED LOANS		
Commitment Advance From Procurers	400,000,000	400,000,000
	400,000,000	400,000,000

SCHEDULE '3' **FIGURES IN RUPEES**

FIXED ASSETS

Particulars	GROSS BLOCK				DEPRECIATION BLOCK				NET BLOCK	
	Opening Balance As at 01-04-2009	Addtions/ Adjustments during the period	Deductions/ Adjustments during the period	Closing Balance As at 31.03.2010	Opening Balance As at 01-04-2009	Additions/ Adjustments during the year	Deductions/ Adjustments during the year	Closing Balance As at 31.03.2010	As at 31.03.2010	As at 31.03.2009
	-	-	-	-	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-	-	-	-	-
PREVIOUS YEAR	-	-	-	-	-	-	-	-	-	

SCHEDULE '4'

CAPITAL WORK IN PROGRESS

	As on 31st March 2010 Rs.	As on 31st March 2009 Rs.
Opening Balance	**34,157,975**	23,339,664
CWIP: Transferred from Expenditure During ConstructionPeriod (Schedule-7)	**4,662,349**	10,818,311
	38,820,324	34,157,975

SCHEDULE '5'

CURRENT ASSETS, LOANS & ADVANCES

a. Cash and Bank Balances		
Cash Balance	**-**	-
Balance with Scheduled Bank in Current Accounts (SBI)	**885,495**	886,045
	885,495	886,045
b. Other Current Assets		
Interest Receivable from PFC	**23,990,658**	11,803,707
	23,990,658	11,803,707
c. Loans and Advances		
(Unsecured, Considered Goods)		
Receivable from PFC	**368,555,972**	372,399,293
	368,555,972	372,399,293
TOTAL (a+b+c)	**393,432,125**	385,089,045

SCHEDULE '6'

CURRENT LIABILITIES AND PROVISIONS

Interest Accrued but not due		
Power Finance Corporation Ltd	**5,089,386**	4,552,387
Procurers	**24,669,961**	10,610,476
Others		
Audit Fees Payable	**62,044**	49,470
TDS Payable	**1,59,060**	3,114,464
Earnest Money Deposit	**400,000**	400,000
Provision of Expenses	**-**	58,225
	31,790,451	18,785,022

SCHEDULE '7'

PENDITURE DURING CONSTRUCTION PERIOD

	Year ended 31st March 2010 Rs.	year ended 31st March 2009 Rs.
(a) Expenses		
Administration Expenses	535,309	7,196,840
Audit Fees	68,938	55,150
Legal & Professional charges	85,853	20,000
Bank Charges	550	13,050
Interest	16,158,650	15,336,978
Total (a)	**16,849,300**	22,622,018
(b) Other Income		
Interest accrued but not due (TDS Rs.Nil, Previous Year Rs. Nil)	12,186,951	11,803,707
Total (b)	**12,186,951**	11,803,707
Balance(a-b) Carried to CWIP -Schedule-4	**4,662,349**	10,818,311

Schedule - '8'

Significant Accounting Policies

1. The Company prepares its financial statements in accordance with applicable accounting standards and generally accepted accounting principles and also in accordance with requirements of the Companies Act,1956.
2. **Revenue Recognition:**

   Income and expenses (except as stated below) are accounted for on accrual basis.

   Fees for advisory and professional services for developing Ultra Mega Power Project payable to PFC/PFCCL will be accounted for in the year of transfer of the company to the successful bidder.
3. **Fixed Assets/ Depreciation:**
   a. Fixed assets are shown at historical cost less current/ accumulated depreciation. The company capitalizes all direct cost including borrowing cost up to the date of commercial use of such assets.
   b. Depreciation on assets is provided on Written Down Value method, in accordance with the rates prescribed in Schedule XIV of the Companies Act, 1956.
   c. Items of fixed assets acquired during the year costing up to Rs. 5000/- are fully depreciated.
4. **Capital work In Progress:**

   Expenditure incurred on Survey/Studies/Investigations/Consultancy/ Administration/Depreciation/Interest etc has been treated as Capital Work In Progress.
5. **Loans:**

   Expenditure incurred by the company for the Project is financed by the Holding Company/ Procurers and considered as Unsecured Loan. Interest has been charged on funds deployed by them .
6. Investments are stated at cost.
7. Borrowing cost is charged to the profit & loss account for the year in which it is incurred except for capital assets which is capitalized till the date of commercial use of the assets.
8. **Preliminary expenses**

   Preliminary expenses were being written off earlier in the year in which the company would start its commercial activities. However in compliance of the opinion of the Expert Advisiory Committee (EAC) of The Institute of Chartered Accountants of India the same has been charged in the year in which such expenditure has beenincurred.
9. Contingent liabilities are not provided but are disclosed by way of notes on the basis of available information/judgment of the management.

Schedule – '9'

Notes to Accounts

1. The Company was incorporated on 01/03/2006 under the Companies Act,1956 as a wholly owned subsidiary of Power Finance Corporation Limited (PFC), a Govt. of India Undertaking. Certificate for Commencement of Business was issued on 29/09/2006. The Company is a special purpose vehicle incorporated to facilitate the acquisition of

land and complete preliminary work regarding statutory clearances including that of environment, forest, etc. for the purpose of establishing ultra mega power project of 4000 MW in the state of Maharastra (Project).

2. The Key Management Personnel of the Company are employee of the Holding Company (PFC Ltd) and deployed on Part Time basis.

   The details of such Key Management Personnel are as follows:

S. No.	Name	Designation	Date of Appointment	Date of Cessation
1.	Shri M.K.Goel	Chairman	22.12.2008	26.05.2009
2.	Shri Rajiv Sharma	Chairman	26.05.2009	31.12.2009
3.	Shri C. Gangopadhyay	Director	22.12.2008	31.03.2010
4.	Shri Alok Sud	Director	22.12.2008	Continuing
5.	Shri Dinesh Vij	Director	31.12.2009	Continuing
6.	Shri R.Nagarajan	Chairman	31.12.2009	Continuing
7.	Shri R.K. Jain	Director	28.04.2006	31.12.2009
8.	Shri Yogesh Juneja	Director	31.12.2009	Continuing

3. The employees working for the Company are from Holding Company (PFC). The related expenses are paid by the Holding Company and allocated to the company on proportionate basis based on percentage of involvement of concerned employee as per assessment made as part of the administration expenses of Holding company.

4. As the expenditures have been paid by holding company on behalf of company, the original bills were retained by them and the copies of such bills are available with company.

5. Since most of the payments are made by the holding company, all attached statutory liabilities and relevant provisions such as fringe benefit tax, PF, ESI, TDS, service tax, bonus, etc. are taken care of by the holding company.

6. Pursuant to the Financing Agreement between PFC and the company, the entire expenditure on development of the Project as mentioned in the said agreement shall be incurred by PFC from its own funds until receipt of the commitment advance from the power procuring utilities (Procurers) and thereafter from commitment advance received from the procurers. Therefore related expenses are paid by the holding company and allocated to the Company as part of administration expenses amounting to Rs.5,35,309/-(Previous Year Rs.7,196,840/-) pertaining to this company. The administration expenses of the company also include common administration expenses apportioned and allocated by the holding company The aforesaid expenses along with interest shall be recovered by PFC from the successful bidder at the time of transfer of company.

7. During the year, the Company has received Commitment Advance of Rs. NIL (Previous Year Rs. 400,000,000/-) from the Power Procuring Utilities (Procurers) in view of decision of Ministry of Power, Government of India as their contribution against allotment of specified quota of power to be given on completion of the project by way of a Power Purchase Agreement with respective Procurers and successful bidder. The said commitment advance has been shown in the Balance Sheet as Unsecured Loans. The said commitment advance along with accrued interest, as per terms of financing agreement shall be repayable to the procurers in 15 days from the closing date of transfer of the company to the successful bidder by the Holding Company.

8. Pursuant to the Financing Agreement with PFC total commitment advance of Rs.400,000,000/-received from procurers was given to the Holding Company (PFC) to meet out expenditures for the project on behalf of the company and to invest / retain remaining unutilized portion of commitment advance as short term deposit which lies in Loans and Advances (Assets) in the Balance Sheet.

9. The expenditures on development of the project were incurred by PFC from its own funds until receipt of the commitment advance from the procurers. The Company pays interest to PFC on the expenses incurred by them on behalf of the company and also to the Procurers on commitment advance bifurcating into fund utilized for the project and funds still unutilized at the rates as per policy of the holding company. Interest so payable is capitalized under capital work in progress. The rate of interest charged / paid on the utilized amount of funds is as applicable in PFC for the Term Loans for large generation projects of reforming States (Pre COD) as determined from time to time and on unutilized portion of funds, the rate of interest charged / received is on monthly average short term deposit rate of PFC. Interest on unutilized portion of fund is receivable from PFC and payable to procurers. Total interest amounting to Rs.16,158,650/- (Previous Year Rs. 15,336,978/-) has been accounted in the books of account for the period which includes interest of Rs.12,186,951/- (Previous year Rs.11,803,707/)- on unutilized portion and Rs.39,71,699/- (Previous year Rs. 3,533,271/)- on utilized portion (including Rs. 536,999/- (Previous year Rs. 1,617,718/- payable to PFC). Interest on utilized portion has been capitalized. Interest payable has been shown under Current Liabilities.

10. i) Estimated amount of contracts remaining to be executed on capital account and not provided for is Rs 24,716,953/- (Previous year Rs. 24,716,953/-).

    ii) Contingent liabilities of the company and claims against the company not acknowledged by the company as certified by the management for the period is Rs. NIL (Previous year Nil).

11. Hitherto preliminary expenses were being written off in the year in which the company starts its commercial activities. However the Expert Advisory Committee (EAC) of The Institute of Chartered Accountants of India has opinioned (Opinion was finalised on 15.12.2009 and published in March 2010 Journal of ICAI) that in compliance of AS-26 on intangible assets, such expenditure should be charged to Profit & Loss Account even if a company is yet to start its commercial activities and for this purpose the Profit & Loss Account should be prepared. Moreover if earlier such amount has been capitalized in the balance sheet, the same should be dealt with as per the requirements of AS-5 i.e. should be treated as Prior Period Item. Accordingly the profit & loss account has been prepared by the company and preliminary expenses earlier capitalized in the balance sheet have been charged to profit & loss account as a prior period item.

12. Statement of Incidental Expenditure during Construction Period' containing all expenses required to be capitalized has been prepared and the same has been included in Capital Work In Progress.

13. The Company has agreed to pay a sum of Rs. 500,000,000/- plus applicable taxes to PFC/PFCCL on account of fees for providing advisory & professional services rendered by PFC/PFCCL. The fees for providing advisory& professional services is payable to PFC/PFCCL only when successful bidder for the Project will be selected and company will be transferred to successful bidder, therefore no liability has been provided for fees payable to PFC/PFCCL, the same will be charged in the year of transfer of the company to successful bidder.

14. As per the scheme of setting up of the project, entire expenditure to be incurred by the company for project exploration and initial spade work, including interest on funds deployed and Professional Fee of Rs. 500,000,000/- plus applicable taxes will be recovered from the successful bidder of the project as acquisition price for purchase of 100% equity shareholding of the company from its holding company, consequent upon which the company along with all its assets and liabilities shall stand transferred to such bidder.

15. As per decision of MOP, Procurers are required to pay commitment advance against their respective share of allocated power to them, without any obligation of payment of interest on commitment advance on part of the company. Accordingly commitment advance received from procurer without any obligation or commitment for payment of interest on commitment advance paid by them. However company has provided interest liability on commitment advance received from procurer as per decision of company.

16. Unsecured Loans (Commitment advance) and Sundry Creditors are subject to confirmation and reconciliation.

17. Auditors Remuneration

	2009-10	2008-09
Audit Fees	Rs. 62,500/-	Rs. 50,000/-
Service Tax	Rs. 6,438/-	Rs. 5,150/-

18. The Company has complied with all the applicable Accounting Standards notified under section 211 of the Companies Act 1956. However AS -22 relating to Deferred Tax Liability /Asset pertaining to timing difference is not applicable to the company in view of the fact that the company is still in the construction phase and yet to commence its operation.

19. The Company owes no dues to small-scale units at year-end and hence provision of interest does not arise. Further based on information available with the management, there are no dues payable to enterprises covered under "Micro, Small and Medium Enterprises Development Act, 2006".

20. Most of the additional information pursuant to the provisions of Paragraph 3, 4C and 4D of part II of Schedule VI to the Companies Act, 1956 are not applicable to the company as the project is still at its development stage and the company has yet to start its commercial activities. Applicable information is provided as under:

    a. Expenditure in foreign currency Rs. NIL(Previous year-Nil)

    b. Income in foreign exchange – Rs. NIL (Previous year-Nil)

21. Figures have been rounded off to the nearest Rupee unless otherwise stated. Previous year's figure have been re-grouped/ re-arranged, wherever practicable, to make them comparable with the current year.

22. The disclosure as per AS18 – Related Party Disclosure :

    The Coastal Maharastra Power Limited is a wholly owned subsidiary of Power Finance Corporation Ltd. All key decisions are taken by the Board of Coastal Maharastra Mega Power Limited where the PFC nominees exercise control.

    Detail of maximum debit balance during the period in the accounts of directors and other related parties as appeared in the accounts and as certified by the management is as under:

    Power Finance Corporation Ltd Amount Rs. 368,555,972/-

    Previous Year Rs. 375,281,327/-

    The related Party Transactions was done only with Holding Company (PFC), details are as follows:-

S.No.	Particulars	2009-10(Rs)	2008-09(Rs)
1.	Equity Contribution	Nil	Nil
2.	Loans taken during the year	Nil	Nil
3.	Interest Expense for the year	536,999/-	1,617,718/-
4.	Closing Balances		
(a)	Interest Payable	5,089,386/-	45,52,387/-
(b)	Interest Receivable	23,990,658/-	11,803,707/-
(c)	Loan & Advance (Receivable)	368,555,972/-	372,399,293/-

23. Schedule 1 to 9 form an integral part of the Financial Statements and have been authenticated

For and on behalf of Board of Directors

R. Nagarajan — **Chairman**

Alok Sud — **Director**

Signed in terms of our report of even date

For J.Bhagwan & Associates

Chartered Accountants

Place : New Delhi
Date : 15/05/2010

Jai Bhagwan Mittal
Partner
M.No. 84512

COASTAL MAHARASHTRA MEGA POWER LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2010

PARTICULARS	**Year ended 31st March 2010 Rs.**	Year ended 31st March 2009 Rs
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit/(Loss) as per Profit & Loss A/c	**(38,002)**	-
Prior Period Expenses/ Preliminary expenses	**38,002**	-
Operating profit before working capital changes	**-**	**-**
Adjustment For Increase/Decrease in:		
Other Current Assets	**(12,186,951)**	(11,803,707)
Loans & Advances	**3,843,321**	(372,399,293)
Current Liabilities & Provisions	**13,005,429**	15,394,173
TOTAL	**4,661,799**	(368,808,827)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Capital Work in Progress	**(4,662,349)**	(10,818,311)
TOTAL	**(4,662,349)**	(10,818,311)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Unsecured Loan	**-**	379,614,088
TOTAL	**-**	379,614,088
NET INCREASE/(DECREASE) IN CASH FLOW(A+B+C)	**(550)**	(13,050)
CASH & CASH EQUIVALENT AT THE BEGINNING OF THE YEAR	**886,045**	899,095
CASH & CASH EQUIVALENT AT THE END OF THE YEAR	**885,495**	886,045
Cash on hand and balance with banks	**885,495**	886,045
Other Cash and Cash Equivalents	**-**	-

For and on behalf of Board of Directors

R. Nagarajan — **Chairman**

Alok Sud — **Director**

Signed in terms of our report of even date

For & On Behalf of

For J.Bhagwan & Associates

Chartered Accountants

Place : New Delhi
Date : 15/05/2010

Jai Bhagwan Mittal
Partner
M.No. 84512

COASTAL MAHARASHTRA MEGA POWER LIMITED

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I **Registration details**

Registration No : **U40102DL2006GOI146953** State Code: 55

Balance Sheet Date :

Date	Month	Year
31	3	2010

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

Public Issue	Right issue
-	-
Bonus Issue	**Private Placement**
-	-

III **Position of Mobilsation and Deployment of Funds (Amount in Rs. Thousands)**

	Total Liabilities	Total Assets
	432,290	432,290
Sources of Funds	Paid up capital	Reserved & Surplus
	500	-
	Secured Loans	Unsecured Loans
	-	400,000
Application of Funds	Net Fixed Assets	Capital Work In Progress
	-	38,820
	Investment	Net Current Assets
	-	361,642
	Misc. Expenditure	Accumulated Losses
	-	38

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

Turnover	Total Expenditure
-	38
Profit/ Loss before Tax	Profit/ Loss after Tax
(38)	(38)
Earning per Share	Dividend
(0.76)	-

V **Generic Names of Three Priciples Products/Services of Company (as per monetary terms)**

1. Item Code No. (ITC Code)
   Product Description
2. Item Code No. (ITC Code)
   Product Description
3. Item Code No. (ITC Code)
   Product Description

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF COASTAL MAHARASHTRA MEGA POWER LIMITED, NEW DELHI, FOR THE YEAR ENDED 31 MARCH 2010

The preparation of financial statements of Coastal Maharashtra Mega Power Limited, New Delhi, for the year ended 31 March 2010 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The statutory auditors appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 15 May 2010.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under Section 619(3) (b) of the Companies Act, 1956 of the financial statements of Coastal Maharashtra Mega Power Limited, New Delhi, for the year ended 31 March 2010. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditors' report under Section 619(4) of the Companies Act, 1956.

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

Place: New Delhi **(M.K. Biswas)**
Dated: 04 August 2010 **Principal Director of Commercial Audit &**
Ex-officio Member Audit Board–III,New Delhi

ORISSA INTEGERATED POWER LIMITED

(A Wholly owned subsidiary of Power Finance Corporation Limited)

Directors' Report 2009-2010

To

The Members,

Your Directors have pleasure in presenting the 4th Annual Report on the performance of the Company for the financial year ending on 31st March, 2010 along with Audited Statement of Accounts, Auditor's Report thereon.

OPERATIONAL ACTIVITIES

Government of Orissa, vide notification dated 18th December, 2009 approved the waiver of 5% contribution from the profit of UMPP for peripheral development fund.

Application for land acquisition was submitted to IDCO on 3rd June, 2009. Since the proposed site falls in the Panchayat (Extension to Scheduled Areas) Act (PESA), therefore, as a part of the land acquisition process, the consent of the affected people was sought in the respective Gram Sabhas. The proposal was rejected in all the Gram Sabhas held in September, 2009.

After several rounds of discussions between representatives of District Administration, OIPL and local people, the proposal for setting up of the project was approved in the Gram Sabhas held in January, 2010. However, a condition has been imposed that the entire area of the three villages namely Kopasinga, Rupidihi and Lankahuda, along with all habitations, and also including the area adjoining the IB river is acquired. A letter, communicating this condition, was received from Commissioner-cum-Secretary to Govt. of Orissa on February 19, 2010, giving the revised proposal.

In the revised proposal, around 3250 acre of land will have to be acquired. However, as stipulated in the ToR of MoEF, the main plant boundary shall have to be kept 700m from the High Flood Line of the IB river. As such, the main plant, ash dyke and the colony would be constructed in the remaining area of around 2400 acre.

The revised proposal of Government of Orissa was reviewed by CEA and found to be suitable. It was recommended by CEA that the revised proposal given by Government of Orissa may be accepted and necessary action taken for land acquisition. Accordingly a revised application for land acquisition was submitted to IDCO on 10th March, 2010.

All the prerequisites required for the publication of RfQ as per the guidelines issued by Ministry of Power were completed, as mentioned below:

1. Section 4 notification for land of all the 6 villages required for the power station was published on June 2, 2010.
2. Rapid EIA report submitted by the Technical Consultant on 29th April, 2010, after incorporating the comments of CEA. Application for public hearing submitted to State Pollution Control Board, Orissa along with REIA report on 10th May, 2010.
3. Ministry of Coal, Govt. of India allocated Meenakshi (285 Mt), Meenakshi-B (250 Mt) and Dip side of Meenakshi (350 Mt) captive coal blocks located in Ib river coal field to Orissa Integrated Power Limited for this Project on September 13, 2006.
4. The Department of Water Resources, Government of Orissa (GoO) allocated water for the Project from the single source i.e. from Hirakud reservoir on 5.5.09, subject to the condition that OIPL will fund the development of additional storage scheme. After obtaining approval from the Board of Directors in the 17th meeting held on May 29, 2009, confirmation was given to Department of Water Resources on 23rd June, 2009 that OIPL shall bear the cost of the development of additional storage scheme.

The RfQ document, which was prepared based on the Standard Bid Documents issued by Ministry of Power, was published on June 11, 2010 after obtaining approval from the Board of Directors in the 21st meeting held on June 8, 2010. The last date of submission of RfQ is 30th July, 2010.

FINANCIAL REVIEW

During the year under review, your Company has not started its commercial activities. However, during the year the Company has spent an amount of Rs.892.62 Lacs in the development of the project which has been transferred to Capital work in progress.

DIVIDEND

As the Company has not started its commercial activities no dividend has been declared for the period commencing from 1st April, 2009 to 31st March 2010.

SHARE CAPITAL

The entire paid up share capital of the Company Continues to be held by Power Finance Corporation Limited and its nominees. The paid-up-capital of the Company remained Rs. 5,00,000/- consisting of 50,000 equity shares of Rs. 10/- each at the end of March, 2010.

FIXED DEPOSITS

The Company has not accepted any fixed deposit during the period ending 31st March 2010.

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

There are no significant particulars, relating to conservation of energy, technology absorption under the companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 as your company does not own any manufacturing facility. There was no foreign exchange earning and outgo during the year under consideration.

AUDITOR'S REPORT

M/s Shyam Sunder Singhal & Company, Chartered Accountants, were appointed by the Comptroller Auditor General of India as Statutory Auditors of the Company for the financial year 2009-2010. There are no adverse comments, observation or reservation in the Statutory Auditor's Report on the Accounts of the Company.

PARTICULARS OF EMPLOYEES U/S 217 (2A) OF THE COMPANIES ACT, 1956.

The Company has no employees on its roll. Hence, the particulars of employees as prescribed under section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are not applicable.

DIRECTORS

The Board of Directors presently comprise of the following eight members:

1.	Shri M. K. Goel	: Chairman
2.	Shri N. D. Tyagi	: Director
3.	Shri K. Sridhar	: Director
4.	Shri Ashwani Sharma	: Director
5.	Shri Yogesh Juneja	: Director
6.	Shri A. C. Malik	: Director(Rep. State of Orissa)
7.	Shri G. S. Sra	: Director(Rep. State of Punjab)
8.	Shri Y. K. Raizada	: Director(Rep. State of Rajasthan)

During the period under review, Shri N. D. Tyagi and Shri Yogesh Juneja have been nominated as Directors on the Board of the Company w.e.f. 30th December, 2009 by PFC (Holding Company).

In accordance with provisions of Companies Act, 1956 Shri K. Sridhar and Shri Ashwani Sharma, Directors shall retire by rotation at the ensuing Annual General Meeting of the Company and being eligible offers himself for re-appointment.

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

C&AG of India has mentioned vide their letter dated 28th June, 2010 intimate that they have decided not to review the report of the Statutory Auditors' on the accounts of the Company for the year ended 31st March, 2010 and as such have no comments to make under section 619(4) of the companies Act, 1956. A copy of the letter issued by C&AG in this regard is place at Annex-1.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to section 217(2AA) of the Companies Act, 1956, the Directors confirm that in the preparation of Annual Accounts for year ending on 31st March, 2010:-

- The applicable Accounting Standards has been followed along with proper explanation.
- Reasonable and prudent judgment and estimate were made so as to give a true and fair view of the state of affairs of the Company as on 31st March, 2010.
- Proper and sufficient care was taken 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.
- The Accounts have been prepared on a going concern basis.

ACKNOWLEDGEMENT

The Directors place on record their gratitude to the Central and State Governments and various Government agencies for the assistance, co-operation and encouragement they extended to the Company. The company, in particular, is thankful to the Comptroller & Auditor General of India, the Ministry of Power Govt. of Orissa, the Statutory Auditors and PFC for their suggestions and unstinted co-operation and guidance.

For and on behalf of the Board of Directors

Place : New Delhi **(M. K. Goel)**
Date : 14/07/2010 **Chairman**

AUDITOR'S REPORT

TO THE SHAREHOLDERS

1. We have audited the attached balance sheet, Profit & Loss account and cash flow statement of **M/s Orissa Integerated Power Limited** as at **31st march, 2010** for the year ended on that date. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with the auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from any material mis-statement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters in paragraph 4 and 5 of the said Order to the extent applicable.
4. Further to our comments in the Annexure referred to above, we report that:
   (i) 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.
   (ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of the books;
   (iii) The balance sheet, Profit & Loss account and cash flow statement dealt with by this report are in agreement with the books of account;
   (iv) In our opinion, the balance sheet, Profit & Loss account and cash flow statement comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act 1956.
   (v) Being a government company, section 274(1)g of the Companies act,1956 is not applicable.
   (vi) In our opinion and to the best of our information and according to the explanations given to us, the annexed accounts, read together with other notes thereon and significant accounting policies in schedule 7, gives the information required under the Companies Act, 1956 in the manner so required and give a true & fair view

   In the case of the **balance sheet**, of the **state of affairs** of the company as at 31 march 2010,

   In case of the **Profit & Loss Account**, of the loss of the company for the year ended on that date, and
3. In the case of the **cash flow statement,** of the cash flow ended on that date.

For Shyam Sunder Singhal & Company
Chartered Accountants
ICAI Firm Registration No : 000544N

Place : New Delhi **(Shyam Sunder Singhal)**
Dated: 08.06.2010 **M.com,LLB,FCA,DISA**
Sr. Partner
M No. 11181

Annexure to the Auditor's Report

(Referred to in paragraph 3 of our report of even date)

Re: ORISSA INTEGERATED POWER LIMITED

1. (a) In our opinion and according to information and explanation given to us, the company has maintained proper records showing full particulars, including details and situation of fixed assets as per provision of para 4(i) (a) of the Companies (Auditors Report) Order, 2003
   (b) In our opinion and according to information and explanation given to us the fixed assets have been physically verified by the management during the year which, in our opinion, is reasonable, having regard to the size of the company and nature of the assets as per provision of para 4(i) (b) of the companies (Auditors Report) Order, 2003.
   (c) In our opinion and according to information and explanation given to us There was no disposal of any substantial part of fixed assets during the year as per provision of para 4(i) (c) of the companies (Auditors Report) Order, 2003.
2. The Company does not have any inventories.
3. a) As per management certificate given by the Management, the company has not taken any loans secured or unsecured from/ to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
   b) The Company has given an advance of Rs.40,00,00,000/- to its holding company Power Finance Corporation Ltd. to incur expenditure in connection with the development of Company's Power Project. The terms and conditions of the loan are prima facie not prejudicial to the interest of the Company. The un-spent amount of advance along with interest accrued thereon shall be repaid by the holding company at the time of final handing over of the project to its successful bidder, for onward repayment to state electricity boards.
   c) As the company has not granted any loans secured or unsecured, the provision of para 4(iii) (b) (c) of the companies (auditors Report) Order 2003 is not applicable to Company.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to the purchase of the inventory, fixed assets and sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
5. According to the information and explanation given to us, there are no transactions made in pursuance of the contracts or arrangements that

need to be entered in the register maintained under section – 301 of the Companies Act, 1956.

6. No deposits within the meaning of provisions of section 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 have been accepted by the company.
7. The company does not have internal audit system looking into the size of operation at present.
8. In our opinion and according to the information and explanations given to us, the Central government has not prescribed maintenance of cost records under section 209(1)(d) of the Companies Act, 1956.
9. In respect of statutory dues:
   (a) According to the information and explanations given to us no undisputed amounts payable in respect of the aforesaid dues were in arrears, as at 31st march 2010 for a period more than six months from the date they became payable.
   (b) According to the information and explanations given to us, there are no dues of income tax, wealth tax, sales tax, service tax, custom duty, excise duty and cess which have not been deposited on account of any dispute.
10. The company has accumulated losses as at the end of the year. However it has not incurred any cash losses during the financial year covered by our audit and in the immediately preceding financial year.
11. Based on our audit procedures and according to the information and explanation given to us, we are of the opinion that the company has not defaulted in repayment of dues to financial institutions and banks. The Company has not issued any debentures.
12. In our opinion and according to the information and explanations given to us, no loans and advances have been granted by the company on the basis of the security by way of pledge of shares, debentures and other securities.
13. In our opinion, the company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, clause 4(xiii) of the Companies (Auditors' Report) Order, 2003 is not applicable to the company.
14. In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditors' Report) Order, 2003 is not applicable to the company.
15. The company has not given guarantees for loans taken by the others from banks or financial institutions.
16. In our opinion, no term loans have been raised by the Company.
17. According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we are of the opinion that there are no funds raised on short-term basis that have been used for long-term investment.
18. During the year, the company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
19. The company has not issued any debentures.
20. The company has not raised any money by way of public issue during the year.
21. In our opinion and according to the information and explanation given to us, no fraud on or by the company has been noticed or reported during the year that causes the financial statements to be materially misstated.

For Shyam Sunder Singhal & Company
Chartered accountants
ICAI Firm Registration No:000544N

(Shyam Sunder Singhal)
M.com,LLB,FCA,DISA
Sr. Partner
M. No. 11181

Place: New Delhi
Dated: 08.06.2010

ORISSA INTEGERATED POWER LIMITED

BALANCE SHEET AS AT 31st MARCH 2010

PARTICULARS	SCHEDULE	As on 31st March 2010 Rs.	As on 31st March 2009 Rs.
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	500,000	500,000
LOAN FUNDS			
Unsecured Loans	2	400,000,000	400,000,000
TOTAL		400,500,000	400,500,000
APPLICATION OF FUNDS			
FIXED ASSETS	3		
a) Gross Block		366,343	-
Less : Depreciation		56,037	-
Net Block		310,306	-
b) Capital Work in Progress	4	122,950,119	33,687,658
		123,260,425	33,687,658
INVESTMENTS		-	-
CURRENT ASSETS, LOANS & ADVANCES	5		
a) Cash & Bank Balances		498,350	2,498,900
b) Other Current Assets		64,954,606	56,598,222
c) Loans & Advances		287,243,337	366,347,317
		352,696,293	425,444,439
Less : CURRENT LIABILITIES & PROVISIONS	6		
Current Liabilities		77,668,557	60,843,937
Provisions		-	-
		77,668,557	60,843,937
NET CURRENT ASSETS		275,027,736	364,600,503
MISCELLANEOUS EXPENDITURE			
(To the extent not written off or adjusted)			
Preliminary Expenses		-	2,211,839
Profit & Loss A/c		2,211,839	-
TOTAL		400,500,000	400,500,000
EXPENDITURE DURING CONSTRUCTION PERIOD	7		
SIGNIFICANT ACCOUNTING POLICIES	8		
NOTES TO ACCOUNTS	9		
Schedule referred above form an integral part of Balance Sheet			

For & On Behalf of Board of Directors

M.K. Goel	K.Sridhar	Ashwani Sharma
Chairman	Director	Director

SIGNED IN TERMS OF OUR REPORT OF EVEN DATE
For & On Behalf of
Shyam Sunder Singhal & Company
CHARTERED ACCOUNTANTS

Place : New Delhi **Shyam Sunder Singhal**
Date : 08/06/2010 **Partner**
M. No. 11181

ORISSA INTEGERATED POWER LIMITED

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2010

PARTICULARS	SCHEDULE	For the year ended 31st March 2010 Rs.	For the year ended 31st March 2009 Rs.
Income		NIL	NIL
		-	-
Expenses			
Prior Period Expenses			
(Preliminary Expenses written off)		2,211,839	-
		2,211,839	-
Net Profit/(Loss) for the year		(2,211,839)	-
Net Loss Carried to Balance Sheet		2,211,839	-
Basic & Diluted Earning per share of Rs.10 each		(44.24)	
EXPENDITURE DURING CONSTRUCTION PERIOD	7		
SIGNIFICANT ACCOUNTING POLICIES	8		
NOTES TO ACCOUNTS	9		

Schedule referred above form an integral part of Profit & Loss Account

For & On Behalf of Board of Directors

M.K. Goel	K.Sridhar	Ashwani Sharma
Chairman	Director	Director

SIGNED IN TERMS OF OUR REPORT OF EVEN DATE
For & On Behalf of
Shyam Sunder Singhal & Company
CHARTERED ACCOUNTANTS

Place : New Delhi **Shyam Sunder Singhal**
Date : 08/06/2010 **Partner**
M. No. 11181

ORISSA INTEGERATED POWER LIMITED

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

SCHEDULE '1'
SHARE CAPITAL

	As on 31st March 2010 Rs.	As on 31st March 2009 Rs.
AUTHORISED		
50,000 Equity Shares of Rs. 10/- each	500,000	500,000
(Previous year 50,000 Equity Shares of Rs. 10/- each)		
	500,000	500,000
ISSUED, SUBSCRIBED & PAID UP		
50,000 Equity Shares of Rs. 10/- each fully paid up	500,000	500,000
(Previous year 50,000 Equity Shares of Rs. 10/- each)		
(Wholly owned by Power Finance Corporation Ltd.)		
	500,000	500,000

SCHEDULE '2'
UNSECURED LOANS

Commitment Advance Received From Procurers	400,000,000	400,000,000
	400,000,000	400,000,000

SCHEDULE '3'
FIXED ASSETS

FIGURES IN RUPEES

	GROSS BLOCK				DEPRECIATION BLOCK				NET BLOCK	
Particulars	Opening Balance As at 01-04-2009	Addtion during the year	Sales/ Adjustments during the year	As at 30.03.2010	As at 1.04.2010	Dep. during the year	Disposed/ Written off during the year	As at 31.03.2010	As at 31.03.2010	As at 31.03.2009
Furniture & Fixtures	-	205,343	-	205,343	-	24,540	-	24,540	180,803	-
EDP Equipments	-	97,000	-	97,000	-	25,619	-	25,619	71,381	-
Other Office Equipments	-	64,000	-	64,000`	-	5,878	-	5,878	58,122	-
Total	-	366,343	-	366,343	-	56,037	-	56,037	310,306	-
Previous Year	-	-	-	-	-	-	-	-	-	-

SCHEDULE '4'
CAPITAL WORK IN PROGRESS

	As on 31st March 2010 Rs.	As on 31st March 2009 Rs.
Opening Balance	33,687,658	14,352,087
CWIP: Transferred from Expenditure During Construction Period(Schedule -7)	42,075,241	19,335,571
	75,762,899	33,687,658
Capital Expenditure for Land	47,187,220	-
	122,950,119	33,687,658

SCHEDULE '5'
CURRENT ASSETS, LOANS & ADVANCES

	As on 31st March 2010 Rs.	As on 31st March 2009 Rs.
a. Cash and Bank Balances		
Cash in Hand	-	-
Balances with Scheduled Bank in Current Accounts (SBI)	498,350	2,498,900
	498,350	2,498,900
b. Other Current Assets		
Interest Receivable from PFC	64,954,606	56,598,222
	64,954,606	56,598,222
c. Loans & Advances		
(Unsecured, Considered Good)		
Power Finance Corporation Limited	278,867,174	357,354,359
TDS Refundable	8,376,163	6,566,058
Advance for Consultancy Assignment	-	2,426,900
	287,243,337	366,347,317
TOTAL (a+b+c)	352,696,293	425,444,439

SCHEDULE '6'

CURRENT LIABILITIES AND PROVISIONS

	As on 31st March 2010 Rs.	As on 31st March 2009 Rs.
CURRENT LIABILITIES		
Interest Accrued but not due		
Procurers	**71,356,537**	52,812,323
Power Finance Corporation	**5,734**	5,216
Sundry Creditors	**3,227,715**	-
Others		
Audit Fees Payable	**62,044**	49,470
Earnest Money Deposit	**-**	400,000
TDS Payable	**2,068,226**	7,288,215
Expenses Payable	**948,301**	288,713
	77,668,557	60,843,937

SCHEDULE '7'

EXPENDITURE DURING CONSTRUCTION PERIOD

a. Expenses		
Administrative Expense including Manpower Charges	**15,626,419**	15,035,856
Bank Charges	**562**	550
Audit Fees	**68,938**	55,150
Consultancy Charges	**1,278,581**	280,325
Depreciation	**56,037**	-
Advertisement Expenses	**519,138**	132,003
Fees & Legal Expenses	**6,147**	54,000
Conference & Meetings	**688,323**	-
Interest	**20,605,235**	32,138,797
Survey and Investigation	**13,392,350**	-
Total (a)	**52,241,730**	47,696,681
b. Other Income		
Interest Receivable (TDS Rs.Nil, Previous year Rs.7,98,526/-)	**10,166,489**	28,361,110
Total (b)	**10,166,489**	28,361,110
Balance (a-b) Carried to CWIP Schedule - 4	**42,075,241**	19,335,571

Schedule - '8'

Significant Accounting Policies

1. The Company prepares its financial statements in accordance with applicable accounting standards and generally accepted accounting principles and also in accordance with requirements of the Companies Act, 1956.

2. **Revenue Recognition:**

Income and expenses (except as stated below) are accounted for on accrual basis. Fees for advisory and professional services for developing Ultra Mega Power Project payable to PFC/PFCCL will be accounted for in the year of transfer of the company to the successful bidder.

3. **Fixed Assets/ Depreciation:**

   a. Fixed assets are shown at historical cost less current/ accumulated depreciation. The company capitalizes all direct cost including borrowing cost up to the date of commercial use of such assets.

   b. Depreciation on assets is provided on Written Down Value method, in accordance with the rates prescribed in Schedule XIV of the Companies Act, 1956.

   c. Items of fixed assets acquired during the year costing up to Rs. 5,000/- are fully depreciated.

4. **Capital work In Progress:**

   Expenditure incurred on Survey/Studies/Investigations/Consultancy/Administration/Depreciation/Interest etc has been treated as Capital Work In Progress.

5. **Loans:**

   Expenditure incurred by the company for the Project is financed by the Holding Company/ Procurers and considered as Unsecured Loan. Interest has been charged on funds deployed by them.

6. **Loans and Advances**

   The Surplus fund parked by the company with the Holding company (PFC) has been considered as loan and advances and interest has been claimed on such funds from Holding company.

7. Investments are stated at cost.

8. Borrowing cost is charged to the profit & loss account for the year in which it is incurred except for capital assets which is capitalized till the date of commercial use of the assets.

9. Preliminary expenses were being written off hitherto in the year in which the company would start its commercial activities. However in compliance of the opinion of the Expert Advisory Committee (EAC) of The Institute of Chartered Accountants of India the same has been charged to the Profit & Loss account in the year in which such expenditure has been incurred.

10. Contingent liabilities are not provided but are disclosed by way of notes on the basis of available information/judgment of the management.

Schedule – '9'

Notes to Accounts

1. The Company was incorporated on 24/08/2006 under the Companies Act, 1956 as a wholly owned subsidiary of Power Finance Corporation Limited (PFC), a Govt. of India Undertaking. Certificate for Commencement of Business was issued on 29/09/2006. The Company is a special purpose vehicle incorporated to facilitate the acquisition of land and complete preliminary work regarding statutory clearances including that of environment, forest etc. for the purpose of establishing ultra mega power project of 4000 MW in the state of Orissa (Project).

2. The Key Management Personnel of the Company are employees of the Power Finance Corporation Ltd (PFC)/Holding Company & PFC Consulting Ltd (A wholly owned subsidiary of PFC) and deployed on Part Time basis.

   The details of such Key Management Personnel are as follows:

S. No.	Name	Designation	Date of Appointment	Date of Cessation
1.	Shri M.K.Goel	Chairman	02.11.2007	Continuing
2.	Shri G.S. Sra	Director	02.11.2007	Continuing
3	Shri G. Dastidar	Director	02.11.2007	20.08.2009
4.	Shri A.C.Malik	Director	02.11.2007	Continuing
5.	Shri Y.K.Raizada	Director	21.02.2008	Continuing
6.	Shri C. Gangopadhyay	Director	24.12.2008	30.12.2009
7.	Shri K. Sridhar	Director	24.12.2008	Continuing
8.	Shri N.D.Tyagi	Director	30.12.2009	Continuing
9.	Shri Yogesh Juneja	Director	30.12.2009	Continuing
10.	Shri Ashwani Sharma	Director	12.06.2009	Continuing

3. Pursuant to the Financing Agreement between PFC and the Company, the entire expenditure on development of the Project being developed by the Company shall be incurred by PFC from its own funds until receipt of the commitment advance from the procurers and thereafter out of Commitment Advance received from Procurers.

4. Employees working for the Company are from PFC (Holding Company) and PFC Consulting Ltd(PFCCL)/(A wholly owned subsidiary of PFC). The related expenses are paid by the Holding Company for PFC employees and allocated to the Company on the basis of percentage of involvement of concerned employees for the work. These expenses appearing as Administrative Expenses in the "Expenditure during Construction period" amounted to 1,56,26,419/-(Previous Year Rs. 1,50,35,856/-) and include Salary of PFC employees and related expenses, manpower charges of PFCCL employees, expenses on account of Traveling & Conveyance, Printing & Stationery, Telephone, Hospitality, Office Maintenance, Depreciation on Fixed Assets owned by holding company and other common administrative expenses apportioned and allocated by the holding company. Original

Supporting bills in respect of expenditure incurred by the holding company are retained by them of which copies are available with the Company. The holding company PFC is complying all the statutory provisions relating to the 'Deduction of tax at source' etc. applicable to these allocated expenses. The total expenditure during the construction period along with interest shall be recovered by PFC from the successful bidder at the time of award of the project.

5. Administrative Expenses includes manpower charges of Rs. 1,11,13,828/- of PFCCL employees, charged by PFCCL on the basis of cost to company based on actual man days spent for the Company as per invoice raised by PFCCL, which include charges for Sh. N.D.Tyagi Rs.6,06,650/-, Sh.G.Dastidar Rs.7,76,512/-, Sh.Ashwani Sharma Rs.26,20,728/- and Sh. C.Gangopadhay Rs.5,82,384/- who are/were the directors of the Company.

6. In view of decision of Ministry of Power, Government of India, the Company has received, entire Commitment Advance of Rs. 40,00,00,000/- (Previous Year Rs 40,00,00,000/-) from the Power Procuring Utilities (Procurers), as their contribution against allotment of specified quota of power to be made on completion of the project by way of a Power Purchase Agreement with respective Procurers and successful bidder. The said commitment advance has been shown in the Balance Sheet as Unsecured Loan. The Company is under no obligation to pay interest on the commitment advance, but as per the decision taken by the Company/ Holding company, interest has been provided on this commitment advance. The said commitment advance along with accrued interest as per terms of financing agreement shall be repayable to the procurers within 15 days from the date of transfer of the company by the Holding Company to its successful bidder.

7. Pursuant to the Financing Agreement with PFC total commitment advance of Rs. 40,00,00,000/- (Previous Year Rs 40,00,00,000/-) received from procurers was given to the Holding Company (PFC) to meet out expenditures for the project on behalf of the company and to invest/ retain remaining unutilized portion of commitment advance as short term deposit which, along with interest due thereon is appearing under the head Current Assets in the Balance Sheet.

8. The expenditures on development of the project were incurred by PFC from its own funds until receipt of the commitment advance from the procurers. The Company pays interest to PFC on the expenses incurred by them on behalf of the company and also to the Procurers on commitment advance bifurcating into fund utilized for the project and funds unutilized at rates as per the policy of the holding company. The interest paid on the utilized amount of funds is at rate charged by PFC for the 'Term Loans for large generation projects of reforming States (Pre-COD)' as determined from time to time, and on unutilized portion of funds, the interest paid/ received is on 'monthly average short term deposit rate of PFC'. Interest on unutilized portion of funds is receivable from PFC and the same is payable to procurers. Interest expenses of Rs. 2,06,05,235/- includes interest on borrowed fund amounting to Rs. 2,06,05,203/- (Gross) (Previous Year Rs 3,21,38,797/-) for the year comprised of interest of Rs. 1,01,66,489/-(Previous Year Rs 2,83,61,110/-) on unutilized portion and Rs. 1,04,38,714/- (Previous Year Rs 37,77,687/-) on utilized portion (including Rs.518/-, Previous year Rs. 507/- payable to PFC on amount spent by it before receipt of advance from procurers.). Interest so payable (Net of interest receivable from PFC) is capitalized under the head 'Capital Work In Progress'. Interest payable to procurers being accrued but not due is shown under the head current liabilities.

9. The Company has agreed to pay a sum of Rs 50,00,00,000/- plus applicable taxes to PFC/PFCCL on account of fees for providing advisory & professional services rendered by PFC/PFCCL. The fees for providing advisory& professional services to PFC/PFCCL is payable only when successful bidder for the Project will be selected and company will be transferred to successful bidder, therefore no liability has been provided for fees payable to PFC/PFCCL, the same will be charged in the year of transfer of the company to successful bidder.

10. As per the scheme of setting up of the project, entire expenditure to be incurred by the company for project exploration and initial development work, including interest on funds deployed and Professional Fee of Rs. Rs.50,00,00,000/- plus applicable taxes will be recovered from the successful bidder of the project as acquisition price for purchase of 100% equity shareholding of the company from its holding company, consequent upon which the company along with all its assets and liabilities shall stand transferred to such bidder.

11. i) Estimated amount of contracts remaining to be executed on Project (Capital Work in Progress) and not provided for Rs. 1,85,30,504/- (Previous Year Rs.2,25,61,204/-)

    ii) Contingent liabilities of the company and claims against the company not acknowledged by the company as certified by the management for the period is Rs.Nil (Previous year Nil).

12. Unsecured Loans (Commitment advance), interest payable thereof, and Sundry Creditors are subject to confirmation and reconciliation.

13. Auditors Remuneration

	2009-10 Rs.	2008-09 Rs.
Audit Fees	62,500/-	50,000/-
Service Tax	6,438/-	5,150/-
	68,938/-	**55,150/-**

14. The Company owes no dues to small-scale units at year end and hence provision of interest does not arise. Further based on information available with the management, there are no dues payable to enterprises covered under " Micro,Small and Medium Enterprises Development Act, 2006."

15. Figures have been rounded off to the nearest rupees unless otherwise stated.

16. Previous year's figure have been re-grouped/ re-arranged, wherever practicable, to make them comparable with the current year.

17. Hitherto preliminary expenses were being written off in the year in which the company starts its commercial activities. However the Expert Advisory Committee (EAC) of The Institute of Chartered Accountants of India has opinioned (Opinion was finalised on 15.12.2009 and published in March 2010 Journal of ICAI) that in compliance of AS-26 on intangible assets, such expenditure should be charged to Profit & Loss Account even if a company is yet to start its commercial activities and for this purpose the Profit & Loss Account should be prepared. Moreover if earlier such amount has been capitalized in the balance sheet, the same should be dealt with as per the requirements of AS-5 i.e. should be treated as Prior Period Item. Accordingly the profit & loss account has been prepared by the company and preliminary expenses earlier capitalized in the balance sheet have been charged to profit & loss account as a prior period item.

18. The disclosure as per AS18 – Related Party Disclosure:

    The Orissa Integerated Power Limited is a wholly owned subsidiary of Power Finance Corporation Ltd. All key decisions are taken by the Board of Orissa Integerated Power Limited.

    Detail of maximum debit balance during the period in the accounts of directors and other related parties as appeared in the accounts and as certified by the management is as under:

    Power Finance Corporation Ltd Amount Rs. 35,87,21,125/-
    Previous Year Rs. 38,08,85,799/-

    The related Party Transactions was done only with Holding Company details are as follows:-

S.No	Particulars	2008-09 (Rs.)	2007-08 (Rs.)
1.	Interest Payable for the year	518/-	507/-
2.	Interest Receivable for the year	1,01,66,489/-	2,83,61,110/-
3.	Closing Balances		
(a)	Interest Payable	5,734/-	5,216/-
(b)	Interest Receivable	6,49,54,606/-	5,65,98,222/-
(c)	Loan & Advance (Receivable)	27,88,67,174/-	35,73,54,359/-

19. Expenditure during Construction Period (Schedule-7) containing all expenses required to be capitalized has been prepared and the same has been included in Capital Work In Progress.
20. During the year the company has paid Rs.4,68,09,400/- to Orissa Industrial Infrastructure Development Corporation (IDCO) towards administrative and establishment charges of collector, Sundargarh and IDCO for processing of acquisition of land for Orissa UMPP. In addition the company has also incurred Rs.3,77,820/- towards Gram Sabha expenses for land acquisition. The same has been shown in the balance sheet as Capital work in progress being in the nature of capital expenditure.
21. The additional information pursuant to the provisions of Paragraph 3, 4C and 4D of part II of Schedule VI to the Companies Act, 1956 are not applicable to the company as the project is still at its development stage and the company has yet to start its commercial activities. Applicable information is provided as under:
    a. Expenditure in foreign currency – NIL (Previous year-Nil)
    b. Income in foreign exchange –NIL (Previous year-Nil)
22. The Company has complied with all the applicable Accounting Standards notified under section 211 of the Companies Act 1956. However AS -22 relating to Deferred Tax Liability /Asset pertaining to timing difference is not applicable to the company in view of the fact that the company is still in the construction phase and yet to commence its operation.
23. Schedule 1 to 9 form an integral part of the Financial Statements and have been authenticated

For & On Behalf of Board of Directors

(M.K. Goel) **Chairman** | **(K.Sridhar)** **Director** | **(Ashwani Shrma)** **Director**

SIGNED IN TERMS OF OUR REPORT OF EVEN DATE
For & On Behalf of
Shyam Sunder Singhal & Company
Chartered Accountants

Place : New Delhi
Date : 08/06/2010

Shyam Sunder Singhal
Sr.Partner
M. No. 11181

ORISSA INTEGERATED POWER LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2010

		Year ended 31st March 2010 Rs.	Year ended 31st March 2009 Rs.
A.	**CASH FLOW FROM OPERATING ACTIVITIES**		
	Net Profit/(Loss) as per Profit & Loss A/c	**(2,211,839)**	-
	Prior Period Expenses/ Preliminary expenses	**2,211,839**	-
	Operating profit before working capital changes	**-**	-
	Adjustment For Increase/Decrease in:		
	Other Current Assets	**(8,356,384)**	(27,562,584)
	Loans & Advances	**79,103,980**	20,310,375
	Current Liabilities & Provisions	**16,824,620**	28,587,230
	TOTAL	**87,572,216**	21,335,021
B.	**CASH FLOW FROM INVESTING ACTIVITIES**		
	Capital Work in Progress (Net of deperciation)	**(89,206,424)**	(19,335,571)
	Purchase of fixed assets	**(366,343)**	-
	TOTAL	**(89,572,767)**	(19,335,571)
C.	**CASH FLOW FROM FINANCIAL ACTIVITIES**		
	Issue of Share Capital	**-**	-
	TOTAL	**-**	**-**
	NET INCREASE/(DECREASE) IN CASH FLOW(A+B+C)	**(2,000,551)**	1,999,450
	CASH & CASH EQUIVALENT AT THE BEGINNING OF THE YEAR	**2,498,900**	499,450
	CASH & CASH EQUIVALENT AT THE END OF THE YEAR	**498,350**	2,498,900
	Cash on hand and balance with banks	**498,350**	2,498,900
	Other Cash and Cash Equivalents	**-**	-

For & On Behalf of Board of Directors

M.K. Goel **Chairman** | **K.Sridhar** **Director** | **Ashwani Sharma** **Director**

SIGNED IN TERMS OF OUR REPOR OT EVEN DATE
For & On Behalf of
Shyam Sunder Singhal & Company
CHARTERED ACCOUNTANTS

Place : New Delhi
Date : 08/06/2010

Shyam Sunder Singhal
Partner
M. No. 11181

ORISSA INTEGERATED POWER LIMITED

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I **Registration details**

Registration No :	**U40102DL2006GOI152423**	State Code: 55

Balance Sheet Date :

31	3	2010
Date	Month	Year

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

Public Issue	Right issue
-	-
Bonus Issue	Private Placement
-	-

III **Position of Mobilsation and Deployment of Funds (Amount in Rs. Thousands)**

	Total Liabilities	Total Assets
	478,169	**478,169**
Sources of Funds	Paid up capital	Reserve and Surplus
	500	-
	Secured Loans	Unsecured Loans
	-	**400,000**
Application of Funds	Net Fixed Assets	Capital Work in Progress
	310	**122,950**
	Investment	Net Current Assets
	-	**275,028**
	Misc. Expenditure	Accumulated Losses
	-	**2,212**

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

Turnover	Total Expenditure
-	**2,212**
Profit/ Loss before Tax	Profit/ Loss after Tax
(2,212)	**(2,212)**
Earning per Share	Dividend
(44.24)	-

V **Generic Names of Three Priciples Products/Services of Company (as per monetary terms)**

1. Item Code No. (ITC Code)	
Product Description	
2. Item Code No. (ITC Code)	
Product Description	
3. Item Code No. (ITC Code)	
Product Description	

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF ORISSA INTEGERATED POWER COMPANY LIMITED, NEW DELHI FOR THE YEAR ENDED 31 MARCH 2010

The preparation of financial statements of Orissa Integerated Power Company Limited, New Delhi, for the year ended 31 March 2010 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The statutory auditors appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 08 June 2010.

I, on behalf of the Comptroller and Auditor General of India, have decided not to review the report of the Statutory Auditors on the accounts of Orissa Integerated Power Company Limited, New Delhi, for the year ended 31 March 2010 and as such have no comments to make under Section 619(4) of the Companies Act, 1956.

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

Place: New Delhi **(M.K. Biswas)**
Dated: 28 June 2010 **Principal Director of Commercial Audit &**
Ex-officio Member Audit Board–III,New Delhi

COASTAL TAMIL NADU POWER LIMITED

(A Wholly owned subsidiary of Power Finance Corporation Limited)

Directors' Report 2009-2010

To

The Members,

Your Directors have pleasure in presenting their 3rd Annual Report on the working of the Company for the financial year ended 31st March, 2010 together with the Audited Statement of accounts and Auditor's Report thereon.

OPERATIONAL ACTIVITIES

Your Company has been established on 9th January, 2007 as a Special Purpose Vehicle (SPV) by Power Finance Corporation Limited (PFC) to undertake developmental activities for the proposed Ultra Mega Power Project in the State of Tamil Nadu as per the Tariff based competitive bidding guidelines issued by Ministry of Power, Govt. of India.

Application for acquiring land under Tamil Nadu Land Acquisition for Industrial Purposes Act, 1997 for main plant & ash dyke has been filed with Collector & District Magistrate Kancheepuram on 14th November, 2008. Total land required for main plant and ash dyke is 1455 acres. Administrative sanction for the land was issued by the State Govt. on 6th July 2009. Section 3(2) notification of 786 acres out of 803 acres of patta land was published.

Application for acquiring 24.29 acres of Forest land has been submitted to District Forest Officer on 28th July, 2009. Undertakings as desired by forest deptt. were submitted for acquisition of twice the extent of Forest land i.e. around 50 acres which will be diverted for the purpose of carrying out Compensatory afforestation.

Term of Reference for conducting Environmental Studies for main plant area has been approved by Ministry of Environment and Forest, Govt. of India on 24th February, 2009. Rapid Environmental Impact Assessment (REIA) report has been prepared and submitted to Tamil Nadu Pollution Control Board (TNPCB) for conducting Public Hearing. Public hearing for Environmental Clearance has been conducted by TNSPCB on 10th June 2010.

Techno-economic feasibility study for transportation of coal through Belt Conveyor system from Port to Power plant has been awarded to M/s RITES Ltd and the draft report has been prepared.

In-principle approval for establishment of Captive Port at Pannaiyur village was received from Tamil Nadu Maritime Board on 30th September, 2009. Application for land acquisition for Port site at Pannaiyur village and Land Plan Schedules for 95 acres private land has been submitted to District Collector, Kancheepuram. Administrative approval for captive port land is under process. Civil Aviation clearance has been received from Airport Authority of India (AAI) on 21st December, 2009.

Marine Environment Impact Assessment Studies for the Port has been awarded to M/s National Institute of Ocean Technology (NIOT). ToR for conducting Environmental studies has been approved by MoEF, GoI on 1st February, 2010 and as per the approved ToR, Environmental Impact Assessment (EIA) studies for three seasons are under progress.

Topographic survey for port site has been completed and report prepared. Area drainage, Geo-technical studies and socio-economic studies for port site are in progress.

Coastal Morphology studies for port site has been awarded to Institute of Ocean Management, Anna University, Chennai.

FINANCIAL REVIEW

During the year under review, your company has not started its commercial activities. However, the company during the year has spent an amount of Rs. 594.02 Lacs on the development of the project which was transferred to capital work in progress.

DIVIDEND

As the company has not started its commercial activities, the company has not declared any dividend for the period commencing from 1st April, 2009 to 31st March 2010.

SHARE CAPITAL

The entire paid-up share capital of the company continues to be held by Power Finance Corporation Ltd. and its nominees. The paid-up share capital of the company remained to Rs.5,00,000/- consisting of 50,000 equity shares of Rs.10/- at the end of march, 2010.

COMMITMENT ADVANCE

Commitment Advance totaling Rs.40 Crores from all the power procuring states as per their allocation of power has been received.

FIXED DEPOSITS

The company has not accepted any fixed deposit during the period ending 31st March 2010.

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

There are no significant particulars, relating to conservation of energy, technology absorption under the companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988, as your company does not own any manufacturing facility. During the year under review, there is no foreign exchange earning and outgo.

AUDITOR'S REPORT

M/s Rajiv Gupta & Co., Chartered Accountants, was appointed by the Comptroller Auditor General of India as Statutory Auditors of the Company for the financial year 2009-2010. There are no adverse comments, observation or reservation in the auditor's report on the accounts of the Company.

PARTICULARS OF EMPLOYEES U/S 217 (2A) OF THE COMPANIES ACT, 1956.

The Company has no employees on its roll. Hence, the particulars of employees as prescribed under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are not applicable.

DIRECTORS

The Board of Directors presently comprise of eight members consists of:

1.	Shri R. Nagarajan	: Chairman
2.	Shri N. D. Tyagi	: Director
3.	Shri A. Dharamaraj	: Director (Representing Govt. of Tamilnadu)
4.	Shri K. Vijayanand	: Director(Representing Govt. of Andhra Pradesh)
5.	Shri N. Vijaynarsimha	: Director(Representing Govt. of Karnataka)
6.	Shri Dinesh Vij	: Director
7.	Shri A. K. Gupta	: Director
8.	Shri Yogesh Juneja	: Director

During the period under review, nominees of top three power procuring States i.e. Tamilnadu, Andhra Pradesh and Karnataka are inducted on the Board of the Company. Shri R. Nagarajan, Director (Finance) PFC has been nominated and appointed as Chairman w.e.f. 31st December, 2009 by Power Finance Corporation Ltd.(PFC) in place of Shri Rajeev Sharma, Director(Projects), PFC. Further, Shri N. D. Tyagi and Shri Yogesh Juneja have been nominated and appointed as Directors w.e.f. 31st December, 2009 by Power Finance Corporation Ltd.(PFC).

The Board of Directors place on record deep appreciation for valuable contributions made by Shri Rajeev Sharma and Shri S. P. Pathak.

In accordance with provisions of Companies Act, 1956 Shri Dinesh Vij and Shri A. K. Gupta Directors shall retire by rotation at the ensuing Annual General Meeting of the Company and being eligible offers himself for re-appointment.

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

C&AG of India vide their letter dated 4th August, 2010 has intimated that on the basis of audit, nothing Significant has come to their knowledge which would give rise to any comment upon or supplement to Statuary Auditor's Report under section 619(4) of the companies Act, 1956 A copy of the letter issued by C&AG in this regard is place at Annex-1.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to section 217(2AA) of the Companies Act, 1956, the Directors confirm as follows in the preparation of annual accounts ended 31st March, 2010:-

- The applicable accounting standards has been followed along with proper explanation.
- Reasonable and prudent judgment and estimate were made so as to give a true and fair view of the state of affairs of the Company as on 31st March, 2010.
- Proper and sufficient care was taken 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.
- The accounts have been prepared on a going concern basis.

ACKNOWLEDGEMENT

The Directors place on record their gratitude to the Central and State Governments and various Government agencies for the assistance, co-operation and encouragement they extended to the company. The company, in particular, is thankful to the Comptroller & Auditor General of India, the Ministry of Power, Govt. of Tamil Nadu, the Statutory Auditors, Bankers and PFC for their suggestions and unstinted co-operation and guidance.

For and on behalf of the Board of Directors

Place : New Delhi **(R. Nagarajan)**

Date : 13/08/2010 **Chairman**

AUDITOR'S REPORT

The Members,

COASTAL TAMIL NADU POWER LIMITED

1. We have audited the attached Balance Sheet of **"Coastal Tamil Nadu Power Limited"** as at **31st March, 2010,** Profit & Loss account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of sub section (4A) of Section 227 of the Companies Act, 1956, we enclose in the annexure hereto a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. Further to our comments in the annexure referred to above, we report that:
   a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
   b) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books. Since all payments on behalf of the company are made by the holding company i.e. Power Finance Corporation Ltd., the original supports for expenditure etc are kept with holding company.
   c) The Balance Sheet, Profit & Loss account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
   d) In our opinion, the said Balance Sheet, Profit &Loss account and Cash Flow Statement dealt with by this report complies with the accounting standards referred to in sub-section (3C) of the section 211 of the Companies Act, 1956, to the extent the same are applicable to the Company.
   e) Being the Government Company, clause (g) of sub-section (1) of section 274 of the Companies Act, 1956 is not applicable as per the notification no. GSR 829(E) dated 21-10-2003 issued by Department of Company Affairs.
   f) In our opinion, and to the best of our information and according to explanations given to us, the said accounts read together with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true & fair view in conformity with the accounting principles generally accepted in India.

   (i) in the case of the Balance Sheet, of the state of affairs of the company as at 31St March, 2010.

   (ii) in the case of Profit &Loss account, of the loss of the company for the year ended on that date; and

   (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For RAJIV GUPTA & CO.
Chartered Accountants
ICAI Firm Registration No:3188N

(RAJIV GUPTA)

Place: New Delhi **Partner**

Date: May 24, 2010 **M Ship No. 82060**

Audit Report For The Year Ended On 31st March, 2010

(Annexure referred to in paragraph 3 of our report of even date)

1. (a) In our opinion and according to information and explanation given to us, the company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets

   (b) In our opinion and according to information and explanation given to us the fixed assets have been physically verified by the management during the year, the frequency of which, in our opinion, is reasonable, having regard to the size of the company and nature of the assets. No material discrepancies were noticed on such physical verification.

   (c) In our opinion and according to information and explanation given to us there was para 4(i) (c) of the companies (Auditors Report) Order, 2003 are not applicable.
2. The company did not hold any inventory during the year and hence the provisions of clause 4(ii) of the Companies (Auditors Report) Order, 2003 are not applicable.
3. The Company has given an advance of Rs.40,00,00,000/- to its holding company Power Finance Corporation Ltd. to incur expenditure in connection with the development of Company's Power Project. The terms and conditions of the loan including interest are prima facie not prejudicial to the interest of the Company. The un-spent amount of advance along with interest accrued thereon shall be repaid by the holding company at the time of final handing over of the project to its successful bidder, for onward repayment to state electricity boards. Apart from this, the company has neither taken nor given any loans secured or unsecured from/to companies, firms or other parties covered in the register maintained under section 301 of the companies act,1956.
4. In our opinion according to the information and explanation given to us, there is an adequate internal control system commensurate with the size of the company and nature of its business with regards to purchase of fixed assets. The company does not have inventories and did not enter into any transaction for purchase or sale of goods.
5. The expenditure on the development of project of the company is being incurred through the holding company Power Finance Corporation Ltd., which is also vested with substantial powers of management, under the mutual agreement. According to the information and explanations given to us, the Company did not enter into any transactions which need to be entered into the register maintained under section 301 of the Companies Act, 1956.

6. The company has not accepted any deposits from public within the meaning of section 58A and section 58AA of Companies Act, 1956 and rules framed there under.
7. The company is neither a listed company nor have paid up capital and reserves exceeding Rs. 50 Lakhs as at the commencement of the financial year or average annual turnover exceeding rupees five crores for a period of three consecutive financial years immediately preceding the financial year concerned, therefore the provisions of clause 4(vii) of the Companies (Auditors Report) Order, 2003 are not applicable to the company.
8. The company is under construction stage, therefore, maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 is not required.
9. (a) The company is making re-imbursement of salary and other expenses including statutory dues to its holding company and it is stated that holding company is undertaking compliance of all statutory liabilities and requirements. (Refer note 3 of schedule-7 to the Balance Sheet i.e. Notes on Accounts).
   (b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, sales tax, custom duty, wealth tax, excise duty and cess were in arrears, as at March 31, 2010 for a period of more than six months from the date they became payable.
   (c) According to the information and explanations given to us, there are no outstanding dues of sales tax, income tax, customs, wealth tax, excise duty and cess as at March31,2010, Which were not deposited by the company on account of any dispute.
10. The Company has been registered for less than five years.
11. In our opinion and according to the information & explanations given to us, the company has not defaulted in repayment of its dues to financial institutions, banks and debenture holders.
12. The company has not granted any loans and advances against pledge of shares, debentures and other securities during the year.
13. In our opinion, the company is not a chit fund or a nidhi/ mutual benefit fund/ society.
14. In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments.
15. According to information and explanation given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
16. In our opinion and according to the information and explanation given to us, the company has not availed any term loan during the year.
17. According to the information and explanations given to us and on the basis of overall examination of the balance sheet of the company, we report that no fund raised on short-term basis have been used for long-term investment.
18. The company has not made any preferential allotment of shares during the year.
19. In our opinion and according to the information & explanations given to us, the company has not issued any debentures during the year.
20. The company has not raised any money by public issue during the year.
21. According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the year.

For RAJIV GUPTA & CO.
Chartered Accountants
ICAI Firm Registration No:3188N

(RAJIV GUPTA)
Partner
M Ship No. 82060

Place: New Delhi
Date: May 24, 2010

COASTAL TAMIL NADU POWER LIMITED

BALANCE SHEET AS ON 31st MARCH, 2010

	SCHEDULE	As on March 31, 2010 Rs.	As on March 31, 2009 Rs.
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	500,000	500,000
LOAN FUNDS			
Unsecured Loans	2	400,000,000	360,000,000
TOTAL		400,500,000	360,500,000
APPLICATION OF FUNDS			
FIXED ASSETS	3		
a) Gross Block		120,272	-
Less : Depreciation		8,902	-
Net Block		111,370	-
b) Capital Work in Progress	4	97,125,565	37,724,033
INVESTMENTS		-	-
CURRENT ASSETS, LOANS & ADVANCES	5		
a) Cash & Bank Balances		1,885,595	1,686,145
b) Other Current Assets		58,038,401	47,363,240
c) Loans & Advances		308,591,186	329,202,409
		368,515,182	378,251,794
Less : CURRENT LIABILITIES & PROVISIONS	6		
Current Liabilities		65,874,637	56,098,347
Provisions		-	-
		65,874,637	56,098,347
NET CURRENT ASSETS		302,640,545	322,153,447
MISCELLANEOUS EXPENDITURE			
(To the extent not written off or adjusted)			
Preliminary Expenses		-	622,520
Profit & Loss A/c		622,520	-
Balance as per the enclosed Profit and Loss Account			
TOTAL		400,500,000	360,500,000
EXPENDITURE DURING CONSTRUCTION PERIOD	7		
SIGNIFICANT ACCOUNTING POLICIES	8		
NOTES TO ACCOUNTS	9		

Schedule referred above form an integral part of Balance Sheet

For and On behalf of Board of Directors

R. Nagarajan — **Chairman**
A.K .Gupta — **Director**

SINGED IN TERMS OF OUR REPORT OF EVEN DATE.
for & on Behalf of
For RAJIV GUPTA & Co.,
Chartered Accountants

Place : New Delhi
Date : 24/05/2010

(RAJIV GUPTA)
Partner
M.Ship No. 82060

COASTAL TAMIL NADU POWER LIMITED

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2010

	SCHEDULE	Year Ended 31st March 2010 Rs.	Period Ended 31st March 2009 Rs.
Income		**NIL**	NIL
TOTAL (A)		**-**	-
Expenses			
Prior Period Expenses(Preliminary Expenses written off)		**622,520**	-
TOTAL (B)		**622,520**	-
Net Profit/(Loss) for the year		**(622,520)**	-
Net Loss Carried toBalance **Sheet (A-B)**		**622,520**	-
Basic & Diluted Earning per share of Rs.10 each		**(12.45)**	-
EXPENDITURE DURING CONSTRUCTION PERIOD	**7**		
SIGNIFICANT ACCOUNTING POLICIES	**8**		
NOTES TO ACCOUNTS	**9**		

Schedule referred above form an integral part of Profit & Loss Account

For and On behalf of Board of Directors

R. Nagarajan
Chairman

A.K .Gupta
Director

SIGNED IN TERMS OF OUR REPORT OF EVEN DATE
For & On Behalf of
For RAJIV GUPTA & Co.
Chartered Accountants

Place : New Delhi
Date : 24/05/2010

(RAJIV GUPTA)
Partner
M.Ship No. 82060

COASTAL TAMIL NADU POWER LIMITED

Schedules Annexed to and Forming part of the Accounts

SCHEDULE '1'
SHARE CAPITAL

	As on March 31, 2010 Rs.	As on March 31, 2009 Rs.
AUTHORISED		
50,000 Equity Shares of Rs. 10/- each (Previous Year 50,000 Equity Shares of Rs.10 each)	**500,000**	500,000
	500,000	500,000
ISSUED, SUBSCRIBED & PAID UP		
50,000 Equity Shares of Rs. 10/- each fully paid-up (Previous Year 50,000 equity shares of Rs.10 each) (Wholly owned by Power Finance Corporation Ltd	**500,000**	500,000
	500,000	500,000

SCHEDULE '2'
UNSECURED LOANS

(Commitment Advance from Procurers)		
Bangalore Electricity Supply Company Ltd.	**65,000,000**	65,000,000
Kerala State Electricity Board	**30,000,000**	30,000,000
Mangalore Electricity Supply Company Ltd.	**15,000,000**	15,000,000
Maharastra State Electricity Distribution Company Ltd.	**40,000,000**	40,000,000
Punjab State Electricity Board	**20,000,000**	20,000,000
Tamilnadu Electricity Board	**160,000,000**	160,000,000
U.P.Power Corporation Ltd.	**30,000,000**	30,000,000
Central Power Distribution Company of AP Ltd.	**40,000,000**	-
	400,000,000	360,000,000

SCHEDULE '3'
FIXED ASSETS

FIGURES IN RUPEES

Particulars	GROSS BLOCK: Opening Balance As at 01-04-2009	Additions/ Adjustment during the period	Deductions/ Adjustments during the period	Closing Balance As at 31.03.2010	DEPRECIATION: Opening Balance As at 01-04-2009	Additions/ Adjustments during the period	Deductions/ Adjustments during the period	Closing Balance As at 31.03.2010	NET BLOCK: As at 31.03.2010	As at 31.03.2009
Computer & EDP Equipments	-	105,945	-	105,945	-	8,777	-	8,777	97,168	-
Office Equipments	-	14,327	-	14,327	-	126	-	126	14,201	-
TOTAL	**-**	**120,272**	**-**	**120,272**	**-**	**8,902**	**-**	**8,902**	**111,370**	**-**
PREVIOUS YEAR	-	-	-	-	-	-	-	-	-	-

COASTAL TAMIL NADU POWER LIMITED

Schedules Annexed to and Forming part of the Accounts

SCHEDULE '4'
CAPITAL WORK IN PROGRESS

	As on March 31, 2010 Rs.	As on March 31, 2009 Rs.
Opening Balance	**37,724,033**	6,112,443
CWIP: Transferred from Expenditure During Construction Period (Schedule-7)	**50,825,495**	31,611,590
	88,549,528	37,724,033
Capital Expenditure for Land Acquisition	**383,709**	-
Advance for Land Acquisition Expenditure	**8,192,328**	
TOTAL	**97,125,565**	37,724,033

SCHEDULE '5'
CURRENT ASSETS, LOANS & ADVANCES

	As on March 31, 2010 Rs.	As on March 31, 2009 Rs.
a. **Cash and Bank Balances**		
Cash Balance	**-**	-
With Scheduled Bank in Current Account (SBI)	**1,885,595**	1,686,145
	1,885,595	1,686,145
b. **Other Current Assets**		
Interest Receivable from PFC	**58,038,401**	47,363,240
	58,038,401	47,363,240
c. **Loans and Advances**		
(Unsecured and Considered Good)		
Power Finance Corporation Limited (Holding Co.)	**299,062,260**	319,231,651
Income tax refundable	**6,937,456**	6,160,954
Advance Tax/TDS	**-**	776,502
Advance for Consultancy Assignment	**2,580,820**	3,033,302
Deposit For Furniture	**10,650**	-
	308,591,186	329,202,409
TOTAL (a+b+c)	**368,515,182**	378,251,794

COASTAL TAMIL NADU POWER LIMITED

Schedules Annexed to and Forming part of the Accounts

SCHEDULE '6'
CURRENT LIABILITIES AND PROVISIONS

	As on March 31, 2010 Rs.	As on March 31, 2009 Rs.
CURRENT LIABILITIES		
Sundry Creditors	**627,075**	3,157,641
Interest Payable	**60,985,467**	44,242,718
Others		
Audit Fees Payable	**62,045**	49,470
TDS Payable	**1,867,846**	6,870,205
Earnest Money Deposit	**1,400,000**	1,200,000
Provision for Expenses	**932,204**	578,313
TOTAL	**65,874,637**	56,098,347

SCHEDULE '7'
EXPENDITURE DURING CONSTRUCTION PERIOD

	As on March 31, 2010 Rs.	As on March 31, 2009 Rs.
(a) Expenses		
Administrative Expenses including Manpower Charges	**32,346,109**	13,670,492
Audit Fee	**68,938**	55,150
Bank Charges	**1,959**	750
Rent	**47,481**	-
Survey and Studies expenses	**6,767,663**	14,780,973
Professional, Legal & Consultancy Charges	**3,649,182**	590,539
Depreciation	**8,902**	-
Interest Expenses	**18,610,422**	29,591,021
Total (a)	**61,500,656**	58,688,925
(b) Other Income		
Interest (T.D.S. Rs. Nil, Previous year Rs. 7,76,495/)	**10,675,161**	27,077,335
Total (b)	**10,675,161**	27,077,335
Balance(a-b) Carried to CWIP -Schedule-4	**50,825,495**	31,611,590

Schedule - '8'
Significant Accounting Policies

1. The Company prepares its financial statements in accordance with applicable accounting standards and generally accepted accounting principles and also in accordance with requirements of the Companies Act, 1956.
2. **Revenue Recognition:**

   Income and expenses (except as stated below) are accounted for on accrual basis.

   Fees for advisory and professional services for developing Ultra Mega Power Project payable to PFC/PFCCL will be accounted for in the year of transfer of the company to the successful bidder.
3. **Fixed Assets/ Depreciation:**
   a. Fixed assets are shown at historical cost less current/ accumulated depreciation. The company capitalizes all direct cost including borrowing cost up to the date of commercial use of such assets.
   b. Depreciation on assets is provided on Written Down Value method, in accordance with the rates prescribed in Schedule XIV of the Companies Act, 1956.
   c. Items of fixed assets acquired during the year costing up to Rs. 5000/- are fully depreciated.
4. **Capital work In Progress:**

   Expenditure incurred on project development by way of Survey/ Studies/ Investigations/ Consultancy/ Administration/ Depreciation/ Interest etc has been treated as Capital Work In Progress.
5. **Loans:**

   Expenditure incurred by the company for the Project is financed by the Holding Company/Procurers and considered as Unsecured Loan. Interest has been provided on funds deployed as per the policy framed in this regard.
6. **Loans and Advances**

   The Surplus fund parked by the company with the Holding company (PFC) has been considered as loan and advances and interest has been charged on such funds from Holding company as per policy framed in this regard.
7. Investments are stated at cost.
8. Borrowing cost is charged to the profit & loss account for the year in which it is incurred except for capital assets or during construction period which is capitalized till the date of commercial use of the assets.
9. Preliminary expenses were being written off hitherto in the year in which the company would start its commercial activities. However in compliance of the opinion of the Expert Advisory Committee (EAC) of The Institute of Chartered Accountants of India the same has been charged to the Profit & Loss account in the year in which such expenditure has been incurred.
10. Contingent liabilities are not provided and are disclosed by way of notes on the basis of available information.

Schedule – '9'
Notes to Accounts

1. The company was incorporated on 09/01/2007 under the Companies Act, 1956 as a wholly owned subsidiary of Power Finance Corporation Limited (PFC), a Govt. of India Undertaking pursuant to decision taken by Ministry of Power (GOI) in a meeting dated September 26, 2006. Certificate for Commencement of Business was issued on 05/03/2007. The company is a special purpose vehicle incorporated to facilitate the acquisition of land and complete preliminary work regarding statutory clearances including that of environment, forest, CRZ etc. for the purpose of establishing ultra mega power project of 4000 MW in the state of Tamil Nadu (Project).
2. The Key Management Personnel of the Company are employees of the Power Finance Corporation Ltd (PFC)/Holding Company & PFC Consulting Ltd (A wholly owned subsidiary of PFC) and deployed on Part Time basis.

   The details of such Key Management Personnel are as follows:

S. No.	Name	Designation	Date of Appointment	Date of Resignation
1.	Shri Dinesh Vij	Director	22.12.2008	Continuing
2.	Shri Rajeev Sharma	Chairman	15.04.2009	31.12.2009
3.	Shri A.K. Gupta	Director	22.12.2008	Continuing
4.	Shri M.K.Goel	Chairman	26.12.2007	15.04.2009
5.	Shri S.P. Pathak	Director	22.12.2008	19.08.2009
6	Shri N.Viayaynarasimha	Director	19.08.2009	Continuing
7.	Shri R.Nagarajan	Chairman	31.12.2009	Continuing
8.	Shri K.Vijayanand	Director	19.08.2009	Continuing
9.	Shri A.Dharmaraj	Director	19.08.2009	Continuing
10.	Shri Yogesh Juneja	Director	31.12.2009	Continuing
11.	Shri N.D.Tyagi	Director	31.12.2009	Continuing

3. Pursuant to the Financing Agreement between PFC and the Company, the entire expenditure on development of the Project being developed by the Company shall be incurred by PFC from its own funds until receipt of the commitment advance from the procurers and thereafter out of Commitment Advance received from Procurers.
4. Employees working for the Company are from PFC(Holding Company) and PFC Consulting Ltd(PFCCL)/(A wholly owned subsidiary of PFC). The related expenses are paid by the Holding Company for PFC

employees and allocated to the Company on the basis of percentage of involvement of concerned employees for the work. These expenses appearing as Administrative Expenses in the "Expenditure during Construction period" amounted to Rs.3,23,46,109/- for the year (Previous Year Rs.1,36,70,492/-) and include Salary of PFC employees and related expenses, manpower charges of PFCCL employees, expenses on account of Traveling & Conveyance, Printing & Stationery, Telephone, Hospitality, Consultancy, Office Maintenance, Depreciation on Fixed Assets owned by holding company and other common administrative expenses apportioned and allocated by the holding company. Original Supporting bills in respect of expenditure incurred by the holding company are retained by them of which copies are available with the Company. The holding company PFC is complying statutory provisions relating to the 'Deduction of tax at source' applicable to these allocated expenses. Charges of Rs. 2,27,61,508/ for man power cost of PFCCL employees(included in Administrative Expenses) are charged by PFCCL on the basis of cost to company based on actual time spent by the employees for the Company as per invoice raised by PFCCL, these includes charges for Sh.N.D.Tyagi Rs. 17,47,152/ and Rs. 32,75,910/ for Sh.Dinesh Vij. The total expenditure during the construction period along with interest shall be recovered by PFC from the successful bidder at the time of award of the project.

5. In view of decision of Ministry of Power, Government of India, the Company has received, entire Commitment Advance of Rs. 40,00,00,000/- (Previous Year Rs 36,00,00,000/-) from the Power Procuring Utilities (Procurers), as their contribution against allotment of specified quota of power to be made on completion of the project by way of a Power Purchase Agreement with respective Procurers and successful bidder. The said commitment advance has been shown in the Balance Sheet as Unsecured Loan. The Company is under no obligation to pay interest on the commitment advance, but as per the decision taken by the company/holding company, interest has been provided on this commitment advance. The said commitment advance along with accrued interest as per terms of financing agreement shall be repayable to the procurers within 15 days from the date of transfer of the company by the Holding Company to its successful bidder.

6. Pursuant to the Financing Agreement with PFC total commitment advance of Rs. 40,00,00,000/- (Previous Year Rs 36,00,00,000/-) received from procurers was given to the Holding Company (PFC) to meet out expenditures for the project on behalf of the company and to invest/ retain remaining unutilized portion of commitment advance as short term deposit which, along with interest due thereon is appearing under the head Current Assets in the Balance Sheet.

7. The expenditures on development of the project were incurred by PFC from its own funds until receipt of the commitment advance from the procurers. The Company pays interest to PFC on the expenses incurred by them on behalf of the company and also to the Procurers on commitment advance bifurcating into fund utilized for the project and funds unutilized at rates as per the policy of the holding company. The interest paid on the utilized amount of funds is at rate charged by PFC for the 'Term Loans for large generation projects of reforming States (Pre-COD)' as determined from time to time, and on unutilized portion of funds, the interest paid/ received is on 'monthly average short term deposit rate of PFC'. Interest on unutilized portion of funds is receivable from PFC and the same is payable to procurers. Interest expenses of Rs. 1,86,10,422/ includes interest on borrowed fund amounting to Rs.1,86,02,924/- (Gross) (Previous Year Rs 2,95,91,021/-) for the year comprised of interest of Rs.1,06,75,161/-(Previous Year Rs 2,70,77,335/-) on unutilized portion and Rs. 79,27,763/- (Previous Year Rs 25,13,686/-) on utilized portion (including Rs.1,182/ Previous year Rs. 1,258/ payable to PFC on amount spent by it before receipt of advance from procurers.). Interest so payable (Net of interest receivable from PFC) is capitalized under the head 'Capital Work In Progress'. Interest payable to procurers being accrued but not due is shown under the head current liabilities.

8. The Company has to pay a sum of Rs 50,00,00,000/-(Previous Year Rs 50,00,00,000/-) (plus applicable taxes) to PFC/ PFC Consulting Ltd. on account of fees for providing Advisory & Professional Services rendered by them. The fee is to be paid at the time of transfer of project and the company to successful bidder after the bidding process is completed. No liability has been provided in the accounts for fee payable and the same will be charged in the year in which the company is transferred to successful bidder.

9. As per the scheme of setting up of the project, entire expenditure to be incurred by the company for project exploration and initial spade work, including interest on funds deployed and Professional Fee of Rs.50,00,00,000/-plus applicable taxes will be recovered from the successful bidder of the project as acquisition price for purchase of 100% equity shareholding of the company from its holding company, consequent upon which the company along with all its assets and liabilities shall stand transferred to such bidder.

10. Contingent Liability not provided for in the books existed in respect of:-

Particulars	As on 31.3.2010	As on 31.3.2009
Estimated amount of contracts remaining to be executed on capital account	Rs.4,70,99,600/-	Rs.4,82,43,929/-
Claims against the company not acknowledged as debt (as certified by the management)	Rs Nil/-	Rs Nil/-

11. Unsecured Loans (Commitment advance), interest payable thereof, and Sundry Creditors are subject to confirmation and reconciliation.

12. Auditors' Remuneration

	2009-10	**2008-09**
Audit Fees	Rs. 62,500/-	Rs. 50,000/-
Service Tax	Rs. 6,438/-	Rs. 5,150/-

13. The Company owes no dues to small-scale units at year-end and hence provision of interest does not arise. Further based on information available with the management, there are no dues payable to enterprises covered under "Micro, Small and Medium Enterprises Development Act, 2006".

14. In the opinion of the Board, on realisation in the ordinary course of the company's business the other current assets and loans and advances as stated in the balance sheet are expected to produce at least the amount at which they are stated.

15. a) Expenditure in foreign currency – NIL (Previous year-Nil)
    b) Income in foreign exchange –NIL (Previous year-Nil)

16. Figures have been rounded off to the nearest Rupee unless otherwise stated.

17. Previous year figures have been re-grouped/ re-arranged, wherever practicable and considered necessary, to make them comparable with the current year.

18. Hitherto preliminary expenses were being written off in the year in which the company starts its commercial activities. However the Expert Advisory Committee (EAC) of The Institute of Chartered Accountants of India has opinioned (Opinion was finalised on 15.12.2009 and published in March 2010 Journal of ICAI) that in compliance of AS-26 on intangible assets, such expenditure should be charged to Profit & Loss Account even if a company is yet to start its commercial activities and for this purpose the Profit & Loss Account should be prepared. Moreover if earlier such amount has been capitalized in the balance sheet, the same should be dealt with as per the requirements of AS-5 i.e. should be treated as Prior Period Item. Accordingly the profit & loss account has been prepared by the company and preliminary expenses earlier capitalized in the balance sheet have been charged to profit & loss account as a prior period item.

19. Expenditure during Construction Period (Schedule-7) containing all expenses required to be capitalized has been prepared and the same has been included in Capital Work In Progress.

20. During the year the company has paid Rs.81,92,328/- to Govt. Authorities as advance towards administrative charges for acquisition of the land process for Cheyyur UMPP, Tamil nadu and incurred other expenditures of Rs.3,83,709/- against administrative expenses for land. The same has been shown in the balance sheet as Capital work in progress being in the nature of capital expenditure.

21. The additional information pursuant to the provisions of Paragraph 3, 4C and 4D of part II of Schedule VI to the Companies Act, 1956 are not applicable to the company as the project is in development stage and the company has yet to start its commercial activities.

22. The Company has complied with all the applicable Accounting Standards notified under section 211 of the Companies Act 1956. However AS -22 relating to Deferred Tax Liability /Asset pertaining to timing difference is not applicable to the company in view of the fact that the company is still in the construction phase and yet to commence its operation.

23. The disclosure as per AS18 – Related Party Disclosure :

a) The Coastal Tamil Nadu Power Limited is a wholly owned subsidiary of Power Finance Corporation Ltd. All key decisions are taken by the Board of Coastal Tamil Nadu Power Limited where the nominees of holding company exercise control.

b) Maximum amount due during the year from the directors and other related parties as appeared in the accounts and as certified by the management is as under

(Amount in Rs.)

Name of the Party	**Maximum amount due during the year**
Power Finance Corporation Ltd. (Holding Company)	
Current Year	35,82,77,851/-
Previous Year	37,39,68,643/-

c) The related Party Transactions was done only with Holding Company (PFC), details are as follows:-

(Amount in Rs.)

S.No.	**Particulars**	**Current Year 2009-10**	**Previous Year 2008-09**
1.	Equity Contribution	Nil	Nil
2.	Interest Income	1,06,75,161	2,70,77,335
3.	Interest Expense	1,182	1,258
4.	Closing Balance		
(a)	Interest Payable	12,047	10,865
(b)	Interest Receivable	5,80,38,401	4,73,63,240
(c)	Loan & Advances (Receivable)	29,90,62,260	31,92,31,65l

24. Schedule 1 to 9 form an integral part of the Financial Statements and have been authenticated.

For & On Behalf of Board of Directors

R. Nagarajan — **A.K. Gupta**
Chairman — **Director**

AUDITORS' REPORT
In terms of our separate report of even date appended to the Balance Sheet

For Rajiv Gupta & Co.,
Chartered Accountants

Place : New Delhi
Date : 24/05/2010

(RAJIV GUPTA)
Partner
M.Ship No. 82060

COASTAL TAMIL NADU POWER LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31,2010

PARTICULARS	**Year ended on 31st March 2010 Rs.**	Year ended on 31st March 2009 Rs.
(A) CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit/(Loss) as per Profit & Loss A/c	**(622,520)**	-
Prior Period Expenses/ Preliminary expenses	**622,520**	-
Operating profit before working capital changes	**-**	-
Adjustment For Increase/Decrease in:		
Other Current Assets	**(10,675,161)**	(26,300,833)
Loans & Advances	**20,611,223**	29,864,781
Current Liabilities & Provisions	**9,776,290**	29,246,892
TOTAL	**19,712,352**	32,810,840
B. CASH FLOW FROM INVESTING ACTIVITIES		
Capital Work in Progress (Net of Deperication)	**(59,392,630)**	(31,611,590)
Purchase of Fixed Assets	**(120,272)**	-
TOTAL	**(59,512,902)**	(31,611,590)
C. CASH FLOW FROM FINANCIAL ACTIVITIES		
Unsecured Loan	**40,000,000**	-
TOTAL	**40,000,000**	-
NET INCREASE/(DECREASE) IN CASH FLOW(A+B+C)	**199,451**	1,199,250
Cash & Cash Equivalent At The Beginning Of The Year	**1,686,145**	486,895
Cash & Cash Equivalent At The End Of The Year	**1,885,596**	1,686,145
Cash on hand and balance with banks	**1,885,595**	1,686,145
Other Cash and Cash Equivalents	**-**	-

For and On behalf of Board of Directors

R.Nagarajan — **A.K.Gupta**
Chairman — **Director**

SIGNED IN TERMS OF OUR REPORT OF EVEN DATE
For & On Behalf of
Rajiv Gupta & Co.
Chartered Accountants

Place : New Delhi
Date : 24/05/2010

(RAJIV GUPTA)
Partner
M.Ship No. 82060

COASTAL TAMIL NADU POWER LIMITED

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I **Registration details**

Registration No : **U40102DL2007ULL157615** State Code: 55

Balance Sheet Date :

31	3	2010
Date	Month	Year

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

Public Issue	Right issue
-	-
Bonus Issue	Private Placement
-	-

III **Position of Mobilsation and Deployment of Funds (Amount in Rs. Thousands)**

	Total Liabilities	Total Assets
	466,375	466,375
Sources of Funds	Paid up capital	Reserve and Surplus
	500	-
	Secured Loans	Unsecured Loans
	-	400,000
Application of Funds	Net Fixed Assets	Investment
	111	97,126
	Investment	Net Current Assests
	-	302,641
	Misc. Expenditure	Accumulated Losses
	-	623

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

Turnover	Total Expenditure
-	623
Profit/ Loss before Tax	Profit/ Loss after Tax
(623)	(623)
Earning per Share	Dividend
(12.45)	-

V **Generic Names of Three Priciples Products/Services of Company (as per monetary terms)**

1. Item Code No. (ITC Code)
Product Description

2. Item Code No. (ITC Code)
Product Description

3. Item Code No. (ITC Code)
Product Description

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF COASTAL TAMIL NADU POWER LIMITED, NEW DELHI, FOR THE YEAR ENDED 31 MARCH 2010

The preparation of financial statements of Coastal Tamil Nadu Power Limited, New Delhi, for the year ended 31 March 2010 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The statutory auditors appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 24 May 2010.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under Section 619(3) (b) of the Companies Act, 1956 of the financial statements of Coastal Tamil Nadu Power Limited, New Delhi, for the year ended 31 March 2010. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditors' report under Section 619(4) of the Companies Act, 1956.

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

Place: New Delhi **(M.K. Biswas)**
Dated: 04 August 2010 **Principal Director of Commercial Audit &**
Ex-officio Member Audit Board–III,New Delhi

SAKHIGOPAL INTEGRATED POWER COMPANY LIMITED

(A wholly owned subsidiary of Power Finance Corporation Limited)

DIRECTORS' REPORT 2009-2010

To

The Members,

Your Directors have pleasure in presenting the 2nd Annual Report on the working of the Company for the financial year ending on March 31, 2010 along with Audited Statements of Accounts and Auditor's Report thereon.

OPERATIONAL ACTIVITIES

Sakhigopal Integrated Power Company Limited (SIPCL) has been established by PFC Consulting Limited (a wholly owned subsidiary of Power Finance Corporation Limited) on 21st May, 2008 to undertake preliminary studies and to facilitate tie-ups of inputs, linkages and to obtain necessary clearances for the projects such as water, land, environment clearance and power selling arrangement etc. for proposed power project prior to award of the project to the successful bidder. The Commencement of Business was obtained on 17th April, 2009. However, as per direction of MoP, Govt. of India, the shares of SIPCL was transferred to PFC by PFCCL on 9th February, 2010. After transfer of Shares to PFC, SIPCL became wholly owned subsidiary of PFC.

Five Coastal sites, proposed by Government of Orissa, were visited by the CEA/ PFCCL team for selection of sites for the project. One of the site in Ganjam District was not found suitable by CEA. Additional information regarding remaining four sites at Kirtania, Dhamra, Paradeep and Astarang was sought by CEA from State Govt., which was furnished by the State Govt. Govt. of Orissa has informed that Defence Authority, Govt. of India, has not given permission for setting up the UMPP at Dhamra site, which has been found most suitable by CEA. This matter is being taken up by CEA/ MoP with Defence Authority, GoI.

CEA/ PFCCL team visited another site near Titilagarh in Bolangir Distt. on 19.04.10. Letter dated 30.04.10 has been sent from CEA to Commissioner-cum-Secretary (Department of Energy), Govt. of Orissa, requesting for more details/confirmation regarding this site. Details/ confirmation from state Govt. are awaited.

A meeting was held in Ministry of Power on April 15, 2010 to discuss allocation of Coal block for additional UMPPs in Orissa, which was attended by representatives from Ministry of Coal, CMPDI, CEA and PFCCL. It was informed by CMPDI that the geological reserves of Bankhui block have been reassessed and found to be around 800 Mt, which is sufficient for the UMPP to be set up by SIPCL. Bankhui coal block in Talcher coal fields was allocated for the UMPP to be set up by SIPCL vide letter dated June 21, 2010.

FINANCIAL REVIEW

During the year under review, your Company has not taken up its commercial activities. However, during the year the Company has spent an amount of Rs.36.27 Lacs in the development of the Project which has been transferred to Capital work in progress. The major expenditure includes Administrative Expenditure including manpower charges.

DIVIDEND

As the Company has not started its commercial activities, the Company has not declared any dividend for the period commencing from 1st April, 2009 to 31st March, 2010.

SHARE CAPITAL

The paid-up share capital of the company was Rs.5,00,000/- (50,000 equity shares of Rs. 10/- each) as on 31st March, 2010. During the year, the entire share capital of the Company held by PFCCL and its nominees are transferred to PFC and its nominees. After transfer of Shares to PFC, company became wholly owned subsidiary of PFC.

COMMITMENT ADVANCE

On the basis of the decision taken in the meeting held in the Ministry of Power, the procuring States (Procurers) are required to contribute commitment advance @ Rs. One crore per 100 MW of off-take according to their power allocation to SPV. During the period under review, Commitment Advance of Rs.10.87 crores has been received from power procuring states.

FIXED DEPOSITS

The Company has not accepted any fixed deposit during the period ending 31st March 2010.

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

There are no significant particulars, relating to conservation of energy, technology absorption under the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, as your Company does not own any manufacturing facility. There was no foreign exchange earning and outgo during the year under consideration.

AUDITORS

M/s. J. L. Garg & Co., Chartered Accountants, were appointed as Statutory Auditors of the Company for the financial year 2009-2010 by the Comptroller & Auditor General of India. There are no adverse comments, observation or reservation in the Auditor's Report on the accounts of the Company.

PARTICULARS OF EMPLOYEES U/S 217 (2A) OF THE COMPANIES ACT, 1956.

The Company has no employees on its roll. Hence, the particulars of employees as prescribed under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are not applicable.

DIRECTORS

The Board of Directors presently comprise of:

1.	Shri M. K. Goel	: Chairman
2.	Shri Ashwani Sharma	: Director
3.	Shri Subir Mulchandani	: Director
4.	Shri Yogesh Juneja	: Director

During the year Shri C. Gangopadhyay resigned from the Directorship of the Company.

In accordance with provisions of Companies Act, 1956 Shri Subir Mulchandani Director shall retire by rotation at the ensuing Annual General Meeting of the Company and being eligible offers himself for re-appointment.

COMPTROLLER AND AUDITOR GENERAL REVIEW

C&AG of India vide their letter dated 28th June, 2010 mentioned that they have decided not to review the report of the Statutory Auditors' on the accounts of the Company for the year ended 31st March, 2010 and as such have no comments to make under Section 619(4) of the Companies Act, 1956. A copy of the letter issued by C&AG in this regard is placed at Annex-1.

DIRECTOR'S RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956 the Directors confirm that in the preparation of annual account ended 31st March, 2010: -

- The applicable accounting standards have been followed along with proper explanation.
- Reasonable and prudent judgment and estimate were made so as to give a true and fair view of the state of affairs of the Company as on 31st March, 2010.
- Proper and sufficient care was taken 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.
- The accounts have been prepared on going concern basis.

ACKNOWLEDGEMENT

The directors place on record their gratitude to the Central and State Governments and various Government agencies for the assistance, co-operation and encouragement they extend to the Company. The Company is also thankful to the Comptroller & Auditor General of India, the Statutory Auditors and the bankers for their suggestions and co-operation. Last but not the least the directors would like to thank the employees of the holding company or PFC Consulting Limited for their continuing support and unstinting efforts in ensuring an excellent all round performance.

For and on behalf of the Board of Directors

Place : New Delhi **(M. K. Goel)**

Dated : 06/08/2010 **Chairman**

AUDITOR'S REPORT

TO THE MEMBERS OF SAKHIGOPAL INTEGRATED POWER COMPANY LIMITED.

We have audite d the Balance Sheet of **SAKHIGOPAL INTEGRATED POWER COMPANY LIMITED** as at **31st March 2010**, Profit & Loss account and Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As required by the Companies (Auditor Report) order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in the paragraphs 4 and 5 of said order. Further to our comments in the Annexure referred to above we report that.

1. We have obtained all the information and explanation, which to the best of our knowledge and belief were necessary for the purposes of our audit.
2. In our opinion the Company has kept proper books of accounts as required by law so far, as appears from our examination of those books. Since all payments on behalf of the Company made by Holding Company i.e. Power Finance corporation Ltd., the original supports for expenditure etc are kept with holding Company.
3. The Balance Sheet, Profit & Loss account and Cash flow statement dealt with by this report are in agreement with the books of account.
4. The Balance Sheet, Profit & Loss account and Cash flow statement report are prepared in accordance with the accounting standards referred to in sub-section (3C) of section 211 of the companies act, 1956.
5. Being a Government Company clause (g) of sub-section (i) of section 274 of the companies Act, 1956 is not applicable as per Notification no. GSR 829 (E) dated 21.10.2003 issued by the Deptt. of Company Affairs.
6. In our opinion and to the best of our information and according to the explanation given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required & give a true and fair view in conformity with the accounting principles generally accepted in India.
   (i) In case of the balance sheet, of the state of affairs of the Company as at 31st March 2010,
   (ii) In case of the Profit & Loss Account, of the loss of the company for the year ended on that date, and
   (iii) In case of Cash Flow Statement, of the Cash Flows of the company for the year ended on that date.

for and on behalf of
J.L. GARG & CO.
Chartered Accountants
ICAI Firm registration No:004730N

Place: New Delhi
Dated: 31.05.2010

CA Ashoo Mittal
(Partner)
M.No. 90640

ANNEXURE TO AUDITORS REPORT OF SAKHIGOPAL INTEGRATED POWER COMPANY LIMITED (REFERRED TO IN PARAGRAPH (2) OF OUR REPORT OF EVEN DATE)

I. (a) In our opinion and according to information and explanation given to us, provision of para 4(i) (a) of the Companies (Auditors Report) Order, 2003 relating to maintaining proper records showing full particulars, including quantitative details and situation of fixed assets are not applicable to company as it does not have fixed assets.

(b) In our opinion and according to information and explanation given to us provision of para 4(i) (b) of the companies (Auditors Report) Order, 2003 relating to physical verification of fixed assets by the management is not applicable to Company as it does not have fixed assets.

(c) In our opinion and according to information and explanation given to us provision of para 4(i) (c) of the companies (Auditors Report) Order, 2003 relating to disposal of any substantial part of fixed assets during the year are not applicable to Company as it does not have fixed assets.

II. (a) In our opinion and according to information and explanation given to us provision of para 4(ii) (a) of the companies (Auditors Report) Order, 2003 relating to physical verification of inventory is not applicable to Company as it does not have any inventories as on balance sheet date.

(b) In our opinion and according to information and explanation given to us provision of para 4(ii) (b) of the companies (Auditors Report) Order, 2003 is not applicable to company.

(c) In our opinion and according to information and explanation given to us provision of para 4(ii) (c) of the companies (Auditors Report) Order, 2003 is not applicable to company.

III. (a) As per management certificate given by the management, the company has not taken secured or unsecured loans from companies, firms or other parties listed in the register maintained under section 301 of the companies act, 1956.

(b) As the company has not granted any loans secured or unsecured, to the companies, firm or parties listed in the register maintained under section 301 of the companies Act ,1956.

IV. In our opinion according to the information and explanation given to us, the company does not have fixed assets and inventories and has no commercial activities during the year, the provision of para 4(iv) of the companies (Auditors Report) Order 2003 relating to adequate internal control procedure commensurate with the size of company and nature of its business, for the purchase of inventory and fixed assets and for the sale of goods are not applicable to company.

V. According to the information and explanation given to us, there are no transaction made in pursuance of the contracts or arrangements that need to be entered in the register maintained under section – 301 of the Companies Act, 1956.

VI. According to the information and explanation given to us , the company has not accepted any deposits from public.

VII. The company does not have paid up capital and reserve of Rs 50 lakhs as at the commencement of the financial year concerned, or have a average annual turnover exceeding five crore rupees for a period of three consecutive financial years immediately preceding the financial year concerned, the provision of para 4 (vii) of the Companies (Auditor Report) Order, 2003 are not applicable to company.

VIII. The company does not have any business activities during the year, the provision of para 4 (viii) of the Companies (Auditor Report) order, 2003 relating to maintaining of cost records under section 209 (I) (d) of the companies act is not applicable to the company.

IX. (a) According to information and explanation given to us, the company (through its Holding Company PFC) is regular in depositing undisputed statutory dues including Provident Fund, Investors Education and Protection Fund Employees State Insurance, Income Tax, Wealth Tax, Interest Tax, and other statutory dues with the appropriate Authorities through holding company i.e. PFC Ltd. According to information and explanation given to us, there are no undisputed statutory dues outstanding as at 31st March, 2010 for a period of more than six months from the date they become payable.

(b) According to information and explanation given to us there are no dues of Income Tax, Wealth Tax, which have been deposited on account of any dispute.

X. In our opinion the Company has accumulated losses at the end of the financial year . However it has not incurred cash losses in the current financial year.

XI. In our opinion and according to information and explanation given to us, the Company has not defaulted in repayment of its dues to Banks, Financial Institutions.

XII. In our opinion and according to information and explanation given to us, provision of para 4 (xii) of the Companies (Auditors Report) Order, 2003 are not applicable to Company as it has not given any loans and advance on security of shares, Debentures and other securities.

XIII. In our opinion and according to information and explanation given to us, the Company is not a Chit Fund, Nidhi or Mutual benefit, Trust/Society. Accordingly, the provision of para 4(xiv) of the companies (Auditor Report) Order, 2003 is not applicable to company.

XIV. According to information and explanation given to us, the Company is not dealing or trading in shares, Securities, debenture and other investment and hence the requirement of para 4(xiv) of the Companies (Auditor Report) Order, 2003 is not applicable to Company.

XV. According to information and explanation given to us, the Company has not given any guarantee in respect of loan taken by it from banks and financial institutions.

XVI. In our opinion and according to information and explanation given to us the company has not obtained any term loan and hence the requirement of para 4 (xvi) of the Companies (Auditors Report) Order, 2003 are not applicable to Company.

XVII. According to information and explanation given to us and on an overall examination of the balance sheet and cash flow statement of the Company, we report that prima facie no funds raised on short-term basis have utilized for long term investment purpose or vice versa.

XVIII. The Company has not made any preferential allotment of share to parties and companies covered in the register maintained under section 301 of the Companies Act 1956.

XIX. According to information and explanation given to us the company does not have any debentures and hence the requirement of para 4(xix) of the Companies (Auditors Report) order, 2003 are not applicable to Company.

XX. According to information and explanation given to us the company has not raised any money from public issues during the year.

XXI. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud by the company has been noticed or reported during the year.

for and on behalf of
J.L. GARG & CO.
Chartered Accountants
ICAI Firm registration No:004730N

Place : New Delhi
Dated: 31.05.2010

CA Ashoo Mittal
(Partner)
M.No. 90640

SAKHIGOPAL INTEGRATED POWER COMPANY LIMITED

BALANCE SHEET AS AT 31st MARCH 2010

Particulars	**SCHEDULE**	**As on 31st March, 2010 Rs.**	As on 31st March, 2009 Rs.
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	**500,000**	500,000
LOAN FUNDS			
Unsecured Loans	2	**156,700,000**	48,000,000
TOTAL		**157,200,000**	48,500,000
APPLICATION OF FUNDS			
FIXED ASSETS	3		
a) Gross Block		**-**	-
Less : Depreciation		**-**	-
Net Block		**-**	-
b) Capital Work in Progress	4	**3,665,972**	38,836
		3,665,972	38,836
INVESTMENT		**-**	-
CURRENT ASSETS, LOANS & ADVANCES	5		
a) Cash & Bank Balances		**158,252**	499,769
b) Other Current Assets		**3,932,208**	122,959
c) Loans & Advances		**154,344,413**	48,000,000
		158,434,873	48,622,728
Less : CURRENT LIABILITIES & PROVISIONS	6		
Current Liabilities		**4,956,024**	216,743
Provisions		**-**	-
		4,956,024	216,743
NET CURRENT ASSETS		**153,478,849**	48,405,985
MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)			
Preliminary Expenses		**-**	55,179
Profit & Loss Account		**55,179**	-
TOTAL		**157,200,000**	48,500,000
EXPENDITURE DURING CONSTRUCTION PERIOD	7		
SIGNIFICANT ACCOUNTING POLICIES	8		
NOTES TO ACCOUNTS	9		

Schedules referred above form an integral part of Balance Sheet

For and On behalf of Board of Directors

M.K.Goel **Subir Mulchandani**
Chairman **Director**

SIGNED IN TERMS OF OUR REPORT OF EVEN DATE
For & On Behalf of
J.L.Garg & Co.
(CHARTERED ACCOUNTANTS)

Place : New Delhi
Date : 31.05.2010

CA Ashoo Mittal
(Partner)
M. No. 90640

SAKHIGOPAL INTEGRATED POWER COMPANY LIMITED
PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2010

PARTICULARS	SCHEDULE	For the Year ended on 31st March 2010 Rs.	For the Year ended on 31st March 2009 Rs.
Income		**NIL**	-
		-	-
Expenses			
Prior Period Expenses			
(Preliminary Expenses written off)		55,179	-
		55,179	-
Net Profit/(Loss) for the year		(55,179)	-
Net Loss Carried to Balance Sheet		55,179	-
Basic & Diluted Earning per share of Rs.10 each		(1.10)	
EXPENDITURE DURING CONSTRUCTION PERIOD	7		
SIGNIFICANT ACCOUNTING POLICIES	8		
NOTES TO ACCOUNTS	9		

Schedules referred above form an integral part of Profit & Loss Account

For and On behalf of Board of Directors

M.K.Goel Chairman

Subir Mulchandani Director

SIGNED IN TERMS OF OUR REPORT OF EVEN DATE
For & On Behalf of
J L Garg & Co.
(CHARTERED ACCOUNTANTS)

Place : New Delhi
Date :31.05.2010

CA Ashoo Mittal
(Partner)
M No. 90640

SAKHIGOPAL INTEGRATED POWER COMPANY LIMITED

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

SCHEDULE '1'
SHARE CAPITAL

	As on 31st March 2010 Rs.	As on 31st March 2009 Rs.
AUTHORISED		
50,000 Equity Shares of Rs. 10/- each	500,000	500,000
	500,000	500,000
ISSUED, SUBSCRIBED & PAID UP		
50,000 Equity Shares of Rs. 10/- each Fully Paid up (Refer Note No.1 of Schedule-9 on Notes to Accounts)	500,000	500,000
	500,000	500,000

SCHEDULE '2'
UNSECURED LOANS

Commitment Advance from Procurers	156,700,000	48,000,000
	156,700,000	48,000,000

SCHEDULE '3'
FIXED ASSETS

FIGURES IN RUPEES

Particulars	GROSS BLOCK: Opening Balance As at 01-04-2009	Addtions/ Adjustments during the period	Deductions/ Adjustments during the period	Closing Balance As at 31.03.2010	DEPRECIATION: Opening Balance As at 01-04-2010	Additions/ Adjustments during the period	Deductions/ Adjustments during the period	Closing Balance As at 31.03.2010	NET BLOCK: As at 31.03.2010	As at 31.03.2009
	-	-	-	-	-	-	-	-	-	
TOTAL	-	-	-	-	-	-	-	-	-	-
PREVIOUS YEAR	-	-	-	-	-	-	-	-	-	-

SCHEDULE '4'
CAPITAL WORK IN PROGRESS

	As on 31st March 2010 Rs.	As on 31st March 2009 Rs.
Opening CWIP	38,836	-
CWIP: Transferred from Expenditure During Construction Period (Schedule-7)	**3,627,136**	38,836
	3,665,972	38,836

SCHEDULE '5'
CURRENT ASSETS, LOANS & ADVANCES

a. Cash and Bank Balances		
Cash in hand		
Balance with Scheduled Bank in Current Accounts (Allahabad Bank)	**158,252**	499,769
	158,252	499,769
b. Other Current Assets		
Interest Receivable from PFCCL	**3,812,808**	95,096
Interest Receivable from PFC	**82,383**	-
TDS Refundable	**37,017**	27,863
	3,932,208	122,959
c. Loans and Advances		
(Unsecured, Considered Good)		
PFC Consulting Ltd.	**105,300,000**	48,000,000
Power Finance Corporation	**49,044,413**	-
	154,344,413	48,000,000
Total(a+b+c)	**158,434,873**	48,622,728

SCHEDULE '6'
CURRENT LIABILITIES AND PROVISIONS

CURRENT LIABILITIES		
nterest Payable to Procurers	**3,685,959**	95,096
Sundry Creditors		
Audit Fee Payable	**43,430**	34,628
Sundry Creditors	**817,804**	55,179
Others		
TDS Payable	**403,812**	31,840
Expenses payable	**5,019**	-
	4,956,024	216,743

SCHEDULE '7'
CAPITAL WORK IN PROGRESS

(a)Expenses		
Administration Expenses inculding Manpower Charges	**2,307,829**	-
Bank Charges	**325**	231
Audit Fees	**48,256**	38,605
Legal & Professional charges	**121,329**	-
Conference & Meeting	**657,879**	-
Travelling Expenses	**310,918**	-
Interest	**3,989,849**	122,959
Total (a)	**7,436,385**	161,795
(b) Other Income		
Interest accrued but not due (TDS Rs.9,154, Previous Year Rs.27,863/-)	**3,809,249**	122,959
Total (b)	**3,809,249**	122,959
Balance(a-b) Carried to CWIP -Schedule-4	**3,627,136**	38,836

Schedule - '8'
Significant Accounting Policies

1. The Company prepares its financial statements in accordance with applicable accounting standards and generally accepted accounting principles and also in accordance with requirements of the Companies Act, 1956.
2. **Revenue Recognition:**

   Income and expenses (except otherwise stated) are accounted for on accrual basis.

   Fees for advisory and professional services for developing Ultra Mega Power Project payable to PFC /PFCCL will be accounted for in the year of transfer of the company to the successful bidder.(as and when due)
3. **Fixed Assets/ Depreciation:**
   a. Fixed assets are shown at historical cost less current/ accumulated depreciation. The company capitalizes all direct cost including borrowing cost up to the date of commercial use of such assets.
   b. Depreciation on assets is provided on Written down Value method, in accordance with the rates prescribed in Schedule XIV of the Companies Act, 1956.
   c. Items of fixed assets acquired during the year costing up to Rs. 5000/- are fully depreciated.
4. **Capital work In Progress:**

   Expenditure incurred on Survey/Studies/Investigations/Consultancy/ Administration/Depreciation/Interest etc has been treated as Capital Work In Progress.
5. **Loans**

   Expenditure incurred by the company for the Project is financed by the Holding Company/Procurers and considered as Unsecured Loan.
6. Investments are stated at cost.
7. Borrowing cost is charged to the profit & loss account for the year in which it is incurred except for capital assets which is capitalized till the date of commercial use of the assets.
8. Preliminary expenses were being written off hitherto in the year in which the company would start its commercial activities. However in compliance of the opinion of the Expert Advisory Committee (EAC) of The Institute of Chartered Accountants of India the same has been charged to the Profit & Loss account in the year in which such expenditure has been incurred.
9. Contingent liabilities have not been provided and are disclosed by way of notes on the basis of available information.

Schedule – '9'
Notes to Accounts

1. The Company was incorporated on 21/05/2008 under the Companies Act, 1956 as a wholly owned subsidiary of PFC Consulting Limited (PFCCL), a Govt. of India Undertaking. Certificate for Commencement of Business was issued on 17/04/2009. During the year PFC Consulting Limited has transferred the Company to Power Finance Corporation (PFC) on 09/02/2010 as per decision of Ministry of Power and now it is a wholly owned subsidiary of PFC Limited. The Company is a special purpose vehicle incorporated to facilitate the acquisition of land and complete preliminary work regarding statutory clearances including that of environment, forest, CRZ etc. for the purpose of establishing ultra mega power project of 4000 MW in the state of Orissa (Project).
2. The Key Management Personnel of the Company are employees of the Power Finance Corporation Ltd (PFC)/Holding Company & PFC Consulting Ltd (A wholly owned subsidiary of PFC) and deployed on Part Time basis.

The details of such Key Management Personnel are as follows:

S. No.	Name	Designation	Date of Appointment	Date of Resignation
1.	Shri M.K.Goel	Chairman	17.12.2008	Continuing
2.	Shri C. Gangopadhyay	Director	17.12.2008	30.12.2009
3.	Shri G. Dastidar	Director	17.12.2008	19.08.2009
4.	Shri Dinesh Vij	Director	21.05.2008	17.12.2008
5	Shri S.P. Pathak	Director	21.05.2008	31.03.2009
6	Shri S. Mulchandani	Director	21.05.2008	Continuing
7.	Shri Yogesh Juneja	Director	30.12.2009	Continuing

3. The entire expenditure on development of the Project is being incurred by Holding Company(PFCCL/ PFC) from its own funds until receipt of

the commitment advance from the procurers and thereafter out of Commitment Advance received from Procurers.

4. All the work for the Company are executed by PFC Consulting Ltd(PFCCL).Administrative expenses includes Charges of Rs. 23,05,270/- for man power cost of PFCCL employees charged by PFCCL on the basis of cost to company based on actual man days spent by the employees for the Company as per invoice raised by PFCCL and include Rs. 97,064/ charged for Sh. G. Dastidar.

5. The expenses appearing as Administrative Expenses in the Schedule-7 "Expenditure during Construction period" include manpower charges of PFCCL employees, expenses on account of Traveling & Conveyance, Printing & Stationery, Consultancy, Conference& Meeting, Legal &Filling and other common administrative expenses apportioned and allocated by the holding company. Original Supporting bills in respect of expenditure incurred by the holding company are retained by them of which copies are available with the Company. The holding company is complying with all statutory provisions relating to the 'Deduction of tax at source', PF, ESI, service tax, bonus, etc. as applicable to these expenses.

6. During the year, the Company has received Commitment Advance of Rs.10,87,00,000/- (Previous year Rs 4,80,00,000/-) from the Power Procuring Utilities (Procurers) in view of decision of Ministry of Power, Government of India as their contribution against allotment of specified quota of power to be given on completion of the project by way of a Power Purchase Agreement with respective Procurers and successful bidder. The said commitment advance has been shown in the Balance Sheet as Unsecured Loans and provision of interest is also made in accounts as per decision of Holding Company (PFC).

7. The Commitment advance of Rs15,67,00,000/- received from procurers was given to the Holding Company, PFCCL/PFC to meet out expenditures for the project on behalf of the company and to invest / retain remaining unutilized portion of commitment advance. Interest on unutilized portion of fund is receivable from PFCCL/PFC respectively and the same is payable to procurers. Total interest expense amounting to Rs.39,89,849/- (Previous Year Rs.1,22,959/-)has been accounted in the books of account for the year which includes interest of Rs 38,09,249/-(Previous year Rs.1,22,959/-) on unutilized portion and Rs 1,80,600/- (Previous year Nil/-) on utilized portion . Interest on utilized portion has been capitalized. Interest payable has been shown under Current Liabilities.

8. As per decision of Ministry of Power, Procurers are required to pay commitment advance against their respective share of allocated power to them, without any obligation of payment of interest on commitment advance. Accordingly commitment advance has been received from procurer without any obligation or commitment for payment of interest on commitment advance paid by them. However company has provided interest liability on commitment advance received from procurer as per decision of Company/ Holding company.

9. Estimated amount of contracts remaining to be executed on capital account and not provided for is Rs. Nil/-.

10. Hitherto preliminary expenses were being written off in the year in which the company starts its commercial activities. However the Expert Advisory Committee (EAC) of The Institute of Chartered Accountants of India has opinioned (Opinion was finalised on 15.12.2009 and published in March 2010 Journal of ICAI) that in compliance of AS-26 on intangible assets, such expenditure should be charged to Profit & Loss Account even if a company is yet to start its commercial activities and for this purpose the Profit & Loss Account should be prepared. Moreover if earlier such amount has been capitalized in the balance sheet, the same should be dealt with as per the requirements of AS-5 i.e. should be treated as Prior Period Item. Accordingly the profit & loss account has been prepared by the company and preliminary expenses earlier capitalized in the balance sheet have been charged to profit & loss account as a prior period item.

11. Expenditure during Construction Period (Schedule-7) containing all expenses required to be capitalized has been prepared and the same has been included in Capital Work In Progress .

12. As per the scheme of setting up of the project, entire expenditure to be incurred by the company for project exploration and initial spade work, including interest on funds deployed will be recovered from the successful bidder of the project as acquisition price for purchase of 100% equity shareholding of the company from its holding company(PFC), consequent upon which the company along with all its assets and liabilities shall stand transferred to such bidder entered into.

13. The shares of the company shall be transferred by the Holding Company to the successful bidder of the project after completion of bidding process. The amount of consideration payable by the successful bidder as acquisition price for purchase of 100% equity shareholding of company and for taking over all assets and liabilities of company shall be at par at book value.

14. The amount incurred by the company during the financial year 2008-09 in respect of audit fees, interest etc. and shown as preoperative expenditure has been reclassified during the year and has been shown as Capital Work in Progress being the expenditure during the construction period.

15. Unsecured Loans (Commitment advance) and interest payable thereof, interest receivables from PFC/PFCCL, all type of Sundry Creditors are subject to confirmation and reconciliation

16. Auditors Remuneration

	2009-10	2008-09
Audit Fees	Rs. 43,750/-	Rs. 35,000/-
Service Tax	Rs. 4,506/-	Rs. 3,605/-
	Rs 48,256/-	**Rs 38,605/-**

17. The disclosure as per AS18 – Related Party Disclosure :

The Sakhigopal Integrated Power Company Limited is a wholly owned subsidiary of PFC Ltd. All key decisions are taken by the Board of Sakhigopal Integrated Power Company Limited where the PFC/PFCCL nominees exercises control.

S.No.	Name of the Related Party	Nature of Relationship
1	Power Finance Corporation Limited	Holding Company
2.	PFC Consulting Limited	Subsidiary of Holding Company

S. No.	Particulars	2009-10		2008-09	
		PFC	PFCCL	PFC	PFCCL
1.	Equity Contribution	5,00,000/-	Nil/-	Nil/-	5,00,000/-
2.	Interest Income for the year	91,537/-	37,17,712/-	Nil/-	1,22,959/-
3.	Closing Balance				
a)	Interest receivable	82,383/-	38,12,808/-	Nil/	95,096/-
b)	Loans & advances	4,90,44,413/-	10,53,00,000/-	Nil/	4,80,00,000/-
c)	Sundry Creditors/ Amount Payable	Nil/-	8,17,804/-	Nil/-	55,179/-

18. The Company has complied with all the applicable Accounting Standards notified under section 211 of the Companies Act 1956. However AS -22 relating to Deferred Tax Liability /Asset pertaining to timing difference is not applicable to the company.

19. The Company owes no dues to small-scale units at year-end and hence provision of interest does not arise. Further based on information available with the management, there are no dues payable to enterprises covered under "Micro, Small and Medium Enterprises Development Act, 2006"

20. Most of the additional information pursuant to the provisions of Paragraph 3, 4C and 4D of part II of Schedule VI to the Companies Act, 1956 are

not applicable to the company as the project is still at its development stage and the company has yet to start its commercial activities. Applicable information is provided as under:

a. Expenditure in foreign currency – Nil

b. Income in foreign exchange – Nil

21. Figures have been rounded off to the nearest Rupee unless otherwise stated.
22. Previous year figures have been re-grouped/ re-arranged, wherever practicable and considered necessary, to make them comparable with the current year.
23. Schedule 1 to 9 form an integral part of the Financial Statements and have been authenticated

For and on behalf of Board of Directors

M.K. Goel	**Subir Mulchandani**
Chairman	**Director**

Signed in terms of our report of even date
For J.L. Garg & Co.
Chartered Accountants

Place: Delhi	**CA Ashoo Mittal**
Date: 31.05.2010	**(Partner)**
	M.No. 90640

SAKHIGOPAL INTEGRATED POWER COMPANY LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDING 31st MARCH 2010

	Year Ending 31st March, 2010 Rs.	Period Ending 31st March 2009 Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit/(Loss) as per Profit & Loss A/c	**(55,179)**	-
Prior Period Expenses/ Preliminary expenses	**55,179**	-
Operating profit before working capital changes	-	-
Adjustment For Increase/Decrease in:		
Other Current Assets	**(3,809,249)**	(122,959)
Loans & Advances	**(106,344,413)**	(48,000,000)
Current Liabilities & Provisions	**4,739,281**	216,743
TOTAL	**(105,414,381)**	(47,906,216)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Preliminary Expenses	**-**	(55,179)
Capital Work in Progress	**(3,627,136)**	(38,836)
TOTAL	**(3,627,136)**	(94,015)
C. CASH FLOW FROM FINANCIAL ACTIVITIES		
Issue of Share Capital	**-**	500,000
Unsecured Loan	**108,700,000**	48,000,000
TOTAL	**108,700,000**	48,500,000
NET INCREASE/(DECREASE) IN CASH FLOW	**(341,517)**	499,769
CASH & CASH EQUIVALENT AT THE BEGINNING OF THE PERIOD	**499,769**	-
CASH & CASH EQUIVALENT AT THE END OF THE PERIOD	**158,252**	499,769
Cash on hand and balance with banks	**158,252**	499,769
Other Cash and Cash Equivalents	**-**	-

For and On behalf of Board of Directors

M.K.Goel	**Subir Mulchandani**
Chairman	**Director**

SIGNED IN TERMS OF OUR REPORT OF EVEN DATE
For & On Behalf of
J.L.Garg & Co.
(CHARTERED ACCOUNTANTS)

Place : New Delhi	**CA Ashoo Mittal**
Date :31.05.2010	**(Partner)**
	M. No. 90640

SAKHIGOPAL INTIGRATED POWER COMPANY LIMITED

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I **Registration details**

Registration No : **U40108DL2008GOI178409** State Code: 55

Balance Sheet Date :

31	3	2010
Date	Month	Year

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

Public Issue	Right issue
-	-
Bonus Issue	Private Placement
-	-

III **Position of Mobilsation and Deployment of Funds (Amount in Rs. Thousands)**

	Total Liabilities	Total Assets
	162,156	162,156
Sources of Funds	Paid up capital	Reserve and Surplus
	500	-
	Secured Loans	Unsecured Loans
	-	156,700
Application of Funds	Net Fixed Assets	Capital Work In Progress
	-	3,666
	Investment	Net Current Assets
	-	153,479
	Misc. Expenditure	Accumulated Losses
	-	55

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

Turnover	Total Expenditure
-	55
Profit/ Loss before Tax	Profit/ Loss after Tax
(55)	(55)
Earning per Share	Dividend
(1.10)	-

V **Generic Names of Three Priciples Products/Services of Company (as per monetary terms)**

1. Item Code No. (ITC Code)
Product Description

2. Item Code No. (ITC Code)
Product Description

3. Item Code No. (ITC Code)
Product Description

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF SAKHIGOPAL INTEGRATED POWER COMPANY LIMITED, NEW DELHI, FOR THE YEAR ENDED 31 MARCH 2010

The preparation of financial statements of Sakhigopal Integrated Power Company Limited, New Delhi, for the year ended 31 March 2010 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The statutory auditors appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 31 May 2010.

I, on behalf of the Comptroller and Auditor General of India, have decided not to review the report of the Statutory Auditors on the accounts of Sakhigopal Integrated Power Company Limited, New Delhi, for the year ended 31 March 2010 and as such have no comments to make under Section 619(4) of the Companies Act, 1956.

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

Place: New Delhi **(M.K. Biswas)**
Dated: 28 June 2010 **Principal Director of Commercial Audit &**
Ex-officio Member Audit Board–III,New Delhi

GHOGARPALLI INTEGRATED POWER COMPANY LIMITED

(A wholly owned subsidiary of Power Finance Corporation Limited)

DIRECTORS' REPORT 2009-2010

To

The Members,

Your Directors have pleasure in presenting the 2nd Annual Report on the working of the Company for the financial year ending on March 31, 2010 along with Audited Statements of Accounts and Auditor's Report thereon.

OPERATIONAL ACTIVITIES

Ghogarpalli Integrated Power Company Limited(GIPCL) has been established by PFC Consulting Limited(a wholly owned subsidiary of Power Finance Corporation Limited) on 22nd May, 2008 to undertake preliminary studies and to facilitate tie-ups of inputs, linkages and to obtain necessary clearances for the projects such as water, land, environment clearance and power selling arrangement etc. for proposed power project prior to award of the project to the successful bidder. The Commencement of Business was obtained on 16th April, 2009. However, as per direction of MoP, Govt. of India, the shares of GIPCL was transferred to PFC by PFCCL on 9th February, 2010. After transfer of Shares to PFC, GIPCL became wholly owned subsidiary of PFC.

Five Coastal sites, proposed by Government of Orissa, were visited by the CEA/ PFCCL team for selection of sites for the project. One of the site in Ganjam District was not found suitable by CEA. Additional information for remaining four sites at Kirtania, Dhamra, Paradeep and Astarang was sought by CEA from State Govt., which was furnished by the State Govt. Govt. of Orissa has informed that Defence Authority, Govt. of India has not given permission for setting up the UMPP at Dhamra site, which has been found most suitable by CEA. This matter is being taken up by CEA/ MoP with Defence Authority, GoI.

CEA/ PFCCL team visited another site near Titilagarh in Bolangir Distt. on April 19, 2010. Letter dated 30th April, 2010 has been sent from CEA to Commissioner-cum-Secretary (Department of Energy), Govt. of Orissa, requesting for more details/confirmation regarding this site. Details/ confirmation from state Govt. are awaited.

A meeting was held in Ministry of Power on April 15, 2010 to discuss allocation of Coal block for additional UMPPs in Orissa, which was attended by representatives from Ministry of Coal, CMPDI, CEA and PFCCL. CMPDI and Ministry of Coal informed that further exploration of Ghogarpalli and Ghogarpalli dip side coal blocks will be carried out before considering allocation of the additional Chatbar coal block for the UMPP to be set up by GIPCL.

FINANCIAL REVIEW

During the year under review, your Company has not taken up its commercial activities. However, during the year the Company has spent an amount of Rs.33.50 Lacs in the development of the Project which has been transferred to Capital work in progress.

DIVIDEND

As the Company has not started its commercial activities, the Company has not declared any dividend for the period commencing from 1st April, 2009 to 31st March, 2010.

SHARE CAPITAL

The paid-up share capital of the company was Rs.5,00,000/- (50,000 equity shares of Rs. 10/- each) as on 31st March, 2010. During the year, the entire share capital of the Company held by PFCCL and its nominees are transferred to PFC and its nominees. After transfer of Shares to PFC, company became wholly owned subsidiary of PFC.

COMMITMENT ADVANCE

On the basis of the decision taken in the meeting held in the Ministry of Power, the procuring States (Procurers) are required to contribute commitment advance @ Rs. One crore per 100 MW of off-take according to their power allocation to SPV. During the period under review, Commitment Advance of Rs.15.18 crores have been received from power procuring states.

FIXED DEPOSITS

The Company has not accepted any fixed deposit during the period ending 31st March 2010.

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

There are no significant particulars, relating to conservation of energy, technology absorption under the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, as your Company does not own any manufacturing facility. There was no foreign exchange earning and outgo during the year under consideration.

AUDITORS

M/s. B S Chhatwal & Co., Chartered Accountants, were appointed as Statutory Auditors of the Company for the financial year 2009-2010 by the Comptroller & Auditor General of India. There are no adverse comments, observation or reservation in the Auditor's Report on the accounts of the Company.

PARTICULARS OF EMPLOYEES U/S 217 (2A) OF THE COMPANIES ACT, 1956.

The Company has no employees on its roll. Hence, the particulars of employees as prescribed under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are not applicable.

DIRECTORS

The Board of Directors presently comprise of:

1.	Shri M. K. Goel	: Chairman
2.	Shri Ashwani Sharma	: Director
3.	Shri Subir Mulchandani	: Director
4.	Shri Yogesh Juneja	: Director

During the year Shri C. Gangopadhyay resigned from the Directorship of the Company.

In accordance with provisions of Companies Act, 1956, Shri Subir Mulchandani Director shall retire by rotation at the ensuing Annual General Meeting of the Company and being eligible offers himself for re-appointment.

COMPTROLLER AND AUDITOR GENERAL REVIEW

C&AG of India vide their letter dated 28th June, 2010 mentioned that they have decided not to review the report of the Statutory Auditors' on the accounts of the Company for the year ended 31st March, 2010 and as such have no comments to make under Section 619(4) of the Companies Act, 1956. A copy of the letter issued by C&AG in this regard is placed at Annex-1.

DIRECTOR'S RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors confirm that in the preparation of annual account ended 31st March, 2010: -

- The applicable accounting standards have been followed along with proper explanation.
- Reasonable and prudent judgment and estimate were made so as to give a true and fair view of the state of affairs of the Company as on 31st March, 2010.
- Proper and sufficient care was taken 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.
- The accounts have been prepared on going concern basis.

ACKNOWLEDGEMENT

The Directors place on record their gratitude to the Central and State Governments and various Government agencies for the assistance, co-operation and encouragement they extend to the Company. The Company is also thankful to the Comptroller & Auditor General of India, the Statutory Auditors and the bankers for their suggestions and co-operation. Last but not the least, the Directors would like to thank the employees of the holding company or PFC Consulting Limited for their continuing support and unstinting efforts in ensuring an excellent all round performance.

For and on behalf of the Board of Directors

Place : New Delhi **(M. K. Goel)**

Dated : 06/08/2010 **Chairman**

AUDITOR'S REPORT

TO THE MEMBERS OF GHOGARPALLI INTEGRATED POWER COMPANY LIMITED.

We have audited the Balance Sheet of **GHOGARPALLI INTEGRATED POWER COMPANY LIMITED** as at **31st March 2010**, Profit & Loss account and Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As required by the Companies (Auditor Report) order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in the paragraphs 4 and 5 of said order. Further to our comments in the Annexure referred to above we report that.

1. We have obtained all the information and explanation, which to the best of our knowledge and belief were necessary for the purposes of our audit.
2. In our opinion the Company has kept proper books of accounts as required by law so far, as appears from our examination of those books. Since all payments on behalf of the Company made by Holding Company i.e. Power Finance Corporation Ltd., the original supports for expenditure etc are kept with holding Company.
3. The Balance Sheet, Profit & Loss account and Cash flow statement dealt with by this report are in agreement with the books of account.
4. The Balance Sheet , Profit & Loss account and Cash flow statement dealt with by this report are prepared in accordance with the accounting standards referred to in sub-section (3C) of section 211 of the companies act, 1956.
5. Being a Government Company clause (g) of sub-section (i) of section 274 of the companies Act, 1956 is not applicable as per Notification no. GSR 829 (E) dated 21.10.2003 issued by the Deptt. of Company Affairs.
6. In our opinion and to the best of our information and according to the explanation given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required & give a true and fair view in conformity with the accounting principles generally accepted in India.
   (i) In case of the balance sheet, of the state of affairs of the Company as at 31st March 2010,
   (ii) In case of the Profit & Loss Account, of the loss of the company for the year ended on that date, and
   (iii) In case of Cash Flow Statement, of the Cash Flows of the company for the year ended on that date.

For and on behalf of
B.S. CHHATWAL & CO.
Chartered Accountants.
ICAI Firm Registration No.-006225N

Place: New Delhi **MANMEET CHHATWAL**
Dated: 31/05/2010 **(Partner)**
Membership No.: 085685

ANNEXURE TO AUDITORS REPORT OF GHOGARPALLI INTEGRATED POWER COMPANY LIMITED (REFERRED TO IN PARAGRAPH (2) OF OUR REPORT OF EVEN DATE)

I. (a) In our opinion and according to information and explanation given to us, provision of para 4(i) (a) of the Companies (Auditors Report) Order, 2003 relating to maintaining proper records showing full particulars, including quantitative details and situation of fixed assets are not applicable to company as it does not have fixed assets.

(b) In our opinion and according to information and explanation given to us provision of para 4(i) (b) of the companies (Auditors Report) Order, 2003 relating to physical verification of fixed assets by the management is not applicable to Company as it does not have fixed assets.

(c) In our opinion and according to information and explanation given to us provision of para 4(i) (c) of the companies (Auditors Report) Order, 2003 relating to disposal of any substantial part of fixed assets during the year are not applicable to Company as it does not have fixed assets.

II. (a) In our opinion and according to information and explanation given to us provision of para 4(ii) (a) of the companies (Auditors Report) Order, 2003 relating to physical verification of inventory is not applicable to Company as it does not have any inventories as on balance sheet date.

(b) In our opinion and according to information and explanation given to us provision of para 4(ii) (b) of the companies (Auditors Report) Order, 2003 is not applicable to company.

(c) In our opinion and according to information and explanation given to us provision of para 4(ii) (c) of the companies (Auditors Report) Order, 2003 is not applicable to company.

III. (a) The company has not taken any loans secured or unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.

(b) As the company has not granted any loans secured or unsecured, to the companies, firm or parties listed in the register maintained under section 301 of the companies Act ,1956.

IV. In our opinion according to the information and explanation given to us, the company does not have fixed assets and inventories and has no commercial activities by the company during the period, the provision of para 4(iv) of the companies (Auditors Report) Order 2003 relating to adequate internal control procedure commensurate with the size of company and nature of its business, for the purchase of inventory and fixed assets and for the sale of goods are not applicable to company.

V. According to the information and explanation given to us, there are no transaction made in pursuance of the contracts or arrangements that need to be entered in the register maintained under section – 301 of the Companies Act, 1956.

VI. According to the information and explanation given to us, the company has not accepted any deposits from public.

VII. The company does not have paid up capital and reserves of Rs 50 lakhs as at the commencement of the financial year concerned, or have a average annual turnover exceeding five crore rupees for a period of three consecutive financial years immediately preceding the financial year concerned, the provision of para 4 (vii) of the Companies (Auditor Report) Order, 2003 are not applicable to company.

VIII. The company does not have any business activities during the period, the provision of para 4 (viii) of the Companies (Auditor Report) order, 2003 relating to maintaining of cost records under section 209 (I) (d) of the companies act is not applicable to the company.

IX. (a) According to information and explanation given to us, the company is regular in depositing undisputed statutory dues including Provident Fund, Investors Education and Protection Fund Employees

State Insurance, Income Tax, Wealth Tax, Interest Tax, and other statutory dues with the appropriate Authorities through holding company i.e. PFC Ltd. According to information and explanation given to us, there are no undisputed statutory dues outstanding as at 31st March, 2010 for a period of more than six months from the date they become payable.

(b) According to information and explanation given to us there are no dues of Income Tax, Wealth Tax, which have not been deposited on account of any dispute.

X. In our opinion the Company has accumulated losses at the end of the financial year .However it has not incurred any cash losses in the current financial year.

XI. In our opinion and according to information and explanation given to us, the Company has not defaulted in repayment of its dues to Banks, Financial Institutions.

XII. In our opinion and according to information and explanation given to us, provision of para 4 (xii) of the Companies (Auditors Report) Order, 2003 are not applicable to Company as it has not given any loans and advance on security of shares, Debentures and other securities.

XIII. In our opinion and according to information and explanation given to us, the Company is not a Chit Fund, Nidhi or Mutual benefit, Trust/Society. Accordingly, the provision of para 4(xiv) of the companies (Auditor Report) Order, 2003 is not applicable to company.

XIV. According to information and explanation given to us, the Company is not dealing or trading in shares, Securities, debenture and other investment and hence the requirement of para 4(xiv) of the Companies (Auditor Report) Order, 2003 is not applicable to Company.

XV. According to information and explanation given to us, the Company has not given any guarantee in respect of loan taken by it from banks and financial institutions.

XVI. In our opinion and according to information and explanation given to us the company is not obtained any term loan and hence the requirement of para 4 (xvi) of the Companies (Auditors Report) Order, 2003 are not applicable to Company.

XVII. According to information and explanation given to us and on an overall examination of the balance sheet and cash flow statement of the Company, we report that prima facie no funds raised on short-term basis have utilized for long term investment purpose.

XVIII. The Company has not made any preferential allotment of share to parties and companies covered in the register maintained under section 301 of the Companies Act 1956.

XIX. According to information and explanation given to us the company does not have any debentures and hence the requirement of para 4(xix) of the Companies (Auditors Report) order, 2003 are not applicable to Company.

XX. According to information and explanation given to us the company has not raised any money from public issues during the period. According to information and explanation given to us no material fraud on the Company or by the Company was noticed or reported during the year.

XXI. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the year.

For and on behalf of
B.S. CHHATWAL & CO.
Chartered Accountants
ICAI Firm Registration No. - 006225N

MANMEET CHHATWAL
(Partner)
Membership No.: 085685

Place: New Delhi
Dated: 31/05/2010

GHOGARPALLI INTEGRATED POWER COMPANY LIMITED

BALANCE SHEET AS AT 31st MARCH, 2010

Particulars	SCHEDULE	As on 31st March, 2010 Rs.	As on 31st March, 2009 Rs.
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	500,000	500,000
LOAN FUNDS			
Unsecured Loans	2	154,189,636	-
TOTAL		154,689,636	500,000
APPLICATION OF FUNDS			
FIXED ASSETS	3		
a) Gross Block		-	-
Less : Depreciation		-	-
Net Block		-	-
b) Capital Work in Progress	4	3,389,545	38,836
		3,389,545	38,836
INVESTMENTS		-	-
CURRENT ASSETS, LOANS & ADVANCES	5		
a) Cash & Bank Balances		74,947	499,769
b) Other Current Assets		3,378,586	-
c) Loans & Advances		151,800,000	-
		155,253,533	499,769
Less : CURRENT LIABILITIES & PROVISIONS	6		
Current Liabilities		4,008,171	93,334
Provisions		-	-
		4,008,171	93,334
NET CURRENT ASSETS		151,245,362	406,435
MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)			
Preliminary Expenses		-	54,729
Profit & Loss Account		54,729	
TOTAL		154,689,636	500,000
EXPENDITURE DURING CONSTRUCTION PERIOD	7		
SIGNIFICANT ACCOUNTING POLICIES	8		
NOTES TO ACCOUNTS	9		

Schedules referred above form an integral part of Balance Sheet

For and On behalf of the Board of Directors

M.K.Goel — **Chairman**
Subir Mulchandani — **Director**

SIGNED IN TERMS OF OUR REPORT OF EVEN DATE
For & On Behalf of
B.S.CHHATWAL & CO.
(CHARTERED ACCOUNTANTS)

Place : New Delhi
Date : 31.05.2010

Manmeet Chhatwal
(Partner)
M No. 085685

GHOGARPALLI INTEGRATED POWER COMPANY LIMITED
PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2010

PARTICULARS	SCHEDULE	For the Year ended on 31st March 2010 Rs.	For the Year ended on 31st March 2009 Rs.
Income		NIL	NIL
		-	-
Expenses			
Prior Period Expenses (Preliminary Expenses written off)		54,729	-
		54,729	-
Net Profit/(Loss) for the year		(54,729)	-
Net Loss Carried to Balance Sheet		54,729	-
Basic & Diluted Earning per share of Rs.10 each		(1.09)	
EXPENDITURE DURING CONSTRUCTION PERIOD	7		
SIGNIFICANT ACCOUNTING POLICIES	8		
NOTES TO ACCOUNTS	9		

Schedules referred above form an integral part of Profit & Loss Account

For and On behalf of the Board of Directors

M.K.Goel — **Subir Mulchandani**
Chairman — **Director**

SIGNED IN TERMS OF OUR REPORT OF EVEN DATE
For & On Behalf of
B.S.CHHATWAL & CO.
(CHARTERED ACCOUNTANTS)

Place : New Delhi
Date : 31.05.2010

Manmeet Chhatwal
(Partner)
M No. 085685

GHOGARPALLI INTEGRATED POWER COMPANY LIMITED
SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

	As on 31st March, 2010 Rs.	As on 31st March, 2009 Rs.
SCHEDULE '1'		
SHARE CAPITAL		
AUTHORISED		
50,000 Equity Shares of Rs. 10/- each	500,000	500,000
	500,000	500,000
ISSUED, SUBSCRIBED & PAID UP		
50,000 Equity Shares of Rs. 10/- each Fully Paid up (Wholly owned by Power Finance Corporation, previously owned by PFCConsulting Ltd)	500,000	500,000
	500,000	500,000
SCHEDULE '2'		
UNSECURED LOANS		
Commitment Advance from Procurers	151,800,000	-
Power Finance Corporation Ltd.	2,389,636	-
	154,189,636	-

SCHEDULE '3'
FIXED ASSETS

FIGURES IN RUPEES

Particulars	GROSS BLOCK: Opening Balance As at Beginning	GROSS BLOCK: Addtions/ Adjustments during the year	GROSS BLOCK: Deductions/ Adjustments during the year	GROSS BLOCK: Closing Balance As at 31.03.2010	DEPRECIATION BLOCK: Opening Balance as at Beginning	DEPRECIATION BLOCK: Additions/ Adjustments during the year	DEPRECIATION BLOCK: Deductions/ Adjustments during the year	DEPRECIATION BLOCK: Closing Balance As at 31.03.2010	NET BLOCK: As on 31.03.2010	NET BLOCK: As on 31.03.2009
-	-	-	-	-	-	-	-	-	-	
TOTAL	-	-	-	-	-	-	-	-	-	-
PREVIOUS YEAR	-	-	-	-	-	-	-	-	-	-

SCHEDULE '4'
CAPITAL WORK IN PROGRESS

	AS on 31st March 2010 Rs.	AS on 31st March 2009 Rs.
Opening Balance	38,836	-
CWIP: Transferred from Expenditure During Construction Period (Schedule-7)	3,350,709	38,836
	3,389,545	38,836

SCHEDULE '5'
CURRENT ASSETS, LOANS & ADVANCES

	AS on 31st March 2010 Rs.	AS on 31st March 2009 Rs.
a. Cash and Bank Balances		
Cash in hand	-	-
Balance with Scheduled Bank in Current Accounts (Allahabad Bank)	74,947	499,769
b. Other Current Assets		
Interets Receivable from PFC Consulting Ltd.	3,378,586	-
c. Loans and Advances		
(Unsecured, Considered Good)		
PFC Consulting Ltd-Commitment Advance	151,800,000	-
Total(a+b+c)	155,253,533	499,769

SCHEDULE '6'
CURRENT LIABILITIES AND PROVISIONS

	AS on 31st March 2010 Rs.	AS on 31st March 2009 Rs.
CURRENT LIABILITIES		
Audit Fee Payable	**43,430**	34,628
Interest Payable to Procurers	**3,197,563**	-
Amount Payable to PFC Consulting Ltd.	**402,223**	54,729
TDS Payable	**359,936**	3,977
Expenses Payable	**5,019**	-
Total	**4,008,171**	93,334

SCHEDULE '7
EXPENDITURE DURING CONTRUCTION PERIOD

(a) Expenses		
Administration Expenses including Manpower Charges	**2,379,605**	-
Audit Fees	**48,256**	38,605
Conference & Meeting	**619,130**	-
Legal & Professional charges	**20,250**	-
Consultancy Charges	**109,028**	-
Bank Charges	**353**	231
Interest	**3,552,673**	-
Total (a)	**6,729,295**	38,836
(b) Other Income		
Interest accrued but not due (TDS Rs.Nil, Previous Year Rs. Nil)	**3,378,586**	-
Total (b)	**3,378,586**	-
Balance(a-b)	**3,350,709**	38,836

Schedule - '8'
Significant Accounting Policies

1. The Company prepares its financial statements in accordance with applicable accounting standards and generally accepted accounting principles and also in accordance with requirements of the Companies Act, 1956.
2. **Revenue Recognition:**

   Income and expenses (except otherwise stated) are accounted for on accrual basis. Fees for advisory and professional services for developing Ultra Mega Power Project payable to PFC /PFCCL will be accounted for in the year of transfer of the company to the successful bidder.
3. **Fixed Assets/ Depreciation:**
   a. Fixed assets are shown at historical cost less current/ accumulated depreciation. The company capitalizes all direct cost including borrowing cost up to the date of commercial use of such assets.
   b. Depreciation on assets is provided on Written down Value method, in accordance with the rates prescribed in Schedule XIV of the Companies Act, 1956.
   c. Items of fixed assets acquired during the year costing up to Rs. 5000/- are fully depreciated.
4. **Capital work In Progress:**

   Expenditure incurred on Survey/Studies/Investigations/Consultancy/ Administration/Depreciation/Interest etc. has been treated as Capital Work In Progress.
5. **Loans**

   Expenditure incurred by the company for the Project is financed by the Holding Company/Procurers and considered as Unsecured Loan.
6. Investments are stated at cost.
7. Borrowing cost is charged to the profit & loss account for the year in which it is incurred except for capital assets which is capitalized till the date of commercial use of the assets.
8. Preliminary expenses were being written off hitherto in the year in which the company would start its commercial activities. However in compliance of the opinion of the Expert Advisory Committee (EAC) of The Institute of Chartered Accountants of India the same has been charged to the Profit & Loss account in the year in which such expenditure has been incurred.
9. Contingent liabilities have not been provided and are disclosed by way of notes on the basis of available information.

Schedule – '9'
Notes to Accounts

1. The Company was incorporated on 22/05/2008 under the Companies Act, 1956 as a wholly owned subsidiary of PFC Consulting Limited (PFCCL), (A wholly owned subsidiary of Power Finance Corporation Ltd, a Govt. of India Undertaking) and Certificate for Commencement of Business was issued on 16/04/2009. During the year PFC Consulting Limited has transferred GIPL to PFC Limited on 09/02/2010. Now it is a who1ly owned subsidiary of PFC Limited. The Company is a special purpose vehicle incorporated to facilitate the acquisition of land and to complete preliminary work regarding statutory clearances including that of environment, forest, CRZ etc. for the purpose of establishing ultra mega power project of 4000 MW in the state of Orissa (Project).
2. The Key Management Personnel of the Company are employees of the Power Finance Corporation Ltd (PFC)/Holding Company & PFC Consulting Ltd (A wholly owned subsidiary of PFC) and deployed on Part Time basis.

   The details of such Key Management Personnel are as follows:

S. No.	Name	Designation	Date of Appointment	Date of Resignation
1.	Shri M.K.Goel	Chairman	17.12.2008	Continuing
2.	Shri G.Dastidar	Director	17.12.2008	19.08.2009
3.	Shri Ashwani Sharma	Director	29.05.2009	Continuing
4.	Shri C. Gangopadhyay	Director	17.12.2008	30.12.2009
5.	Shri Dinesh Vij	Director	22.05.2008	17.12.2008
6.	Shri S.P. Pathak	Director	22.05.2008	31.3.2009
7.	Shri Subir Mulchandani	Director	22.05.2008	Continuing
8.	Shri Yogesh Juneja	Director	30.12.2009	Continuing

3. The entire expenditure on development of the Project being developed by the Company is being incurred by the Holding Company (PFCCL/ PFC) from its own funds until receipt of the commitment advance from the procurers and thereafter out of Commitment Advance received from Procurers.
4. All the work for the Company are executed by PFC Consulting Ltd. (PFCCL). Administrative expenses includes Charges of Rs. 23,05,270/ for man power cost of PFCCL employees charged by PFCCL on the basis of cost to company based on actual man days spent by the employees for the Company as per invoice raised by PFCCL and include Rs. 97,064/- charged for Sh. G.Dastidar and Rs. 8,25,044/- charged for Sh.Ashwani Sharma.
5. The expenses appearing as Administrative Expenses in the Sch-7 "Expenditure during Construction period" include manpower charges of PFCCL employees, expenses on account of Traveling & Conveyance, Printing & Stationery, Consultancy, Conference & Meeting, Legal & Filling and other common administrative expenses apportioned and allocated by the holding company. Original Supporting bills in respect of expenditure incurred by the holding company are retained

by them of which copies are available with the Company. The holding company is complying with all the statutory provisions relating to the 'Deduction of tax at source', PF, ESI, service tax, bonus, etc. as applicable to these expenses.

6. During the year, the Company has received Commitment Advance of Rs.15,18,00,000/- (Previous year Rs Nil/-) from the Power Procuring Utilities (Procurers) in view of decision of Ministry of Power, Government of India as their contribution against allotment of specified quota of power to be given on completion of the project by way of a Power Purchase Agreement with respective Procurers and successful bidder. The said commitment advance has been shown in the Balance Sheet as Unsecured Loans and provision of interest is also made in accounts as per decision of Company/Holding Company (PFC).

7. The Commitment advance of Rs. 15,18,00,000/- received from procurers was given to the Holding Company (PFC/PFCCL) to meet out expenditures for the project on behalf of the company and to invest / retain remaining unutilized portion of commitment advance. Total Interest Expense amounting to Rs. 35,52,673/- (Previous Year Rs. Nil/-) has been accounted for in the books of account for the year which includes interest of Rs 33,78,586/-(Previous year Rs. Nil/-) on unutilized portion and Rs 1,74,087/- on utilized portion. Interest on utilized portion has been capitalized. Interest payable has been shown under Current Liabilities.

8. Hitherto preliminary expenses were being written off in the year in which the company starts its commercial activities. However the Expert Advisory Committee (EAC) of The Institute of Chartered Accountants of India has opinioned (Opinion was finalized on 15.12.2009 and published in March 2010 Journal of ICAI) that in compliance of AS-26 on intangible assets, such expenditure should be charged to Profit & Loss Account even if a company is yet to start its commercial activities and for this purpose the Profit & Loss Account should be prepared. Moreover if earlier such amount has been capitalized in the balance sheet, the same should be dealt with as per the requirements of AS-5 i.e. should be treated as Prior Period Item. Accordingly the profit & loss account has been prepared by the company and preliminary expenses earlier capitalized in the balance sheet have been charged to profit & loss account as a prior period item.

9. As per decision of MOP, Procurers are required to pay commitment advance against their respective share of allocated power to them, without any obligation of payment of interest on commitment advance. Accordingly commitment advance has been received from procurer without any obligation or commitment for payment of interest on commitment advance paid by them. However company has provided interest liability on commitment advance received from procurer as per decision of company.

10. Expenditure during Construction Period (Schedule-7) containing all expenses required to be capitalized has been prepared and the same has been included in Capital Work In Progress.

11. As per the scheme of setting up of the project, entire expenditure to be incurred by the company for project exploration and initial spade work, including interest on funds deployed will be recovered from the successful bidder of the project as acquisition price for purchase of 100% equity shareholding of the company from its holding company, consequent upon which the company along with all its assets and liabilities shall stand transferred to such bidder entered into.

12. The shares of the company shall be transferred by the Holding Company to the successful bidder of the project after completion of bidding process. The amount of consideration payable by the successful bidder as acquisition price for purchase of 100% equity shareholding of company and for taking over all assets and liabilities of company shall be at par at book value.

13. The disclosure as per AS18 – Related Party Disclosure :

    Ghogarpalli Integrated Power Company Limited is a wholly owned subsidiary of PFC Ltd. All key decisions are taken by the Board of Ghogarpalli Integrated Power Company Limited where the PFC/PFCCL nominees exercise control.

Details of Related Parties:-

S. No.	Name of the Related Party	Nature of Relationship
1.	Power Finance Corporation Limited	Holding Company
2.	PFC Consulting Limited	Subsidiary of Holding Company

S. No. Particulars	2009-10		2008-09	
	PFC	**PFCCL**	**PFC**	**PFCCL**
1. Equity Contribution	5,00,000	Nil	Nil	5,00,000
2. Interest Income	Nil	35,52,673	Nil	Nil
3. **Closing Balance**				
a) Unsecured Loan	23,89,636	Nil	Nil	Nil
b) Interest receivable	Nil	33,78,586	Nil	Nil
c) Loans & Advance	Nil	15,18,00,000	Nil	Nil
d) Amount Payable	Nil	4,02,223	Nil	54,729

14. Unsecured Loans and interest payable thereof, interest receivable from PFCCL are subject to confirmation and reconciliation

15. i) Estimated amount of contracts remaining to be executed on capital account and not provided for is Rs. Nil/-.

    ii) Contingent liabilities of the company and claims against the company not acknowledged by the company as certified by the management for the period is Nil.

16. Auditors Remuneration

	2009-10	**2008-09**
Audit Fees	Rs. 43,750/-	Rs. 35,000/-
Service Tax	Rs. 4,506/-	Rs. 3,605/-

17. The Company has complied with all the applicable Accounting Standards notified under section 211 of the Companies Act 1956. However AS -22 relating to Deferred Tax Liability /Asset pertaining to timing difference is not applicable to the company in view of the fact that the company is still in the construction phase and yet to commence its operation.

18. The Company owes no dues to small-scale units at year-end and hence provision of interest does not arise. Further based on information available with the management, there are no dues payable to enterprises covered under "Micro, Small and Medium Enterprises Development Act, 2006".

19. Most of the additional information pursuant to the provisions of Paragraph 3, 4C and 4D of part II of Schedule VI to the Companies Act, 1956 are not applicable to the company as the project is still at its development stage and the company has yet to start its commercial activities. Applicable information is provided as under:

a. Expenditure in foreign currency – Nil

b. Income in foreign exchange –Nil

20. Figures have been rounded off to the nearest Rupee unless otherwise stated.

21. Previous year figures have been re-grouped/ re-arranged, wherever practicable and considered necessary, to make them comparable with the current year.

22. Schedule 1 to 9 form an integral part of the Financial Statements and have been authenticated

For and on behalf of Board of Directors

M.K. Goel — **Chairman**

Subir Mulchandani — **Director**

Signed in terms of our report of even date
For B. S. Chhatwal & Co.
Chartered Accountants

Place: New Delhi
Date: 31.05.2010

Manmeet Chhatwal
Partner
M.No. 085685

GHOGARPALLI INTEGRATED POWER COMPANY LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDING 31st MARCH 2010

PARTICULARS	**Year Ending 31st March 2010 Rs.**	Period Ending 31st March 2009 Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit/(Loss) as per Profit & Loss A/c	**(54,729)**	-
Prior Period Expenses/ Preliminary expenses	**54,729**	-
Operating profit before working capital changes	**-**	-
Adjustment For Increase/Decrease in:		
Other Current Assets	**(3,378,586)**	-
Loans & Advances	**(151,800,000)**	-
Current Liabilities & Provisions	**3,914,837**	93,334
Net Inflow from Operating Activities (A)	**(151,263,749)**	93,334
B. CASH FLOW FROM INVESTING ACTIVITIES		
Capital Work in Progress	**(3,350,709)**	(38,836)
Preliminary Expenses	**-**	(54,729)
Net Inflow from Investing Activities (B)	**(3,350,709)**	(93,565)
C.CASH FLOW FROM FINANCIAL ACTIVITIES		
Unsecured Loans	**154,189,636**	-
Issue of Share Capital	**-**	500,000
Net Inflow from Financing Activities (C)	**154,189,636**	500,000
NET INCREASE/(DECREASE) IN CASH FLOW(A+B+C)	**(424,822)**	499,769
CASH & CASH EQUIVALENT AT THE BEGINNING OF THE YEAR	**499,769**	-
CASH & CASH EQUIVALENT AT THE END OF THE Year	**74,947**	499,769
Cash on hand and balance with banks	**74,947**	499,769
Other Cash and Cash Equivalents	-	-

For and On behalf of the Board of Directors

M.K Goel — **Chairman**

Subir Mulchandani — **Director**

SIGNED IN TERMS OF OUR REPORTOF EVEN DATE
For & On Behalf of
B.S.Chhatwal & Co.
(Chartered Accountants)

Place : New Delhi
Date : 31/05/2010

Manmeet Chhatwal
(Partner)
M.No. 085685

GHOGARPALLI INTEGRATED POWER COMPANY LIMITED

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I **Registration details**

Registration No :	**U45207DL2008GOI178456**	State Code: 55		
Balance Sheet Date :	31	3	2010	
	Date	Month	Year	

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

	Public Issue	Right issue
	-	-
	Bonus Issue	Private Placement
	-	-

III **Position of Mobilsation and Deployment of Funds (Amount in Rs. Thousands)**

	Total Liabilities	Total Assets
	158,698	158,698
Sources of Funds	Paid up capital	Reserve and Surplus
	500	-
	Secured Loans	Unsecured Loans
	-	154, 190
Application of Funds	Net Fixed Assets	Capital Work in Progress
	-	3,390
	Investment	Net Current Assets
	-	151,245
	Misc. Expenditure	Accumulated Losses
	-	55

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

Turnover	Total Expenditure
-	55
Profit/ Loss before Tax	Profit/ Loss after Tax
(55)	(55)
Earning per Share	Dividend
(1.09)	-

V **Generic Names of Three Priciples Products/Services of Company (as per monetary terms)**

1. Item Code No. (ITC Code)
Product Description

2. Item Code No. (ITC Code)
Product Description

3. Item Code No. (ITC Code)
Product Description

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF GHOGARPALLI INTEGRATED POWER COMPANY LIMITED, NEW DELHI, FOR THE YEAR ENDED 31 MARCH 2010

The preparation of financial statements of Ghogarpalli Integrated Power Company Limited, New Delhi, for the year ended 31 March 2010 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The statutory auditors appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 31 May 2010.

I, on behalf of the Comptroller and Auditor General of India, have decided not to review the report of the Statutory Auditors on the accounts of Ghogarpalli Integrated Power Company Limited, New Delhi, for the year ended 31 March 2010 and as such have no comments to make under Section 619(4) of the Companies Act, 1956.

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

Place: New Delhi
Dated: 28 June 2010

(M.K. Biswas)
Principal Director of Commercial Audit &
Ex-officio Member Audit Board–III,New Delhi

TATIYA ANDHRA MEGA POWER LIMITED

(A wholly owned subsidiary of Power Finance Corporation Limited)

DIRECTORS' REPORT 2009-2010

To

The Members,

Your Directors have pleasure in presenting their 1st Annual Report on the working of the Company for the financial year ended 31st March, 2010 together with the Audited Statement of accounts and Auditor's Report thereon.

OPERATIONAL ACTIVITIES

Electricity is an essential ingredient for all facets of our life and in order to meet the demand of electricity, Ministry of Power, Govt. of India has taken various steps including Development of Ultra Mega Power Projects (UMPPs). The objective of UMPPs is to develop large capacities of power generation in India and to bring in the potential investors after developing such projects to a stage having major clearances, fuel tie up and power selling tie ups in place. These projects are intended to be transferred to a potential investor (or group of investors) through International competitive bidding (ICB) as per the guidelines of Govt. of India for tariff based competitive bidding. Power Finance Corporation Limited (PFC) is the Nodal Agency for the development of these projects and CEA is the technical partner.

Tatiya Andhra Mega Power Limited (TAMPL) was established on 17th April, 2009 as a Special Purpose Vehicle (SPV) by PFC Consulting Limited (A wholly owned subsidiary of Power Finance Corporation Limited), to undertake developmental activities for the proposed Second UMPP in the State of Andhra Pradesh. However, as per direction of MoP, Govt. of India, the shares of TAMPL was transferred to PFC by PFC Consulting Limited (PFCCL) on 9th February, 2010. After transfer of Shares to PFC, TAMPL became wholly owned subsidiary of PFC.

Power Allocation Meeting for the project was held under the Chairmanship of Secretary (Power), Ministry of Power, Govt. of India on 3rd February, 2010 with the representatives from the States. The power from the project has been allocated to 21 States. The three largest procuring States are Andhra Pradesh (2000 MW), Uttar Pradesh (595 MW) and Maharashtra (275 MW).

The Govt. of Andhra Pradesh has finalized an area of 1489.24 acres near Nayunipalli Village in Prakasam Distt. for the proposed second UMPP. Application for land acquisition has been submitted to Govt. of Andhra Pradesh.

Technical Consultancy Assignment for conducting studies at the site awarded to M/s Desein Pvt. Ltd on 2nd June, 2009. Application for ToR submitted to Ministry of Environment & Forest(MoEF) on 18th December, 2009 and the same was taken up in the meeting by MoEF on 12th January, 2010. A Sub-group comprising of Expert Advisory Committee members, representatives of MoEF and PFCCL visited the plant site on 24th January, 2010. ToR for conducting Environmental studies for the power plant, based on Sub-Committee report, was approved by MoEF, GoI on 12th March, 2010. Rapid Environmental Impact Assessment (REIA) studies as per the approved ToR are under progress.

Application has been submitted to Principal Secretary (Infrastructure & Investment Deptt.), GoAP, on 6th January, 2010 for permission to use seawater.

Techno-economic feasibility study for transportation of coal through Belt Conveyor system from Port to Power plant has been awarded to M/s RITES Ltd on 19.04.10.

Special Collector (LA), Ongole requested the company to pay an amount of Rs 182.10 lakhs (Rupees one crore eighty two lakhs and ten thousand only) towards payment of Miscellaneous charges, Publication charges and Administrative cost etc. for further action in respect of Land acquisition. The same has been paid by company on 11th May, 2010.

PARTICIPATING STATES

As per the decision taken in the meeting held in the Ministry of Power, the power allocated to the participating states are as follows:

1.	Andhra Pradesh	2000 MW
2.	Uttar Pradesh	595 MW
3.	Maharashtra	275 MW
4.	Madhya Pradesh	170 MW
5.	Jharkhand	165 MW
6.	Chhattisgarh	115 MW
7.	Tamil Nadu	115 MW
8.	Karnataka	115 MW
9.	West Bengal	55 MW
10.	Rajasthan	55 MW
11.	Kerala	55 MW
12.	Haryana	55 MW
13.	Assam	45 MW
14.	Himachal Pradesh	45 MW
15.	Arunachal Pradesh	20 MW
16.	Meghalaya	20 MW
17.	Mizoram	20 MW
18.	Manipur	20 MW
19.	Nagaland	20 MW
20.	Puduchery	20 MW
21.	Tripura	20 MW

FINANCIAL REVIEW

Being the first financial year, the accounts were prepared from the Date of Incorporation i.e. 17th April, 2009 to 31st March, 2010. During the year under review, your Company has not taken up its commercial activities. The company during the year has spent an amount of Rs. 102.21 Lacs on the development of the project which was transferred to capital work in progress.

DIVIDEND

As the Company has not started its commercial activities, the Company has not declared any dividend for the period commencing from 17th April, 2009 to 31st March, 2010.

SHARE CAPITAL

The paid-up share capital of the company was Rs.5,00,000/- (50,000 equity shares of Rs. 10/- each) as on 31st March, 2010. During the year, the entire share capital of the Company held by PFCCL and its nominees are transferred to PFC and its nominees. After transfer of Shares to PFC, company became wholly owned subsidiary of PFC.

FIXED DEPOSITS

The Company has not accepted any fixed deposit during the period ending 31st March 2010.

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

There are no significant particulars, relating to conservation of energy, technology absorption under the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, as your company does not own any manufacturing facility. There was no foreign exchange earning and outgo during the year under consideration.

AUDITORS

M/s. PAS & Company, Chartered Accountants, were appointed as Statutory Auditors of the Company for the financial year 2009-2010 by the Comptroller & Auditor General of India. The statutory auditors in their report opined that the Balance Sheet, Profit & Loss A/c, the cash flow statement and other schedules gives a true and fair view subject to Note No. 3 of Notes on Accounts in Schedule No.9 regarding administrative and other expenses totaling to Rs.1,02,21,374/- charged by holding company, which has been approved and authorized by the Board in the meeting held on 31.05.2010.

In management view the relevant disclosure given in note no. 3 of Notes to Accounts (schedule-9) is self explanatory.

PARTICULARS OF EMPLOYEES U/S 217 (2A) OF THE COMPANIES ACT, 1956.

The Company has no employees on its roll. Hence, the particulars of employees as prescribed under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are not applicable.

DIRECTORS

The Board of Directors presently comprise of four members consists of:

1.	Shri M. K. Goel	: Chairman
2.	Shri Dinesh Vij	: Director
3.	Shri Subir Mulchandani	: Director
4.	Shri Yogesh Juneja	: Director

During the year Shri R. K. Jain resigned from the Directorship of the Company.

In accordance with provisions of Companies Act, 1956, Shri Subir Mulchandani, Director shall retire by rotation at the ensuing Annual General Meeting of the Company and being eligible offers himself for re-appointment.

COMPTROLLER AND AUDITOR GENERAL REVIEW

C&AG of India vide their letter dated 28th June, 2010 mentioned that they have decided not to review the report of the Statutory Auditors' on the accounts of the Company for the year ended 31st March, 2010 and as such have no comments to make under Section 619(4) of the Companies Act, 1956. A copy of the letter issued by C&AG in this regard is placed at Annex-1.

DIRECTOR'S RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956 the Directors confirm that in the preparation of annual accounts ended 31st March, 2010: -

- The applicable accounting standards have been followed along with proper explanation.
- Reasonable and prudent judgment and estimate were made so as to give a true and fair view of the state of affairs of the Company as on 31st March, 2010.
- Proper and sufficient care was taken 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.
- The accounts have been prepared on going concern basis.

ACKNOWLEDGEMENT

The Directors place on record their gratitude to the Central and State Governments and various Government agencies for the assistance, co-operation and encouragement they extend to the Company. The Company is also thankful to the Comptroller & Auditor General of India, the Statutory Auditors and the bankers for their suggestions and co-operation**.** Last but not the least, the Directors would like to thank the employees of the holding company for their continuing support and unstinting efforts in ensuring an excellent all round performance.

For and on behalf of the Board of Directors

Place : New Delhi **(M. K. Goel)**
Dated : 06/08/2010 **Chairman**

AUDITOR'S REPORT

To the Members of Tatiya Andhra Mega Power Limited,

We have audited the attached Balance Sheet of **M/s. Tatiya Andhra Mega Power Limited** as at **31st March, 2010**, Profit & Loss Account, and also the cash flow statement all for the period ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In conducting our audit, we have relied upon the representation made by the management that there are no payments that are not related to the activities of the company.

We Report That:

1. As required by the Companies (Auditor's Report) order, 2003 (as amended) issued by the Central Government of India in terms of section 227(4A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate, We enclose in the annexure a statement on the matters specified in paragraph 4 and 5 of the said order to the extent applicable.
2. Further to our comments in the Annexure referred to in para-graphs above, we report that:
   (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
   (b) In our opinion, proper books of Account as required by law so far as appears from our examination of such books have been kept by the company except the original bills for capital, administrative and other incidental expenses paid by the holding companies and the same are accounted for on the basis of photocopy of bills/ statement of account/ debit notes reflecting apportioned expenses from them.
   (c) The Balance Sheet, the Profit & Loss Account 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 Profit & Loss Account and the cash flow statement dealt with by this report comply with the applicable mandatory Accounting Standards referred in section 211(3C) of the companies Act, 1956.
   (e) Being a Government Company, pursuant to the Notification No. GSR 829(E) dated 21.10.2003 issued by Department of Company affairs, Government of India; provisions of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956 are not applicable to the Company.
3. In our opinion and to the best of our knowledge and according to the information and explanations given to us, the said Balance Sheet, the Profit & Loss Account and the cash flow statement dealt with by this report read together with and subject to the significant accounting policies in Schedule No. 8 and Notes on Accounts in Schedule No. 9 give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view subject to Note No. 3 of Notes on Accounts in Schedule No. 9 regarding administrative and other expenses totalling to Rs. 1,02,21,374/- charged by holding companies, which has been approved and authorised by the board in the meeting held on 31.05.2010.

i) In the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2010;

ii) In the case of the Profit & Loss Account for expenses incurred for the period ended on that date; and

iii) In the case of the cash flow statement of the cash flows for the period ended on that date.

For PAS & COMPANY
Chartered Accountants.
FRN: 019679N

Place: New Delhi **CA. Prakash Agarwal**
Dated: 11.06.2010 **Partner**
M. No. 086017

ANNEXURE REFERRED TO IN PARAGRAPH 1 OF OUR AUDIT REPORT OF EVEN DATE TO THE MEMBERS OF M/s. TATIYA ANDHRA MEGA POWER LIMITED ON THE ACCOUNTS FOR THE PERIOD ENDED 31ST MARCH 2010:

1. The Company does not have any fixed assets during the period.
2. The company has not entered in any purchase/ sale of inventory therefore our comments on the verification of physical inventory and its records are not called for.
3. We are informed that the Company has not granted any loans, secured or unsecured, to the companies, firms or other parties covered in register maintained under section 301 of the Companies Act, 1956.

   We are informed and according to explanation given to us, the Company has taken unsecured loan (including maintaining current accounts) where the outstanding credit balance at the year end is Rs.82,74,978.00, in the names the companies, firms or other parties covered in register maintained under section 301 of the Companies Act, 1956.
4. In our opinion and according to the information and explanations given to us, there is an internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services which needs further strengthening. In our opinion and according to information and explanations given to us, there is some continuing failure to correct major weaknesses in internal control system in respect of these areas.
5. In our opinion and according to the information and explanations given to us, there were no contracts or arrangements which need to be entered into the register maintained under section 301.
6. The Company has not accepted any deposits from the public.
7. The provisions of internal audit system are not applicable yet to the company.
8. We were informed that the Company is not required to maintain any cost records under section 209 (1) (d) of the Companies Act, 1956.
9. a) According to the information and explanations given to us and accounts of the Company examined by us, the Company is regular in depositing with appropriate authorities undisputed statutory dues of TDS; however, regarding statutory requirements with regard to deduction of tax at source under the provisions of the Income Tax Act, 1961 on payments pertaining to the company but made / incurred by the holding company, the same have been treated as complied with by that company treating the same its own statutory obligation.

   b) According to the information and explanations given to us, there are no statutory dues in respect of TDS deducted by the company which have not been deposited on account of dispute with the appropriate authorities.
10. There are no accumulated losses of the company in view of the activities of the company being in pre commercialisation phase.
11. According to the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank.
12. According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. Provisions of the order applicable to chit funds, nidhi, mutual benefit fund/ societies are not applicable to the Company.
14. According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
16. According to the information and explanations given to us, the company has not raised any term loan during the period.
17. According to the information and explanations given to us and on an overall examination of the balance sheet and the cash flow statement, funds raised by the Company on short term basis have not been used for long term investments.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
19. The company has not issued any debentures.
20. The Company has not raised any money by way of public issue, during the year.
21. To the best of our knowledge and belief, and according to the information and explanations given to us, no fraud on or by the company was noticed or reported during the course of our audit.

For PAS & COMPANY
Chartered Accountants.
FRN: 019679N

Place: New Delhi **CA.Prakash Agarwal**
Dated: 11.06.2010 **Partner**
M. No. 086017

TATIYA ANDHRA MEGA POWER LIMITED

BALANCE SHEET AS AT 31ST MARCH 2010

	SCHEDULE	As on 31st March 2010 Rs.
SOURCES OF FUNDS		
SHAREHOLDERS' FUNDS		
Share Capital	1	500,000
LOAN FUNDS		
Unsecured Loans	2	8,274,978
TOTAL		8,774,978
APPLICATION OF FUNDS		
FIXED ASSETS	3	
a) Gross Block		-
Less : Depreciation		-
Net Block		-
b) Capital Work in Progress	4	10,221,374
		10,221,374
INVESTMENTS		-
CURRENT ASSETS, LOANS & ADVANCES	5	
a) Cash & Bank Balances		99,934
b) Other Current Assets		-
c) Loans & Advances		1,010,000
		1,109,934
Less : CURRENT LIABILITIES & PROVISIONS	6	
Current Liabilities		2,585,789
Provisions		-
		2,585,789
NET CURRENT ASSETS		(1,475,855)
MISCELLANEOUS EXPENDITURE		
(to the extent not written off or adjusted)		-
Profit & Loss Account		29,459
TOTAL		8,774,978
EXPENDITURE DURING CONSTRUCTION PERIOD	7	-
SIGNIFICANT ACCOUNTING POLICIES	8	
NOTES TO ACCOUNTS	9	

Schedule referred above form an integral part of Balance Sheet

For and On behalf of the Board of Directors

M.K.Goel **Subir Mulchandani**
Chairman **Director**

SIGNED IN TERMS OF OUR REPORT OF EVEN DATE
For & On Behalf of
P A S & COMPANY
(CHARTERED ACCOUNTANTS)

Place: New Delhi **CA. Prakash Agarwal**
Date : 11/06/2010 **(Partner)**
M No. 086017

TATIYA ANDHRA MEGA POWER LIMITED

PROFIT & LOSS ACCOUNT FOR THE PERIOD FROM 17th APRIL 2009 TO 31st MARCH 2010

PARTICULARS	SCHEDULE	For the Year Period ended on 31st March 2010 Rs.
Income		NIL
		-
Expenses		
Preliminary Expenses		29,459
		29,459
Net Profit/(Loss) for the year		(29,459)
Net Loss Carried to Balance Sheet		29,459
Basic & Diluted Earning per share of Rs.10 each		(0.59)
EXPENDITURE DURING CONSTRUCTION PERIOD	7	
SIGNIFICANT ACCOUNTING POLICIES	8	
NOTES TO ACCOUNTS	9	
Schedule referred above form an integral part of Profit & Loss Account		

For and On behalf of Board of Directors

M.K.Goel **Subir Mulchandani**
Chairman **Director**

SIGNED IN TERMS OF OUR REPORT OF EVEN DATE
For & On Behalf of
P A S & COMPANY
(CHARTERED ACCOUNTANTS)

Place : New Delhi **CA. Prakash Agarwal**
Date : 11/06/2010 **(Partner)**
M. No. 086017

TATIYA ANDHRA MEGA POWER LIMITED

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

SCHEDULE '1'
SHARE CAPITAL

	As on 31st March 2010 Rs.
AUTHORISED	
50,000 Equity Shares of Rs. 10/- each	500,000
	500,000
ISSUED, SUBSCRIBED & PAID UP	
50,000 Equity Shares of Rs. 10/- each Fully Paid up	500,000
(Refer Note No.1 of Schedule-9 on Notes to Accounts)	
	500,000

SCHEDULE '2'
UNSECURED LOANS

Power Finance Corporation Ltd.	8,274,978
	8,274,978

SCHEDULE '3'
FIXED ASSETS

FIGURES IN RUPEES

Particulars	GROSS BLOCK Addtions/ Adjustments during the period	GROSS BLOCK Deductions/ Adjustments during the period	GROSS BLOCK Closing Balance As at 31.03.2010	DEPRECIATION Additions/ Adjustments during the period	DEPRECIATION Deductions/ Adjustments during the period	DEPRECIATION Closing Balance As at 31.03.2010	NET BLOCK As at 31.03.2010
	-	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-	-

SCHEDULE '4'
CAPITAL WORK IN PROGRESS

	As on 31st March 2010 Rs.
CWIP: Transferred from Expenditure During Construction Period (Schedule-7)	10,221,374
	10,221,374

SCHEDULE '5'
CURRENT ASSETS, LOANS & ADVANCES

a. Cash and Bank Balances	
Cash Balance	
Balance with Scheduled Bank in Current Accounts (Allahabad Bank)	99,934
	99,934
b. Other Current Assets	-
c. Loans and Advances	
(Unsecured, Considered Good)	
Advance for Consultancy Assignments	1,010,000
	1,010,000
Total(a+b+c)	1,109,934

SCHEDULE '6'
CURRENT LIABILITIES AND PROVISIONS

CURRENT LIABILITIES	
Interest Payable to PFC	493,403
Amount Payable to PFCCL	1,768,171
Amount Payable to PFC	43,133
Audit Fee Payable (PAS & Company)	34,744
TDS Payable	3,861
Expenses Payable	242,477
Total	2,585,789

SCHEDULE '7'
EXPENDITURE DURING CONTRUCTION PERIOD

(a) Expenses	
Administration Expenses including Manpower Charges	8,211,624
Audit Fees	38,605
Legal & Professional Charges	36,320
Tour & Travelling Expenses	1,419,569
Consultancy Charges	21,853
Interest Expenses	493,403
Total (a)	10,221,374
Carried to CWIP -Schedule-4	10,221,374

Schedule - '8'
Significant Accounting Policies

1. The Company prepares its financial statements in accordance with applicable accounting standards and generally accepted accounting principles and also in accordance with requirements of the Companies Act, 1956.
2. **Revenue Recognition:**

   Income and expenses (except as stated below) are accounted for on accrual basis. Fees for advisory and professional services for developing Ultra Mega Power Project payable to PFC/PFCCL will be accounted for in the year of transfer of the company to the successful bidder.
3. **Fixed Assets/ Depreciation:**
   a. Fixed assets are shown at historical cost less current/ accumulated depreciation. The company capitalizes all direct cost including borrowing cost up to the date of commercial use of such assets.
   b. Depreciation on assets is provided on Written Down Value method, in accordance with the rates prescribed in Schedule XIV of the Companies Act, 1956.
   c. Items of fixed assets acquired during the year costing up to Rs. 5000/- are fully depreciated.
4. **Capital work In Progress:**

   Expenditure incurred on Survey/Studies/Investigations/Consultancy/Administration/Depreciation/Interest etc has been treated as Capital Work In Progress.
5. **Loans:**

   Expenditure incurred by the company for the Project is financed by the Holding Company/ Procurers and considered as Unsecured Loan. Interest has been charged on funds deployed by them.
6. **Loans and Advances**

   The Surplus fund parked by the company with the Holding company (PFC) has been considered as loan and advances and interest has been claimed on such funds from Holding company.
7. Investments are stated at cost.
8. Borrowing cost is charged to the profit & loss account for the year in which it is incurred except for capital assets which is capitalized till the date of commercial use of the assets.
9. Preliminary expenses has been charged to the Profit & Loss account in the year in which such expenditure has been incurred irrespective of commencement of actual commercial activities.
10. Contingent liabilities are not provided but are disclosed by way of notes on the basis of available information/judgment of the management.

Schedule – '9'
Notes to Accounts

1. The Company was incorporated on 17/04/2009 under the Companies Act 1956 as a wholly owned subsidiary of PFC Consulting Limited (PFCCL), (A wholly owned subsidiary of Power Finance Corporation Ltd, a Govt. of India Undertaking). Certificate for Commencement of Business was issued on 19/02/2010. During the year PFCCL has transferred the company (TAMPL) to PFC Limited as per decision of Ministry of Power and presently, it is wholly owned subsidiary of PFC Limited. The Company is a special purpose vehicle incorporated to facilitate the acquisition the land and complete the preliminary work regarding the statutory clearances including that of environment, forest, CRZ etc. for the purpose of establishing ultra mega power project for 4000 MW in the state of Andhra Pradesh (Project).
2. The Key Management Personnel of the Company are employees of the Power Finance Corporation Ltd (PFC)/Holding Company & PFC Consulting Ltd (A wholly owned subsidiary of PFC) and deployed on Part Time basis.

The details of such Key Management Personnel are as follows:

S. No.	Name	Designation	Date of Appointment	Date of Resignation
1.	Shri M.K.Goel	Chairman	17.04.2009	Continuing
2.	Shri Dinesh Vij	Director	17.04.2009	Continuing
3.	Shri R.K.Jain	Director	17.04.2009	30.12.2009
4.	Shri Subir Mulchandani	Director	17.04.2009	Continuing
5.	Shri Yogesh Juneja	Director	30.12.2009	Continuing

2. All the work for the Company are executed by PFC Consulting Ltd(PFCCL).Administrative expenses includes Charges of Rs. 82,01,908/ for man power cost of PFCCL employees charged by PFCCL on the basis of cost to company based on actual man days spent by the employees for the Company as per invoice raised by PFCCL and include Rs. Rs. 11,64,768/ charged for Sh.Dinesh Vij and Rs. 4,12,522/ charged for Sh. R.K.Jain.
3. The expenses appearing as Administrative Expenses in the Sch-7 "Expenditure during Construction period" include manpower charges of PFCCL employees, expenses on account of Traveling & Conveyance, Printing & Stationery, Consultancy, Legal&Filling and other common administrative expenses apportioned and allocated by the holding company. Original Supporting bills in respect of expenditure incurred by the holding company are retained by them of which copies are available with the Company. The holding company is complying with statutory provisions relating to the 'Deduction of tax at source', PF, ESI, service tax, bonus, etc. as applicable to these expenses. All the expenditures are incurred by PFC/PFCCL since incorporation of the Company, all the expenditures incurred till 31.03.2010 are ratified and adopted by Board of the Company.

4. Expenditure during Construction Period (Schedule-7) containing all expenses required to be capitalized has been prepared and the same has been included in Capital Work In Progress.
5. As per the scheme of setting up of the project, entire expenditure to be incurred by the company for project exploration and initial development work, including interest on funds deployed will be recovered from the successful bidder of the project as acquisition price for purchase of 100% equity shareholding of the company from its holding company, consequent upon which the company along with all its assets and liabilities shall stand transferred to such bidder entered into. The Company has agreed to pay a sum of Rs 50,00,00,000/- plus applicable taxes to PFC/PFCCL on account of fees for providing advisory & professional services rendered by PFC/PFCCL which will be payable only when successful bidder for the Project will be selected and company will be transferred to successful bidder, therefore no liability has been provided for fees payable to PFC/PFCCL.
6. As per decision of MOP, Procurers are required to pay commitment advance against their respective share of allocated power to them @ Rs. 1 Crore for every 100 MW. During the financial year, no commitment advance has been received by the Company.
7. Unsecured Loans and interest payable thereof, all type of Sundry Creditors are subject to confirmation and reconciliation
8. i) Estimated amount of contracts remaining to be executed on capital account and not provided for is Rs. 90,90,000/-.
   ii) Contingent liabilities of the company and claims against the company not acknowledged by the company as certified by the management for the period is Nil.
9. Auditors Remuneration **2009-10**
   Audit Fees Rs. 35,000/-
   Service Tax Rs. 3,605/-
10. The disclosure as per AS18 – Related Party Disclosure :
    Tatiya Andhra Mega Power Limited is a wholly owned subsidiary of PFC Ltd. All key decisions are taken by the Board of Tatiya Andhra Mega Power Limited where the PFC nominees exercise control.

S.No.	Name of the Related Party	Nature of Relationship
1	Power Finance Corporation Limited	Holding Company
2.	PFC Consulting Limited	Subsidiary of Holding Company

S.No.	Particulars	2009-10	
		PFC	PFCCL
1.	Equity Contribution	5,00,000/-	5,00,000/-
2.	Interest Expense for the period	4,93,403/-	Nil
3.	Closing Balance		
a)	Unsecured Loan	82,74,978/-	Nil
b)	Interest Payable	4,93,403/-	Nil

11. The Company has complied with all the applicable Accounting Standards notified under section 211 of the Companies Act 1956. However AS -22 relating to Deferred Tax Liability /Asset pertaining to timing difference is not applicable to the company in view of the fact that the company is still in the construction phase and yet to commence its operation.
12. The Company owes no dues to small-scale units at year-end and hence provision of interest does not arise. Further based on information available with the management, there are no dues payable to enterprises covered under "Micro, Small and Medium Enterprises Development Act, 2006"
13. Most of the additional information pursuant to the provisions of Paragraph 3, 4C and 4D of part II of Schedule VI to the Companies Act, 1956 are not applicable to the company as the project is still at its development stage and the company has yet to start its commercial activities. Applicable information is provided as under:
    a. Expenditure in foreign currency – Nil
    b. Income in foreign exchange –Nil
14. Figures have been rounded off to the nearest Rupee unless otherwise stated. This being the first accounting year of the company, the accounts have been prepared for the period 17/04/2009 to 31/03/2010.Hence, previous year figures have not been applicable.
15. Schedule 1 to 9 form an integral part of the Financial Statements and have been authenticated.

For and on behalf of Board of Directors

M.K. Goel — **Chairman**
Subir Mulchandani — **Director**

Signed in terms of our report of even date
For P A S & Company
Chartered Accountants

Place: New Delhi
Date: 11.06.2010

CA. Prakash Agarwal
Partner
M. No. 086017

TATIYA ANDHRA MEGA POWER LIMITED
CASH FLOW STATEMENT FOR THE PERIOD ENDING 31st MARCH 2010

PARTICULARS	Period Ending 31st March 2010 Rs.
(A) CASH FLOW FROM OPERATING ACTIVITIES	
Net Profit/(Loss) as per Profit & Loss A/c	(29,459)
Operating profit before working capital changes	(29,459)
Adjustment For Increase/Decrease in:	
Other Current Assets	-
Loans & Advances	(1,010,000)
Current Liabilities & Provisions	2,585,789
Net Inflow from Operating Activities (A)	**1,546,330**
B. CASH FLOW FROM INVESTING ACTIVITIES	
Capital Work in Progress	(10,221,374)
Net Inflow from Investing Activities (B)	**(10,221,374)**
C. CASH FLOW FROM FINANCIAL ACTIVITIES	
Issue of Share Capital	500,000
Unsecured Loans	8,274,978
Net Inflow from Financing Activities (C)	**8,774,978**
NET INCREASE/(DECREASE) IN CASH FLOW(A+B+C)	**99,934**
CASH & CASH EQUIVALENT AT THE BEGINNING OF THE PERIOD	-
CASH & CASH EQUIVALENT AT THE END OF THE PERIOD	**99,934**
Cash on hand and balance with banks	**99,934**
Other Cash and Cash Equivalents	-

For and On behalf of the Board of Directors

M.K Goel — **Chairman**
Subir Mulchandani — **Director**

SIGNED IN TERMS OF OUR REPORTOF EVEN DATE
For & On Behalf of
P A S & COMPANY
(CHARTERED ACCOUNTANTS)

Place : New Delhi
Date : 11/06/2010

CA. Prakash Agarwal
(Partner)
M. No. 086017

TATIYA ANDHRA MEGA POWER LIMITED

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I **Registration details**

Registration No : **U40200DL2009GOI189476** State Code: 55

Balance Sheet Date :

31	3	2010
Date	Month	Year

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

Public Issue	Right issue
-	-
Bonus Issue	**Private Placement**
-	500

III **Position of Mobilsation and Deployment of Funds (Amount in Rs. Thousands)**

	Total Liabilities	Total Assets
	11,361	11,361
Sources of Funds	Paid up capital	Reserve and Surplus
	500	-
	Secured Loans	Unsecured Loans
	-	8,275
Application of Funds	Net Fixed Assets	Capital Work In Progress
	-	10,221
	Investment	Net Current Assets
	-	(1,476)
	Misc. Expenditure	Accumulated Losses
	29	29

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

Turnover	Total Expenditure
-	29
Profit/ Loss before Tax	Profit/ Loss after Tax
(29)	(29)
Earning per Share	Dividend
(0.59)	-

V **Generic Names of Three Priciples Products/Services of Company (as per monetary terms)**

1. Item Code No. (ITC Code)
   Product Description
2. Item Code No. (ITC Code)
   Product Description
3. Item Code No. (ITC Code)
   Product Description

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF TATIYA ANDHRA MEGA POWER LIMITED, NEW DELHI FOR THE YEAR ENDED 31 MARCH 2010

The preparation of financial statements of Tatiya Andhra Mega Power Limited, New Delhi, for the year ended 31 March 2010 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The statutory auditors appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 11 June 2010.

I, on behalf of the Comptroller and Auditor General of India, have decided not to review the report of the Statutory Auditors on the accounts of Tatiya Andhra Mega Power Limited, New Delhi, for the year ended 31 March 2010 and as such have no comments to make under Section 619(4) of the Companies Act, 1956.

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

Place: New Delhi
Dated: 28 June 2010

(M.K. Biswas)
Principal Director of Commercial Audit &
Ex-officio Member Audit Board–III,New Delhi

JABALPUR TRANSMISSION COMPANY LIMITED

(A wholly owned subsidiary of PFC Consulting Limited)

DIRECTORS' REPORT 2009-2010

To

The Members,

Your Directors have pleasure in presenting their 1st Annual Report on the working of the Company for the period 8th September, 2009 to 31st March, 2010 together with the Audited Statement of accounts and Auditor's Report thereon.

OPERATIONAL ACTIVITIES

The Government of India has envisaged capacity addition of 1,00,000 MW during 2002 to 2012 to meet its Mission of Power to All. Achievement of this target requires the development of large capacity generation projects at the national level to meet the requirements of a number of States. Ministry of Power initiated the scheme of developing Ultra Mega Power Projects to achieve rapid capacity addition. For evacuation of power, development of transmission capacity is required at the national level to meet the requirements of a number of States. As per the provisions of Section 63 of the Electricity Act, 2003 and National Electricity Policy, Ministry of Power, Govt. of India issued two guidelines for transmission namely, "Guidelines for Encouraging Competition in Development of Transmission Projects" and "Tariff Based Competitive Bidding Guidelines for Transmission Service".

Recognizing the fact that transmission system is the backbone of Country's electricity system, Ministry of Power, CEA, PFC and REC are working together for development of large transmission projects under tariff based competitive bidding route.

Ministry of Power vide letter no. 11/12/2006-Trans dated 14th July, 2009 forwarded a copy of Gazette Notification regarding appointment of PFC Consulting Limited (a wholly owned subsidiary of Power Finance Corporation Limited) as Bid Process Coordinator (BPC) for development of following Transmission Project:

"System Strengthening for Common for WR & NR" comprising of 600 km of 765 kV line as given below:

- Dhramjaygarh – Jabalpur, 765 kV, 1 x D/C Line, 6 x ACSR Zebra, approx. 350 km route length
- Jabalpur – Bina 765 kV, 1 x S/C Line, 4 x Bersimis ACSR or AAAC, approx. 250 km route length"

Jabalpur Transmission Company Limited (JTCL) was incorporated on 8th September, 2009 under Companies Act, 1956 as a wholly owned subsidiary of PFC Consulting Limited (PFCCL).

PFCCL being the bid process coordinator for the project appointed M/s Medhaj Techno Concept Pvt. Ltd., Lucknow on March 11, 2010 as Technical Consultant for preliminary survey work on the route alignment and preparation of survey report.

Request for Qualification (RfQ) for short listing of Bidders as Transmission Service Provider for the project has been issued on February 25, 2010 by the Company. 33 bidders submitted their response to RfQ by the due date i.e. April 26, 2010. Evaluation of the responses to RfQ is under progress.

FINANCIAL REVIEW

Being the first financial year the accounts were prepared from the Date of Incorporation i.e. 8th September, 2009 to 31st March, 2010. During the year under review your Company has not taken up its commercial activities. However, the company during the year has spent an amount of Rs. 27.45 Lacs on the development of the project which was transferred to capital work in progress.

DIVIDEND

As the Company has not started its commercial activities, the Company has not declared any dividend for the period commencing from 8th September, 2009 to 31st March, 2010.

SHARE CAPITAL

The entire paid up share capital of the Company is held by PFC Consulting Limited and its nominees. The paid-up-capital of the Company remained Rs. 5,00,000/- consisting of 50,000 equity share of Rs. 10/- each at the end of March, 2010.

FIXED DEPOSITS

The Company has not accepted any fixed deposit during the period ending 31st March 2010.

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

There are no significant particulars, relating to conservation of energy, technology absorption under the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, as your Company does not own any manufacturing facility. There was no foreign exchange earning and outgo during the year under consideration.

AUDITORS

M/s. Alok Anil & Associates, Chartered Accountants, were appointed as Statutory Auditors of the Company for the financial year 2009-2010 by the Comptroller & Auditor General of India. There are no adverse comments, observation or reservation in the Statutory Auditor's Report on the Accounts of the Company.

PARTICULARS OF EMPLOYEES U/S 217 (2A) OF THE COMPANIES ACT, 1956.

The Company has no employees on its roll. Hence, the particulars of employees as prescribed under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are not applicable.

DIRECTORS

The Board of Directors presently comprise of four members consists of:

1.	Shri Dinesh Vij	: Chairman
2.	Shri Manoj Kr. Rana	: Director
3.	Shri Rajesh Kr. Shahi	: Director
4.	Shri Sanjay Mehrotra	: Director

In accordance with provisions of Companies Act, 1956 Shri Sanjay Mehrotra Director shall retire by rotation at the ensuing Annual General Meeting of the Company and being eligible offers himself for re-appointment.

COMPTROLLER AND AUDITOR GENERAL REVIEW

C&AG of India vide their letter dated 28th June, 2010 mentioned that they have decided not to review the report of the Statutory Auditors' on the accounts of the Company for the year ended 31st March, 2010 and as such have no comments to make under Section 619(4) of the Companies Act, 1956. A copy of the letter issued by C&AG in this regard is placed at Annex-1

DIRECTOR'S RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956 the Directors confirm that in the preparation of annual account ended 31st March, 2010: -

- The applicable accounting standards have been followed along with proper explanation.
- Reasonable and prudent judgment and estimate were made so as to give a true and fair view of the state of affairs of the Company as on 31st March, 2010.
- Proper and sufficient care was taken 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.
- The accounts have been prepared on going concern basis.

ACKNOWLEDGEMENT

The Directors place on record their gratitude to the Central and State Governments and various Government agencies for the assistance, co-operation and encouragement they extend to the Company. The Company is also thankful to the Comptroller & Auditor General of India, the Ministry of Power, the Statutory Auditors and Banker for their suggestions and co-operation and guidance.

For and on behalf of the Board of Directors
Place : New Delhi **(Dinesh Vij)**
Dated : 04/08/2010 **Chairman**

AUDITOR'S REPORT

TO THE MEMBERS OF JABALPUR TRANSMISSION COMPANY LIMITED.

We have audited the Balance Sheet of **JABALPUR TRANSMISSION COMPANY LIMITED** as at **31st March 2010** and Profit & Loss account and Cash Flow Statement for the period ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As required by the Companies (Auditor Report) order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in the paragraphs 4 and 5 of said order. Further to our comments in the Annexure referred to above we report that.

1. We have obtained all the information and explanation, which to the best of our knowledge and belief were necessary for the purposes of our audit.
2. In our opinion the Company has kept proper books of accounts as required by law so far, as appears from our examination of those books. Since all payments on behalf of the Company made by Holding Company i.e. PFC Consulting Ltd. and the original supports for expenditure etc are kept with them.
3. The Balance Sheet, Profit & Loss account and Cash flow statement dealt with by this report are in agreement with the books of account.
4. The Balance Sheet, Profit & Loss account and Cash flow statement dealt with by this report are prepared in accordance with the accounting standards referred to in sub-section (3C) of section 211 of the companies act, 1956.
5. Being a Government Company clause (g) of sub-section (i) of section 274 of the companies Act, 1956 is not applicable as per Notification no. GSR 829 (E) dated 21.10.2003 issued by the Deptt. of Company Affairs.
6. In our opinion and to the best of our information and according to the explanation given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required & give a true and fair view in conformity with the accounting principles generally accepted in India.
   (i) In case of the balance sheet, of the state of affairs of the Company as at 31st March 2010,
   (ii) In case of the Profit & Loss Account, of the loss of the company for the period ended on that date, and
   (iii) In case of Cash Flow Statement, of the Cash Flows of the company for the period ended on that date.

For and on behalf of
ALOK ANIL & ASSOCIATES
Chartered Accountants.
ICAI Firm Registration No.008314N

CA.Anil.K.Agarwal
Place : New Delhi **Partner**
Dated : 31/05/2010 **Membership No : 86534**

ANNEXURE TO AUDITORS REPORT OF JABALPUR TRANSMISSION COMPANY LIMITED (REFERRED TO IN PARAGRAPH (3) OF OUR REPORT OF EVEN DATE)

I. (a) In our opinion and according to information and explanation given to us, provision of para 4(i) (a) of the Companies (Auditors Report) Order, 2003 relating to maintaining proper records showing full particulars, including quantitative details and situation of fixed assets are not applicable to company as it does not have fixed assets.

(b) In our opinion and according to information and explanation given to us provision of para 4(i) (b) of the companies (Auditors Report) Order, 2003 relating to physical verification of fixed assets by the management is not applicable to Company as it does not have fixed assets.

(c) In our opinion and according to information and explanation given to us provision of para 4(i) (c) of the companies (Auditors Report) Order, 2003 relating to disposal of any substantial part of fixed assets during the period are not applicable to Company as it does not have fixed assets.

II. (a) In our opinion and according to information and explanation given to us provision of para 4(ii) (a) of the companies (Auditors Report) Order, 2003 relating to physical verification of inventory is not applicable to Company as it does not have any inventories as on balance sheet date.

(b) In our opinion and according to information and explanation given to us provision of para 4(ii) (b) of the companies (Auditors Report) Order, 2003 is not applicable to company.

(c) In our opinion and according to information and explanation given to us provision of para 4(ii) (c) of the companies (Auditors Report) Order, 2003 is not applicable to company.

III. (a) As per management certificate given by the management, the company has not taken secured or unsecured loans from companies, firms or other parties listed in the register maintained under section 301 of the companies act, 1956.

(b) As the company has not granted any loans secured or unsecured, to the companies, firm or parties listed in the register maintained under section 301 of the companies Act,1956.

IV. In our opinion according to the information and explanation given to us, the company does not have fixed assets and inventories and has no commercial activities by the company during the period, the provision of para 4(iv) of the companies (Auditors Report) Order 2003 relating to adequate internal control procedure commensurate with the size of company and nature of its business, for the purchase of inventory and fixed assets and for the sale of goods are not applicable to company.

V. According to the information and explanation given to us, there are no transaction made in pursuance of the contracts or arrangements that need to be entered in the register maintained under section – 301 of the Companies Act, 1956.

VI. As company does not accept any deposits from public, the provision of para 4(vi) of the Companies (Auditor Report) Order,2003 are not applicable to company.

VII. The company does not have paid up capital and reserves of Rs 50 lakhs as at the commencement of the financial period concerned, or have a average annual turnover exceeding five crore rupees for a period of three consecutive financial periods immediately preceding the financial period concerned, the provision of para 4 (vii) of the Companies (Auditor Report) Order, 2003 are not applicable to company.

VIII. The company does not have any business activities during the period, the provision of para 4 (viii) of the Companies (Auditor Report) order, 2003 relating to maintaining of cost records under section 209 (I) (d) of the companies act is not applicable to the company.

IX. (a) According to information and explanation given to us, the company is regular in depositing undisputed statutory dues including Provident Fund, Investors Education and Protection Fund Employees State Insurance, Income Tax, Wealth Tax, Interest Tax, and other statutory dues with the appropriate Authorities through holding company i.e. PFC Consulting Ltd. According to information and explanation given to us, there are no undisputed statutory dues outstanding as at 31st March, 2010 for a period of more than six months from the date they become payable.

(b) According to information and explanation given to us there are no dues of Income Tax, Wealth Tax, which have not been deposited on account of any dispute.

X. The Company has been registered for less than five years.

XI. In our opinion and according to information and explanation given to us, the Company has not defaulted in repayment of its dues to Banks, Financial Institutions.

XII. In our opinion and according to information and explanation given to us, provision of para 4 (xii) of the Companies (Auditors Report) Order, 2003 are not applicable to Company as it has not given any loans and advance on security of shares, Debentures and other securities.

XIII. In our opinion and according to information and explanation given to us, the Company is not a Chit Fund, Nidhi or Mutual benefit, Trust/Society. Accordingly, the provision of para 4(xiii) of the companies (Auditor Report) Order, 2003 is not applicable to company.

XIV. According to information and explanation given to us, the Company is not dealing or trading in shares, Securities, debenture and other investment and hence the requirement of para 4(xiv) of the Companies (Auditor Report) Order, 2003 is not applicable to Company.

XV. According to information and explanation given to us, the Company has not given any guarantee in respect of loan taken by it from banks and financial institutions.

XVI. In our opinion and according to information and explanation given to us the company is not obtained any term loan and hence the requirement of para 4 (xvi) of the Companies (Auditors Report) Order, 2003 are not applicable to Company.

XVII. According to information and explanation given to us and on an overall examination of the balance sheet and cash flow statement of the Company, we report that prima facie no funds raised on short-term basis have utilized for long term investment purpose or vice versa.

XVIII. The Company has not made any preferential allotment of share to parties and companies covered in the register maintained under section 301 of the Companies Act 1956.

XIX. According to information and explanation given to us the company does not have any debentures and hence the requirement of para 4(xix) of the Companies (Auditors Report) order, 2003 are not applicable to Company.

XX. According to information and explanation given to us the company has not raised any money from public issues during the period.

XXI. According to information and explanation given to us no material fraud on or by the Company was noticed or reported during the period.

For and on behalf of
ALOK ANIL & ASSOCIATES
Chartered Accountants.
ICAI Firm Registration No.008314N

CA.Anil.K.Agarwal
Partner
Membership No : 86534

Place : New Delhi
Dated : 31/05/2010

JABALPUR TRANSMISSION COMPANY LIMITED

BALANCE SHEET AS AT 31ST MARCH 2010

Description	SCHEDULE	As on 31st March, 2010 Rs.
SHAREHOLDERS' FUNDS		
Share Capital	1	500,000
LOAN FUNDS		
Unsecured Loans	2	-
TOTAL		500,000
APPLICATION OF FUNDS		
FIXED ASSETS		
a) Gross Block		-
Less : Depreciation		-
Net Block		
b) Capital Work in Progress	3	2,745,143
		2,745,143
INVESTMENTS		
CURRENT ASSETS, LOANS & ADVANCES	4	
a) Cash & Bank Balances		499,934
b) Other Current Assets		-
		499,934
Less : CURRENT LIABILITIES & PROVISIONS	5	
Current Liabilities		2,776,606
Provisions		-
		2,776,606
NET CURRENT ASSETS		(2,276,672)
MISCELLANEOUS EXPENDITURE		
(to the extent not written off or adjusted)		
Profit & Loss A/c		31,529
TOTAL		500,000
EXPENDITURE DURING CONSTRUCTION PERIOD	6	
SIGNIFICANT ACCOUNTING POLICIES	7	
NOTES TO THE ACCOUNTS	8	

Schedules referred above form an integral part of Balance Sheet

For JABALPUR TRANSMISSION COMPANY LIMITED

On behalf of the Board of Directors

Dinesh Vij — **Chairman**

Sanjay Mehrotra — **Director**

SIGNED IN TERMS OF OUR REPORT OF EVEN DATE ANNEXED
For ALOK ANIL & ASSOCIATES
(CHARTERED ACCOUNTANTS)

Place : New Delhi
Date : 31/05/2010

Anil.K.Agarwal
(Partner)
M. No. 86534

JABALPUR TRANSMISSION COMPANY LIMITED
PROFIT & LOSS ACCOUNT FOR THE PERIOD ENDED 31st MARCH 2010

PARTICULARS	for the ended Period on 31st March 2010 Rs.
Income	NIL
	-
Expenses	
Preliminary Expenses	31,529
	31,529
Naet Profit/(Loss) for the year	(31,529)
Net Loss Carried to Balance Sheet	31,529
Basic & Diluted Earning per share of Rs.10 each	(0.63)
SIGNIFICANT ACCOUNTING POLICIES 7	
NOTES TO THE ACCOUNTS 8	

Schedules referred above form an integral part of Profit & Loss Account

For JABALPUR TRANSMISSION COMPANY LIMITED

On behalf of the Board of Directors

Dinesh Vij — **Chairman**
Sanjay Mehrotra — **Director**

SIGNED IN TERMS OF OUR REPORT OF EVEN DATE ANNEXED
For ALOK ANIL & ASSOCIATES
(CHARTERED ACCOUNTANTS)

Place : New Delhi
Date : 31/05/2010

Anil.K.Agarwal
(Partner)
M. No. 86534

JABALPUR TRANSMISSION COMPANY LIMITED

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

SCHEDULE '1'
SHARE CAPITAL

	AS on 31st March, 2010 Rs.
AUTHORISED	
50,000 Equity Shares of Rs. 10/- each	500,000
	500,000
ISSUED, SUBSCRIBED & PAID UP	
50,000 Equity Shares of Rs. 10/- each	
Fully Paid up	500,000
(Wholly owned by PFCConsulting Ltd)	500,000

SCHEDULE '2'
LOAN FUNDS

	-
	-

JABALPUR TRANSMISSION COMPANY LIMITED
SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

FIGURES IN RUPEES

FIXED ASSETS

Particulars	GROSS BLOCK Addtions/ Adjustments during the year	GROSS BLOCK Deductions/ Adjustments during the year	GROSS BLOCK Closing Balance As at 31.03.2010	DEPRECIATION BLOCK Additions/ Adjustments during the year	DEPRECIATION BLOCK Deductions/ Adjustments during 31.03.2010	DEPRECIATION BLOCK Closing Balance As at	NET BLOCK As on 31.03.2010
	-	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-	-

SCHEDULE '3'
CAPITAL WORK IN PROGRESS

	As on 31st March, 2010 Rs.
CWIP: Transferred from Statement of Incidental Expenditure During ConstructionPeriod (Schedule-6)	2,745,143
	2,745,143

SCHEDULE '4'
CURRENT ASSETS, LOANS & ADVANCES

	As on 31st March, 2010 Rs.
a. Cash and Bank Balances	
Cash Balance	-
Balance with Scheduled Bank in Current Accounts	499,934
(Allahabad Bank)	499,934
b. Other Current Assets	-
Total (a+b)	499,934

SCHEDULE '5'
CURRENT LIABILITIES AND PROVISIONS

	As on 31st March, 2010 Rs.
TDS Payable	**98,498**
Other Current Liabilities	**2,678,108**
Total	**2,776,606**

SCHEDULE '6'
EXPENDITURE DURING CONTRUCTION PERIOD

Expenses	
Administration Expenses	**946,374**
Audit Fees	**38,605**
Advertisment	**1,753,053**
Bank Charges	**66**
Printing & stationary	**775**
Legal & Filling Fee	**6,270**
Total	**2,745,143**
Carried to CWIP (Schedule -3)	**2,745,143**

Schedule - '7'
Significant Accounting Policies

1. The Company prepares its financial statements in accordance with applicable accounting standards and generally accepted accounting principles and also in accordance with requirements of the Companies Act, 1956.
2. **Revenue Recognition:**

   Income and expenses (except otherwise stated) are accounted for on accrual basis.

Fees for advisory and professional services for developing Independent Transmission Project payable to PFC Consulting Limited (Holding Company) will be accounted for in the year of transfer of the company to the successful bidder. (As and when due)

3. **Fixed Assets/ Depreciation:**
   a. Fixed assets are shown at historical cost less current/ accumulated depreciation. The company capitalizes all direct cost including borrowing cost up to the date of commercial use of such assets.
   b. Depreciation on assets is provided on Written down Value method, in accordance with the rates prescribed in Schedule XIV of the Companies Act, 1956.
   c. Items of fixed assets acquired during the year costing up to Rs. 5000/- are fully depreciated.
4. **Capital work In Progress:**

Expenditure incurred on Survey/Studies/Investigations/Consultancy/ Administration/Depreciation/Interest etc. has been treated as Capital Work In Progress.

5. **Expenditure incurred by Holding Company**

Expenditure incurred by the company for the Project is financed by the Holding Company (PFCCL) and considered as current liabilities.

6. Preliminary expenses has been charged to the Profit & Loss account in the year in which such expenditure has been incurred.
7. Investments are stated at cost.
8. Borrowing cost is charged to the profit & loss account for the year in which it is incurred except for capital assets which is capitalized till the date of commercial use of the assets.
9. Contingent liabilities have not been provided and are disclosed by way of notes on the basis of available information.

Schedule – '8'
Notes to Accounts

1. The Company was incorporated on 08/09/2009 under the Companies Act 1956 as a wholly owned subsidiary of PFC Consulting Limited (PFCCL), (A wholly owned subsidiary of Power Finance Corporation Ltd, a Govt. of India Undertaking.). Certificate for Commencement of Business was issued on 22/02/2010. The Company has been incorporated to develop power system network and Study, Investigate, collect information and data etc. for the purpose of transmission of electricity in the state of Madhya Pradesh (Project).
2. The Key Management Personnel of the Company are employee of the Holding Company (PFCCL) and deployed on Part Time basis.

   The details of such Key Management Personnel are as follows:

S. No.	Name	Designation	Date of Appointment	Date of Resignation
1.	Shri M.K.Rana	Director	08.09.2009	Continuing
2.	Shri Dinesh Vij	Chairman	08.09.2009	Continuing
3.	Shri Rajesh Kumar Shahi	Director	08.09.2009	Continuing
4.	Shri Sanjay Mehrotra	Director	08.09.2009	Continuing

3. Employees working for the Company are from holding company i.e. PFC Consulting Ltd. (PFCCL). The expenses appearing as Administrative Expenses in the Schedule-6 "Expenditure during Construction period" amounting Rs.27,45,143/- for the year include manpower charges of PFCCL employees of Rs. 9,46,374/-. The man power cost of PFCCL employees (included in Administrative Expenses) are charged by PFCCL on the basis of cost to company based on actual time spent by the employees for the Company as per invoice raised by PFCCL. This includes man power charges of Sh. Rajesh Kumar Shahi and Sh. Sanjay Mehrotra amounting Rs.2,91,192/- and Rs. 2,18,394/- respectively.
4. The related expenses are paid by the Holding Company (PFCCL) and charged to the Company. Original Supporting bills in respect of expenditure incurred by the holding company are retained by them of which copies are available with the Company. The holding company is complying statutory provisions relating to the 'Deduction of tax at source' etc. as applicable to these expenses.
5. i) Estimated amount of contracts remaining to be executed on capital account and not provided for is Rs. Nil.

   ii) Contingent liabilities of the company and claims against the company not acknowledged by the company as certified by the management for the period is Rs. Nil.
6. Auditors' Remuneration

	2009-10	2008-09
Audit Fees	Rs. 35,000/-	-
Service Tax	Rs. 3,605/-	-

7. The Company has complied with all the applicable Accounting Standards notified under section 211 of the Companies Act 1956. However AS -22 relating to Deferred Tax Liability /Asset pertaining to timing difference is not applicable to the company in view of the fact that the company is still in the construction phase and yet to commence its operation.
8. No provision for income tax is made in absence of taxable profits.
9. The disclosure as per AS 18 – Related Party Disclosure :

The Jabalpur Transmission Company Limited is a wholly owned subsidiary of PFC Consulting Ltd. All key decisions are taken by the Board of Jabalpur Transmission Company Limited where the PFCCL nominees exercise control.

Details of Related parties and nature of relationship

S. No.	Name of the Related Party	Nature of Relationship
1.	Power Finance Corporation Limited (PFC)	Ultimate Holding Company
2.	PFC Consulting Limited (PFCCL)	Holding Company

Details of Related party transactions

S.No.	Particulars	2009-10	
		PFC	PFCCL
1.	Equity Contribution	Nil	5,00,000
2.	Administrative Expenses		
	(Manpower Charges)	Nil	9,46,374
3.	Closing Balances: -		
	Other Current Liabilities	Nil	26,43,364

10. The Company owes no dues to small-scale units at year-end and hence provision of interest does not arise. Further based on information available with the management, there are no dues payable to enterprises covered under "Micro, Small and Medium Enterprises Development Act, 2006".
11. Most of the additional information pursuant to the provisions of Paragraph 3, 4C and 4D of part II of Schedule VI to the Companies Act, 1956 are not applicable to the company as the project is still at its development stage and the company has yet to start its commercial activities. Applicable information is provided as under:

    a. Expenditure in foreign currency – Nil

    b. Income in foreign exchange –Nil
12. Figures have been rounded off to the nearest Rupee unless otherwise stated.
13. Since this is the first accounting year of the company, the accounts have been prepared for the period 08/09/2009 to 31/03/2010.Hence, previous year figures are not available.
14. Schedule 1 to 8 form an integral part of the Financial Statements and have been authenticated

For Jabalpur Transmission Company Limited
On behalf of the Board of Directors

Dinesh Vij	**Sanjay Mehrotra**
Chairman	**Director**

Signed in terms of our report of even date
For ALOK ANIL & ASSOCIATES
(CHARTERED ACCOUNTANTS)

Place : New Delhi **Anil.K.Agarwal**
Date : 31/05/2010 **(Partner)**
M. No. 86534

JABALPUR TRANSMISSION COMPANY LIMITED
CASH FLOW STATEMENT FOR THE PERIOD ENDING 31st MARCH 2010

Particular	Period ending 31st March 2010 Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES	
Net Profit/(Loss) as per Profit & Loss A/c	(31,529)
Operating profit before working capital changes	(31,529)
Adjustment For Increase/Decrease in:	
Other Current Assets	-
Current Liabilities & Provisions	2,776,606
Net Inflow from Operating Activities (A)	2,745,077
B. CASH FLOW FROM INVESTING ACTIVITIES	
Capital Work in Progress	(2,745,143)
Net Inflow from Investing Activities (B)	(2,745,143)
C. CASH FLOW FROM FINANCIAL ACTIVITIES	
Issue of Share Capital	500,000
Unsecured loans	-
Net Inflow from Financing Activities (C)	500,000
NET INCREASE/(DECREASE) IN CASH FLOW(A+B+C)	499,934
CASH & CASH EQUIVALENT AT THE BEGINNING OF THE PERIOD	-
CASH & CASH EQUIVALENT AT THE END OF THE PERIOD	499,934
Cash on hand and balance with banks	499,934
Other Cash and Cash Equivalents	-

For JABALPUR TRANSMISSION COMPANY LIMITED
On behalf of the Board of Directors

Dinesh Vij	**Sanjay Mehrotra**
Chairman	**Director**

SIGNED IN TERMS OF OUR REPORT OF EVEN DATE ANNEXED
For ALOK ANIL & ASSOCIATES
(CHARTERED ACCOUNTANTS)

Place : New Delhi **Anil.K.Agarwal**
Date : 31/05/2010 **(Partner)**
M. No. 86534

JABALPUR TRANSMISSION COMPANY LIMITED

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I **Registration details**

Registration No : **U40108DL2009GOI194057** State Code: 55

Balance Sheet Date :

31	3	2010
Date	Month	Year

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

Public Issue	Right issue
-	-
Bonus Issue	**Private Placement**
-	500

III **Position of Mobilsation and Deployment of Funds (Amount in Rs. Thousands)**

	Total Liabilities	Total Assets
	3,277	3,277
Sources of Funds	Paid up capital	Reserve and Surplus
	500	-
	Secured Loans	Unsecured Loans
	-	-
Application of Funds	Net Fixed Assets	Capital Work In Progress
	-	2,745
	Investment	Net Current Assets
	-	(2,277)
	Misc. Expenditure	Accumulated Losses
	-	32

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

Turnover	Total Expenditure
-	32
Profit/ Loss before Tax	Profit/ Loss after Tax
(32)	(32)
Earning per Share	Dividend
(0.63)	-

V **Generic Names of Three Priciples Products/Services of Company (as per monetary terms)**

1. Item Code No. (ITC Code)	
Product Description	
2. Item Code No. (ITC Code)	
Product Description	
3. Item Code No. (ITC Code)	
Product Description	

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF JABALPUR TRANSMISSION COMPANY LIMITED, NEW DELHI, FOR THE YEAR ENDED 31 MARCH 2010

The preparation of financial statements of Jabalpur Transmission Company Limited, New Delhi, for the year ended 31 March 2010 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The statutory auditors appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 31 May 2010.

I, on behalf of the Comptroller and Auditor General of India, have decided not to review the report of the Statutory Auditors on the accounts of Jabalpur Transmission Company Limited, New Delhi, for the year ended 31 March 2010 and as such have no comments to make under Section 619(4) of the Companies Act, 1956.

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

Place: New Delhi
Dated: 28 June 2010

(M.K. Biswas)
Principal Director of Commercial Audit &
Ex-officio Member Audit Board–III,New Delhi

BHOPAL DHULE TRANSMISSION COMPANY LIMITED

(A wholly owned subsidiary of PFC Consulting Limited)

DIRECTORS' REPORT 2009-2010

To

The Members,

Your Directors have pleasure in presenting their 1st Annual Report on the working of the Company for the period 8th September, 2009 to 31st March, 2010 together with the Audited Statement of accounts and Auditor's Report thereon.

OPERATIONAL ACTIVITIES

The Government of India has envisaged capacity addition of 1,00,000 MW during 2007 to 2012 to meet its Mission of "Power to All". Achievement of this target requires the development of large capacity generation projects at the national level to meet the requirements of a number of States. Ministry of Power initiated the scheme of developing Ultra Mega Power Projects to achieve rapid capacity addition. For evacuation of power, development of transmission capacity is required at the national level to meet the requirements of a number of States. As per the provisions of Section 63 of the Electricity Act, 2003 and National Electricity Policy, Ministry of Power, Govt. of India issued two guidelines for transmission namely, "Guidelines for Encouraging Competition in Development of Transmission Projects" and "Tariff Based Competitive Bidding Guidelines for Transmission Service".

Recognizing the fact that transmission system is the backbone of country's electricity system, Ministry of Power, CEA, PFC and REC are working together for development of large transmission projects under tariff based competitive bidding route.

Ministry of Power vide letter no. 11/12/2006-Trans dated 14th July, 2009 forwarded a copy of Gazette Notification regarding appointment of PFC Consulting Limited (a wholly owned subsidiary of Power Finance Corporation Limited) as Bid Process Coordinator (BPC) for development of the following Transmission Project:

i. "System Strengthening for WR" comprising of 910 km of 765 kV line and 80 km of 400 kV line as given below:
   a) Jabalpur – Bhopal, 765 kV, S/C Line, 4 x Bersimis ACSR or AAAC, approx. 330 km route length
   b) Bhopal – Indore, 765 kV, S/C Line, 4 x Bersimis ACSR or AAAC, approx.180 km route length
   c) 765/400kV substation at Bhopal with 2 x 1500 MVA
   d) LILO(Bhopal–Bhopal (MPPTCL)), 4 x Moose ACSR or AAAC, approx. 40 km
   e) Aurangabad–Dhule 765 kV S/C Line, 4 x Bersimis ACSR or AAAC, approx.150 km route length
   f) Dhule-Vadodara 765 kV S/C Line, 4 x Bersimis ACSR or AAAC, approx.250 km route length
   g) 765/400kV substation at Dhule with 2 x 1500 MVA
   h) LILO (Dhule–Dhule (MSETCL)), 4 x Moose ACSR or AAAC, approx. 40km

Bhopal Dhule Transmission Company Limited (BDTCL) was incorporated on 8th September, 2009 under Companies Act, 1956 as a wholly owned subsidiary of PFC Consulting Limited (PFCCL).

PFCCL being the Bid Process Coordinator for the project appointed M/s Medhaj Techno Concept Pvt. Ltd., Lucknow on 11th March, 2010 as Technical Consultant for preliminary survey work on the route alignment, identification of land for the substations at Bhopal & Dhule and preparation of survey report.

- The 3 alternate sites for substation at Bhopal & Dhule identified and final proposed site for both the substations also identified.
- The 3 alternate route alignments have been identified.
- Preliminary survey work on all the 3 alternate route alignments carried out as detailed below and the final route alignment of all the sections of transmission lines have been identified.
- Jabalpur – Bhopal approx. 330 km route length : Completed
- Bhopal – Indore, approx. 180 km route length : Completed
- Bhopal – Bhopal (MPPTCL) approx. 40 km route length : Completed
- Aurangabad – Dhule approx. 150 km route length : Completed
- Dhule - Vadodara approx. 250 km route length : Completed
- Dhule – Dhule (MSETCL) approx. 40 km route length : Completed

Request for Qualification (RfQ) for short listing of Bidders as Transmission Service Provider for the project has been issued on 2nd March, 2010 by the Company.

- 28 bidders submitted their response to RfQ by the due date i.e. 30th April, 2010.
- PFCCL being the BPC has appointed M/s Pandey Dua & Mathur and M/s Singhania & Partners, LLP as the consultants for assisting in the financial & related matters and legal & related matters respectively of the Bid Process.
- Evaluation of the responses to RfQ is in progress.

FINANCIAL REVIEW

Being the first financial year the accounts were prepared from the Date of Incorporation i.e. 8th September, 2009 to 31st March, 2010. During the year under review, your Company has not taken up its commercial activities. However, the company during the year has spent an amount of Rs. 27.46 Lacs on the development of the project which was transferred to capital work in progress.

DIVIDEND

As the Company has not started its commercial activities, the Company has not declared any dividend for the period commencing from 8th September, 2009 to 31st March, 2010.

SHARE CAPITAL

The entire paid up share capital of the Company is held by PFC Consulting Limited and its nominees. The paid-up-capital of the Company remained Rs. 5,00,000/- consisting of 50,000 equity share of Rs. 10/- each at the end of March, 2010.

FIXED DEPOSITS

The Company has not accepted any fixed deposit during the period ending 31st March 2010.

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

There are no significant particulars, relating to conservation of energy, technology absorption under the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, as your Company does not own any manufacturing facility. There was no foreign exchange earning and outgo during the year under consideration.

AUDITORS

M/s. Praveen Aggarwal & Co., Chartered Accountants, were appointed as Statutory Auditors of the Company for the financial year 2009-2010 by the Comptroller & Auditor General of India. There are no adverse comments, observation or reservation in the Statutory Auditor's Report on the Accounts of the Company.

PARTICULARS OF EMPLOYEES U/S 217 (2A) OF THE COMPANIES ACT, 1956.

The Company has no employees on its roll. Hence, the particulars of employees as prescribed under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are not applicable.

DIRECTORS

The Board of Directors presently comprise of four members consists of:

1.	Shri Yogesh Juneja	: Chairman
2.	Shri Subir Mulchandani	: Director
3.	Shri P. C. Hembram	: Director
4.	Shri Sanjay Kr. Rai	: Director

During the period, Shri C. Gangopadhyay, Shri Manoj Kr. Rana and Shri Rajesh Kr. Shahi, Directors have resigned from the Directorship of the Company.

In accordance with provisions of Companies Act, 1956 Shri Subir Mulchandani Director shall retire by rotation at the ensuing Annual General Meeting of the Company and being eligible offers himself for re-appointment.

COMPTROLLER AND AUDITOR GENERAL REVIEW

C&AG of India vide their letter dated 28th June, 2010 mentioned that they have decided not to review the report of the Statutory Auditors' on the accounts of the Company for the year ended 31st March, 2010 and as such have no comments to make under Section 619(4) of the Companies Act, 1956. A copy of the letter issued by C&AG in this regard is placed at Annex-1

DIRECTOR'S RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors confirm that in the preparation of annual account ended 31st March, 2010: -

- The applicable accounting standards have been followed along with proper explanation.
- Reasonable and prudent judgment and estimate were made so as to give a true and fair view of the state of affairs of the Company as on 31st March, 2010.
- Proper and sufficient care was taken 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.
- The accounts have been prepared on going concern basis.

ACKNOWLEDGEMENT

The Directors place on record their gratitude to the Central and State Governments and various Government agencies for the assistance, co-operation and encouragement they extend to the Company. The Company is also thankful to the Comptroller & Auditor General of India, the Ministry of Power, the Statutory Auditors and Bankers for their suggestions and cooperation and guidance.

For and on behalf of the Board of Directors

Place : New Delhi **(Yogesh Juneja)**

Dated : 12/08/2010 **Chairman**

AUDITOR'S REPORT

TO THE MEMBERS OF BHOPAL DHULE TRANSMISSION COMPANY LIMITED.

We have audited the Balance Sheet of **BHOPAL DHULE TRANSMISSION COMPANY LIMITED** as at **31st March 2010** and Profit & Loss account and Cash Flow Statement for the period ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As required by the Companies (Auditor Report) order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in the paragraphs 4 and 5 of said order. Further to our comments in the Annexure referred to above we report that.

1. We have obtained all the information and explanation, which to the best of our knowledge and belief were necessary for the purposes of our audit.
2. In our opinion the Company has kept proper books of accounts as required by law so far, as appears from our examination of those books. Since all payments on behalf of the Company made by Holding Company i.e. PFC Consulting Ltd. and the original supports for expenditure etc are kept with them.
3. The Balance Sheet, Profit & Loss account and Cash flow statement dealt with by this report are in agreement with the books of account.
4. The Balance Sheet, Profit & Loss account and Cash flow statement dealt with by this report are prepared in accordance with the accounting standards referred to in sub-section (3C) of section 211 of the companies act, 1956.
5. Being a Government Company clause (g) of sub-section (i) of section 274 of the companies Act, 1956 is not applicable as per Notification no. GSR 829 (E) dated 21.10.2003 issued by the Deptt. of Company Affairs.
6. In our opinion and to the best of our information and according to the explanation given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required & give a true and fair view in conformity with the accounting principles generally accepted in India.
   (i) In case of the balance sheet, of the state of affairs of the Company as at 31st March 2010,
   (ii) In case of the Profit & Loss Account, of the loss of the company for the period ended on that date, and
   (iii) In case of Cash Flow Statement, of the Cash Flows of the company for the period ended on that date.

For and on behalf of
PRAVEEN AGGARWAL & CO.
Chartered Accountants
ICAI Firm Registration No : 000044N

CA.P.K.AGGARWAL

Place: New Delhi **Partner**

Dated: 28/05/2010 **Membership No : 15159**

ANNEXURE TO AUDITORS REPORT OF BHOPAL DHULE TRANSMISSION COMPANY LIMITED (REFERRED TO IN PARAGRAPH (3) OF OUR REPORT OF EVEN DATE)

I. (a) In our opinion and according to information and explanation given to us, provision of para 4(i) (a) of the Companies (Auditors Report) Order, 2003 relating to maintaining proper records showing full particulars, including quantitative details and situation of fixed assets are not applicable to company as it does not have fixed assets.

(b) In our opinion and according to information and explanation given to us provision of para 4(i) (b) of the companies (Auditors Report) Order, 2003 relating to physical verification of fixed assets by the management is not applicable to Company as it does not have fixed assets.

(c) In our opinion and according to information and explanation given to us provision of para 4(i) (c) of the companies (Auditors Report) Order, 2003 relating to disposal of any substantial part of fixed assets during the period are not applicable to Company as it does not have fixed assets.

II. (a) In our opinion and according to information and explanation given to us provision of para 4(ii) (a) of the companies (Auditors Report) Order, 2003 relating to physical verification of inventory is not applicable to Company as it does not have any inventories as on balance sheet date.

(b) In our opinion and according to information and explanation given to us provision of para 4(ii) (b) of the companies (Auditors Report) Order, 2003 is not applicable to company.

(c) In our opinion and according to information and explanation given to us provision of para 4(ii) (c) of the companies (Auditors Report) Order, 2003 is not applicable to company.

III. (a) As per management certificate given by the management, the company has not taken secured or unsecured loans from companies, firms or other parties listed in the register maintained under section 301 of the companies act, 1956.

(b) As the company has not granted any loans secured or unsecured, to the companies, firm or parties listed in the register maintained under section 301 of the companies Act,1956.

IV. In our opinion according to the information and explanation given to us, the company does not have fixed assets and inventories and has no commercial activities by the company during the period, the provision of para 4(iv) of the companies (Auditors Report) Order 2003 relating to adequate internal control procedure commensurate with the size of company and nature of its business, for the purchase of inventory and fixed assets and for the sale of goods are not applicable to company.

V. According to the information and explanation given to us, there are no transactionmade in pursuance of the contracts or arrangements that need to be entered in the register maintained under section – 301 of the Companies Act, 1956.

VI. As company does not accept any deposits from public, the provision of para 4(vi) of the Companies (Auditor Report) Order,2003 are not applicable to company.

VII. The company does not have paid up capital and reserves of Rs 50 lakhs as at the commencement of the financial period concerned, or have a average annual turnover exceeding five crore rupees for a period of three consecutive financial periods immediately preceding the financial period concerned, the provision of para 4 (vii) of the Companies (Auditor Report) Order, 2003 are not applicable to company.

VIII. The company does not have any business activities during the period, the provision of para 4 (viii) of the Companies (Auditor Report) order, 2003 relating to maintaining of cost records under section 209 (I) (d) of the companies act is not applicable to the company.

IX. (a) According to information and explanation given to us, the company is regular in depositing undisputed statutory dues including Provident Fund, Investors Education and Protection Fund Employees State Insurance, Income Tax, Wealth Tax, Interest Tax, and other statutory dues with the appropriate Authorities through holding company i.e. PFC Consulting Ltd. According to information and explanation given to us, there are no undisputed statutory dues outstanding as at 31st March, 2010 for a period of more than six months from the date they become payable.

(b) According to information and explanation given to us there are no dues of Income Tax, Wealth Tax, which have not been deposited on account of any dispute.

X. The Company has been registered for less than five years.

XI. In our opinion and according to information and explanation given to us, the Company has not defaulted in repayment of its dues to Banks, Financial Institutions.

XII. In our opinion and according to information and explanation given to us, provision of para 4 (xii) of the Companies (Auditors Report) Order, 2003 are not applicable to Company as it has not given any loans and advance on security of shares, Debentures and other securities.

XIII. In our opinion and according to information and explanation given to us, the Company is not a Chit Fund, Nidhi or Mutual benefit, Trust/Society. Accordingly, the provision of para 4(xiii) of the companies (Auditor Report) Order, 2003 is not applicable to company.

XIV. According to information and explanation given to us, the Company is not dealing or trading in shares, Securities, debenture and other investment and hence the requirement of para 4(xiv) of the Companies (Auditor Report) Order, 2003 is not applicable to Company.

XV. According to information and explanation given to us, the Company has not given any guarantee in respect of loan taken by it from banks and financial institutions.

XVI. In our opinion and according to information and explanation given to us the company is not obtained any term loan and hence the requirement of para 4 (xvi) of the Companies (Auditors Report) Order, 2003 are not applicable to Company.

XVII. According to information and explanation given to us and on an overall examination of the balance sheet and cash flow statement of the Company, we report that prima facie no funds raised on short-term basis have utilized for long term investment purpose or vice versa.

XVIII. The Company has not made any preferential allotment of share to parties and companies covered in the register maintained under section 301 of the Companies Act 1956.

XIX. According to information and explanation given to us the company does not have any debentures and hence the requirement of para 4(xix) of the Companies (Auditors Report) order, 2003 are not applicable to Company.

XX. According to information and explanation given to us the company has not raised any money from public issues during the period.

XXI. According to information and explanation given to us no material fraud on or by the Company was noticed or reported during the period.

For and on behalf of
PRAVEEN AGGARWAL & CO.
Chartered Accountants
ICAI Firm Registration No : 000044N

CA.P.K.AGGARWAL
Partner
Membership No : 15159

Place: New Delhi
Dated: 28/05/2010

BHOPAL DHULE TRANSMISSION COMPANY LIMITED

BALANCE SHEET AS AT 31ST MARCH 2010

Description	Schedule	As on 31st March, 2010
SOURCES OF FUNDS		
Share Capital	1	500,000
LOAN FUNDS		
Unsecured Loans	2	-
TOTAL		500,000
APPLICATION OF FUNDS		
FIXED ASSETS	3	
a) Gross Block		-
Less : Depreciation		-
Net Block		-
b) Capital Work in Progress	4	2,746,061
		2,746,061
INVESTMENTS		-
CURRENT ASSETS, LOANS & ADVANCES	5	
a) Cash & Bank Balances		499,934
b) Other Current Assets		-
c) Loans & Advances	-	499,934
Less : CURRENT LIABILITIES & PROVISIONS	6	
Current Liabilities		2,777,524
Provisions		-
NET CURRENT ASSETS		2,777,524
MISCELLANEOUS EXPENDITURE		(2,277,590)
(to the extent not written off or adjusted)		
Profit & Loss A/c		31,529
TOTAL		500,000
EXPENDITURE DURING CONSTRUCTION PERIOD	7	
SIGNIFICANT ACCOUNTING POLICIES	8	
NOTES TO ACCOUNTS	9	

Schedules referred above form
an integral part of Balance Sheet

For and On behalf of the Board of Directors

Yogesh Juneja — **Chairman**
Subir Mulchandani — **Director**

SIGNED IN TERMS OF OUR REPORT OF EVEN DATE
For & On Behalf of
PRAVEEN AGGARWAL & CO.
Chartered Accountants

Place : New Delhi
Date : 28/05/2010

P.K.Aggarwal
(Partner)
M. No. 15159

BHOPAL DHULE TRANSMISSION COMPANY LIMITED

PROFIT & LOSS ACCOUNT
FOR THE PERIOD ENDED 31st March 2010

Description	Schedule	Period ended 31.03.2010
INCOME		NIL
		-
Expenses		
Preliminary Expenses		31,529
		31,529
Net Profit/(Loss) for the year		(31,529)
Net Loss Carried to Balance Sheet		31,529
Basic & Diluted Earning per share of Rs.10 each		(0.63)
EXPENDITURE DURING CONSTRUCTION PERIOD	7	
SIGNIFICANT ACCOUNTING POLICIES	8	
NOTES TO ACCOUNTS	9	

Schedules referred above form an integral part of Profit & Loss Account

For and On behalf of the Board of Directors

Yogesh Juneja — **Chairman**
Subir Mulchandani — **Director**

SIGNED IN TERMS OF OUR REPORT OF EVEN DATE
For & On Behalf of
PRAVEEN AGGARWAL & CO.
Chartered Accountants

Place : New Delhi
Date : 28/05/2010

P.K.Aggarwal
(Partner)
M. No. 15159

BHOPAL DHULE TRANSMISSION COMPANY LIMITED
SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

SHEDULE '1'
SHARE CAPITAL

Description	Figures in Rupees As at 31.03.2010
Authorised	
50,000 Equity Shares of Rs. 10/- each	500,000
Issued, Subscribed and Paid up	
50,000 Equity Shares of Rs 10/- each fully paid up (Wholly owned by PFC Consulting Ltd.)	500,000
Total	500,000

SCHEDULE '2' -	
UNSECURED LOANS	-

SCHEDULE '3
FIXED ASSETS'

Figures in Rupees

Particulars	GROSS BLOCK			DEPRECIATION BLOCK			NET BLOCK
	Addtions/ Adjustments during the period	Deductions/ Adjustments during the period	Closing Balance As at 31.03.2010	Additions/ Adjustments during the period	Deductions/ Adjustments during the period	Closing Balance As at 31.03.2010	As at 31.03.2010
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-

SCHEDULE '4' -
CAPITAL WORK IN PROGRESS

Description	As on 31st March 2010 Rs.
CWIP: Transferred from Statement of Incidental Expenditure During Construction Period (Schedule -7)	**2,746,061**
	2,746,061

SCHEDULE '5'
CURRENT ASSETS, LOANS AND ADVANCES

a. Cash and Bank Balances	
Cash Balance	-
Balance with Scheduled Bank in Current Accounts	**499,934**
(Allahabad Bank)	**499,934**
b. Other Current Assets	-
c. Loans and Advances	-
Total (a+b+c)	**499,934**

SCHEDULE '6'
CURRENT LIABILITIES AND PROVISIONS

CURRENT LIABILITIES	
TDS Payable	**98,498**
Other Current Liabilities	**2,679,026**
Total	**2,777,524**

SCHEDULE '7'
EXPENDITURE DURING CONTRUCTION PERIOD

Expenses	
Administration Expenses Including Manpower Charges	**947,819**
Audit Fees	**38,605**
Advertisement Expenses	**1,753,053**
Bank Charges	**66**
Legal & Professional Charges	**6,518**
Carried to CWIP -Schedule-4	**2,746,061**

Schedule - '8'
Significant Accounting Policies

1. The Company prepares its financial statements in accordance with applicable accounting standards and generally accepted accounting principles and also in accordance with requirements of the Companies Act, 1956.
2. **Revenue Recognition:**

   Income and expenses (except otherwise stated) are accounted for on accrual basis.

   Fees for advisory and professional services for developing Independent Transmission Project payable to PFC Consulting Limited (Holding Company) will be accounted for in the year of transfer of the company to the successful bidder. (As and when due)
3. **Fixed Assets/ Depreciation:**
   a. Fixed assets are shown at historical cost less current/ accumulated depreciation. The company capitalizes all direct cost including borrowing cost up to the date of commercial use of such assets.
   b. Depreciation on assets is provided on Written down Value method, in accordance with the rates prescribed in Schedule XIV of the Companies Act, 1956.
   c. Items of fixed assets acquired during the year costing up to Rs. 5,000/- are fully depreciated.
4. **Capital work In Progress:**

   Expenditure incurred on Survey/Studies/Investigations/Consultancy/ Administration /Depreciation/Interest etc. has been treated as Capital Work In Progress.
5. **Expenditure incurred by Holding Company**

   Expenditure incurred by the company for the Project is financed by the Holding Company (PFC Consulting Limited) and considered as current liabilities.
6. **Preliminary expenses**

   Preliminary expenses are charged to Profit & Loss account in the year in which such expenditure has been incurred.
7. Investments are stated at cost.
8. Borrowing cost is charged to the profit & loss account for the year in which it is incurred except for capital assets which is capitalized till the date of commercial use of the assets.
9. Contingent liabilities have not been provided and are disclosed by way of notes on the basis of available information.

Schedule – '9'
Notes to Accounts

1. The Company was incorporated on 08/09/2009 under the Companies Act 1956 as a wholly owned subsidiary of PFC Consulting Limited (PFCCL), (A wholly owned subsidiary of Power Finance Corporation Ltd, a Govt. of India Undertaking.). Certificate for Commencement of Business was issued on 19/02/2010. The Company has been incorporated to develop power system network and Study, Investigate, collect information and data etc. for the purpose of transmission of electricity in the state of Madhya Pradesh (Project).
2. The Key Management Personnel of the Company are employee of the Holding Company (PFCCL) and deployed on Part Time basis.

   The details of such Key Management Personnel are as follows:

S. No.	Name	Designation	Date of Appointment	Date of Resignation
1.	Shri C. Gangopadhyay	Chairman	08.09.2009	20.01.2010
2.	Shri M.K.Rana	Director	08.09.2009	22.02.2010
3.	Shri Rajesh Kumar Shahi	Director	08.09.2009	Continuing
4.	Shri Subir Mulchandani	Director	08.09.2009	Continuing
5.	Shri P.C.Hembram	Director	22.02.2010	Continuing
6.	Shri Sanjay Kumar Rai	Director	22.02.2010	Continuing
7.	Shri Yogesh Juneja	Chairman	20.01.2010	Continuing

3. Employees working for the Company are from holding company i.e. PFC Consulting Ltd. (PFCCL). The expenses appearing as Administrative Expenses in the Schedule-6 "Expenditure during Construction period" amounting Rs.27,46,061/- for the year include manpower charges of PFCCL employees of Rs. 9,46,374/-. The man power cost of PFCCL employees (included in Administrative Expenses) are charged by PFCCL on the basis of cost to company based on actual time spent by the employees for the Company as per invoice raised by PFCCL. This includes man power charges of Sh. P.C. Hembram and Sh. Sanjay Kumar Rai amounting Rs.145,596/- and Rs. 2,18,394/- respectively.
4. The related expenses are paid by the Holding Company (PFCCL) and charged to the Company. Original Supporting bills in respect of expenditure incurred by the holding company are retained by them of which copies are available with the Company. The holding company is complying statutory provisions relating to the 'Deduction of tax at source' etc. as applicable to these expenses.
   i) Estimated amount of contracts remaining to be executed on capital account and not provided for is Rs. Nil.
   ii) Contingent liabilities of the company and claims against the company not acknowledged by the company as certified by the management for the period is Rs. Nil.
6. **Auditors Remuneration** **2009-2010**

Audit Fees	Rs. 35,000/-
Service Tax	Rs. 3,605/-

7. The Company has complied with all the applicable Accounting Standards notified under section 211 of the Companies Act 1956. However AS -22 relating to Deferred Tax Liability /Asset pertaining to timing difference is not applicable to the company in view of the fact that the company is still in the construction phase and yet to commence its operation.
8. No provision for income tax is made in absence of taxable profits.
9. The disclosure as per AS 18 – Related Party Disclosure :

   The Bhopal Dhule Transmission Company Limited is a wholly owned subsidiary of PFC Consulting Ltd. All key decisions are taken by the Board of Bhopal Dhule Transmission Company Limited where the PFCCL nominees exercise control.

   Details of Related parties and nature of relationship

S. No.	Name of the Related Party	Nature of Relationship
1	Power Finance Corporation Limited (PFC)	Ultimate Holding Company
2.	PFC Consulting Limited (PFCCL)	Holding Company

Details of Related party transactions

S.No.	Particulars	2009-10	
		PFC	PFCCL
1.	Equity Contribution	Nil	5,00,000
2.	Administrative Expenses (Manpower Charges)	Nil	9,46,374
3.	Closing Balances: -		
	Other Current Liabilities	Nil	26,44,282

10. The Company owes no dues to small-scale units at year-end and hence provision of interest does not arise. Further based on information available with the management, there are no dues payable to enterprises covered under "Micro, Small and Medium Enterprises Development Act, 2006".
11. Most of the additional information pursuant to the provisions of Paragraph 3, 4C and 4D of part II of Schedule VI to the Companies Act, 1956 are not applicable to the company as the project is still at its development stage and the company has yet to start its commercial activities. Applicable information is provided as under:
    a. Expenditure in foreign currency – Nil
    b. Income in foreign exchange –Nil
12. Figures have been rounded off to the nearest Rupee unless otherwise stated.
13. Since this is the first accounting year of the company, the accounts have been prepared for the period 08/09/2009 to 31/03/2010. Hence, previous year figures are not available.
14. Schedule 1 to 9 form an integral part of the Financial Statements and have been authenticated

For and on behalf of Board of Directors

Yogesh Juneja — **Chairman**

Subir Mulchandani — **Director**

Signed in terms of our report of even date
For PRAVEEN AGGARWAL & CO.
Chartered Accountants

Place: New Delhi
Date: 28/05/2010

Praveen Aggarwal
Partner
M. No. 15159

BHOPAL DHULE TRANSMISSION COMPANY LIMITED

CASH FLOW STATEMENT FOR THE PERIOD ENDED 31st MARCH 2010

	Particulars	Period Ending 31st March 2010 Rs.
A.	**CASH FLOW FROM OPERATING ACTIVITIES:**	
	Net Profit/(Loss) as per Profit & Loss A/c	**(31,529)**
	Operating profit before working capital changes	**(31,529)**
	Adjustment For Increase/Decrease in:	
	Other Current Assets	-
	Loans & Advances	-
	Current Liabilities & Provisions	**2,777,524**
	Net Inflow from Operating Activities (A)	**2,745,995**
B.	**CASH FLOW FROM INVESTING ACTIVITIES**	
	Capital Work in Progress	**(2,746,061)**
	Net Inflow from Investing Activities (B)	**(2,746,061)**
C.	**CASH FLOW FROM FINANCIAL ACTIVITIES**	
	Issue of Share Capital	**500,000**
	Net Inflow from Financing Activities (C)	**500,000**
	NET INCREASE/(DECREASE) IN CASH FLOW (A+B+C)	**499,934**
	CASH & CASH EQUIVALENT AT THE BEGINNING OF THE PERIOD	-
	CASH & CASH EQUIVALENT AT THE END OF THE PERIOD	**499,934**
	Cash on hand and balance with banks	**499,934**
	Other Cash and Cash Equivalents	-

For and On behalf of the Board of Directors

Yogesh Juneja — **Chairman**

Subir Mulchandani — **Director**

SIGNED IN TERMS OF OUR REPORTOF EVEN DATE
For & On Behalf of
PRAVEEN AGGARWAL & CO.
Chartered Accountants

Place : New Delhi
Date : 28/05/2010

P.K.Aggarwal
(Partner)
M. No. 15159

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I **Registration details**

Registration No : **U40102DL2009GOI194071** State Code: 55

Balance Sheet Date :

31	3	2010
Date	Month	Year

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

Public Issue	Right issue
-	-
Bonus Issue	Private Placement
-	**500**

III **Position of Mobilsation and Deployment of Funds (Amount in Rs. Thousands)**

	Total Liabilities	Total Assets
	3,278	**3,278**
Sources of Funds	Paid up capital	Reserve and Surplus
	500	-
	Secured Loans	Unsecured Loans
	-	-
Application of Funds	Net Fixed Assets	Capital Work In Progress
	-	**2,746**
	Investment	Net Current Assets
	-	**(2,278)**
	Misc. Expenditure	Accumulated Losses
	-	**32**

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

Turnover	Total Expenditure
-	**32**
Profit/ Loss before Tax	Profit/ Loss after Tax
(32)	**(32)**
Earning per Share	Dividend
(0.63)	-

V **Generic Names of Three Priciples Products/Services of Company (as per monetary terms)**

1. Item Code No. (ITC Code)
Product Description
2. Item Code No. (ITC Code)
Product Description
3. Item Code No. (ITC Code)
Product Description

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF BHOPAL DHULE TRANSMISSION COMPANY LIMITED, NEW DELHI, FOR THE YEAR ENDED 31 MARCH 2010

The preparation of financial statements of Bhopal Dhule Transmission Company Limited, New Delhi, for the year ended 31 March 2010 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The statutory auditors appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 28 May 2010.

I, on behalf of the Comptroller and Auditor General of India, have decided not to review the report of the Statutory Auditors on the accounts of Bhopal Dhule Transmission Company Limited, New Delhi, for the year ended 31 March 2010 and as such have no comments to make under Section 619(4) of the Companies Act, 1956.

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

Place: New Delhi **(M.K. Biswas)**
Dated: 28 June 2010 **Principal Director of Commercial Audit &**
Ex-officio Member Audit Board–III,New Delhi

POWER FINANCE CORPORATION LIMITED

Regd. Office **: 'Urjanidhi', 1, Barakhamba Lane, Connaught Place, New Delhi -110001**

ATTENDANCE SLIP

Members or their proxies are requested to present this form for admission, duly signed in accordance with their specimen signatures registered with the company.

NAME OF ATTENDING PERSON (IN BLOCK LETTERS) [ ]

* Regd. Folio no. [ ]

No. of shares held [ ]

DP ID No. [ ] Client ID No. [ ]

I, HEREBY RECORD MY PRESENCE AT THE 24th ANNUAL GENERAL MEETING OF THE COMPANY BEING HELD ON TUESDAY, THE 21st DAY OF SEPTEMBER, 2010 AT 10.00 AM AT AIR FORCE AUDITORIUM, SUBROTO PARK, NEW DELHI-110010

Please ☑ in the box

[ ] MEMBER [ ] PROXY

____

Member's / Proxy's Signature

* Applicable for investors holding shares in Physical Form

POWER FINANCE CORPORATION LIMITED

Regd. Office **: 'Urjanidhi', 1, Barakhamba Lane, Connaught Place, New Delhi -110001**

PROXY FORM

DP ID No. [ ] Client ID No. [ ]

No. of shares held [ ] *Regd. Folio No. [ ]

I/We _________________________________,S/o_______________________________ in the district of ___________________, being a member/members of **Power Finance Corporation Limited**, hereby appoint __________________________of_____________________ as my/our proxy to vote for me/us and on my/our behalf at the 24th Annual General Meeting of the Company to be held **at 10.00 a.m. on Tuesday, the 21st September, 2010,** and at any adjournment thereof.

Signed this ____day of ________2010

____

(Signature)

(Affix Revenue Stamp of appropriate value)

* Applicable for investors holding shares in Physical Form

NOTE: The Proxy form duly completed and signed should be deposited at the Registered Office of the Company, not later than 48 hours before the commencement of the Annual General Meeting.

Celebrating 25th year of financing & commitment to the power sector

As pollen spreads out to different directions, beautiful flowers and plants are born all around. Similarly, PFC, having strong roots in place, is now spreading out to newer fields like Power Exchanges, Equity Financing, Acquisition Advisory Services, foray into global markets, Non-conventional energy sources, development of fuel supply sources and equipment manufacturing to make the power sector robust and self-sufficient.

POWER FINANCE CORPORATION LTD.

(A Govt. of India Undertaking)

Regd. Office : "Urjanidhi", 1, Barakhamba Lane, Connaught Place, New Delhi - 110 001.

Ph. : 011-23456000, Fax : 011-23412545, Website : http:\\www.pfcindia.com

We Create Possibility of A Better Tomorrow