

# 25<sup>th</sup> Annual Report 2010-2011

CONSULTANCY  
EQUITY FUNDING  
GREEN ENERGY  
FUNDING ALLIED SECTORS  
CAPITAL ADVISORY SERVICES  
POWER EXCHANGES



**Strengthening New Business Models for Sustainability**



# 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.**

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## 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  
PFC Green Energy Limited  
PFC Capital Advisory Services 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 Integrated Power Limited  
Sakhigopal Integrated Power Company Limited  
Ghogharpalli Integrated Power Company Limited  
Tatiya Andhra Mega Power Limited  
Nagapattinam-Madhugiri Transmission 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: [einward.ris@karvy.com](mailto:einward.ris@karvy.com)  
Website: [www.karvycomputershare.com](http://www.karvycomputershare.com)

### Shares Listed at

National Stock Exchange of India Limited  
Bombay Stock Exchange Limited

### Depositories

National Securities Depository Limited  
Central Depository Services (India) Limited

### Company Secretary

Shri J. S. Amitabh

### Auditors

M/s Mehra Goel & 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  
Andhra Bank

## PERFORMANCE AT A GLANCE

PARTICULARS	2006-07	2007-08	2008-09	2009-10	2010-11
<b>I RESOURCES</b>					
(At the end of the Year) (₹ in Crore)					
Equity Capital	1148	1148	1148	1148	1148
Interest Subsidy Fund from Govt	1232	1067	909	663	452
Reserves and Surplus	7445	8182	10360	12113	14035
Borrowings:					
(i) Foreign Currency Loans (incl. Foreign Currency Notes)	1923	2234	2590	2759	4963
(ii) Bonds	16412	23543	35479	45801	56137
(iii) Long Term Rupee Loans	12938	12391	12691	16223	18208
(iv) Short Term Rupee Loans	2311	2480	1400	2325	6291
<b>II FINANCING OPERATIONS</b>					
(During the Year) (₹ in Crore)					
Loans and Grants Sanctioned	31146	69498	57030	65465*	75197*
Loans and Grants Disbursed	14055	16211	21054	25808*	34122*
Repayment by Borrowers to PFC	5653	8484	8017	8977	12119
Repayment by PFC to Lenders	3568	9519	10549	7858	10394
<b>III WORKING RESULTS</b>					
(For the Year) (₹ in Crore)					
Administrative Expenses	49	81	87	106	93
Profit Before Tax	1512	1788	1990	3013	3544
Provision for Tax (including Deferred Tax Liability)	526	581	20#	656	924
Profit After Tax	986	1207	1970	2357	2620
<b>IV NO. OF EMPLOYEES</b>	314	309	316	324	365

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

# This represents net amount after reversal of DTL of ₹483.24 crore on special reserve created and maintained under Income Tax Act, 1961 pertaining to previous years.

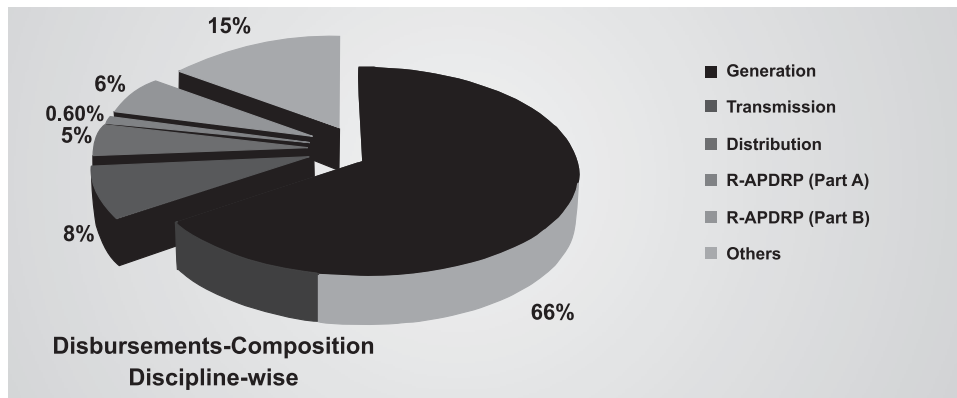
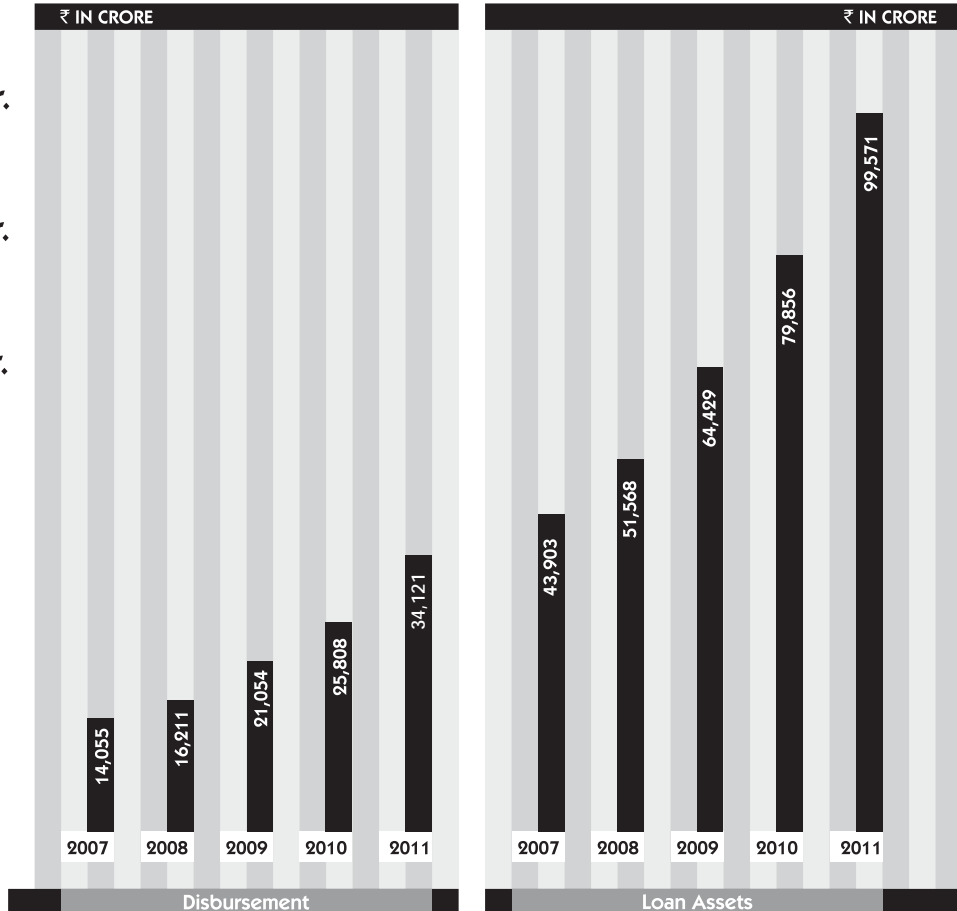
# FINANCIAL HIGHLIGHTS

As on 31.03.2011

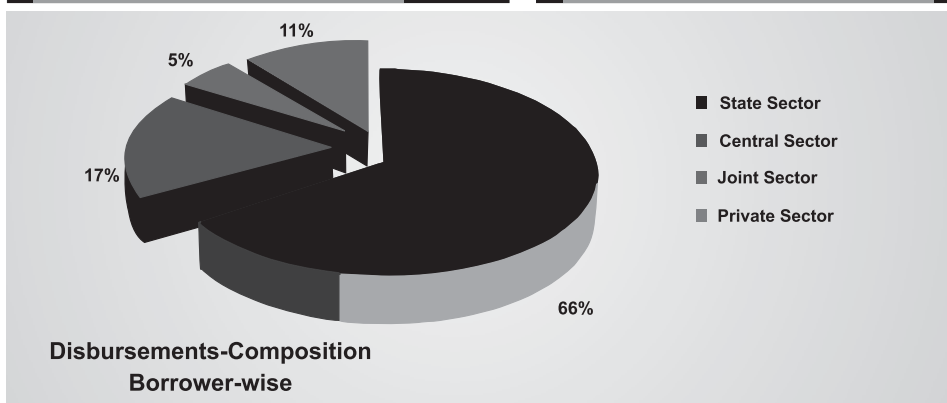
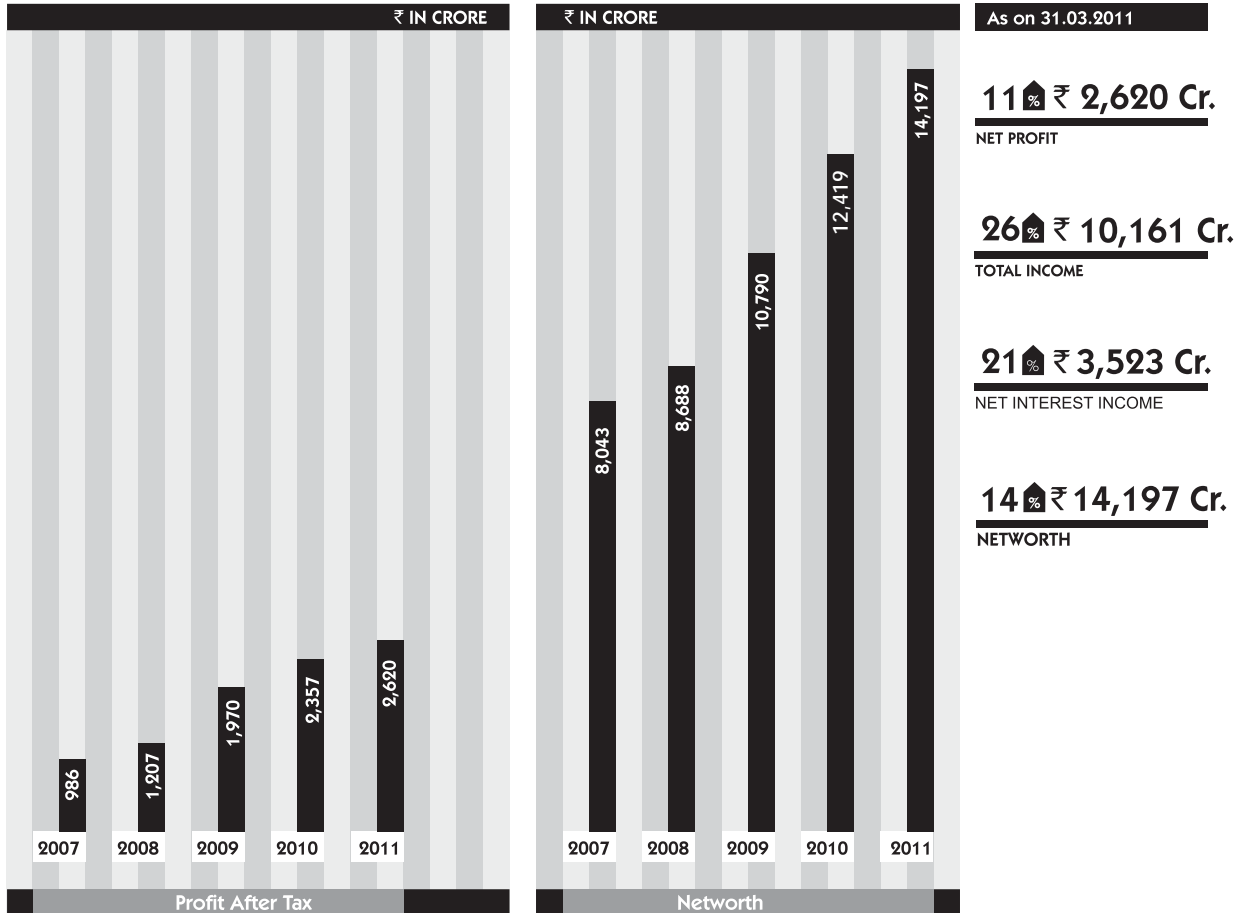
**32%** ₹34,121 Cr.  
DISBURSEMENT

**15%** ₹75,197 Cr.  
SANCTIONS

**25%** ₹99,571 Cr.  
LOAN ASSETS



# 2010-11



## LETTER TO SHAREHOLDERS



### LADIES & GENTLEMEN,

It gives me great pleasure in welcoming you all to the 25<sup>th</sup> Annual General Meeting of your Company, a momentous year in the PFC history as we celebrate completion of 25 years of operation. Your Company has crossed many impressive milestones in this journey which has made us the most dominant player in the sector.

Your Company is the youngest to enter the list of the top 10 profit making public sector undertakings as per PSE Survey Report of Department of Public Enterprises released in February, 2011. PFC is ranked 35<sup>th</sup> based on net worth in a listing of top 500 companies according to Dun & Bradstreet. Your Company also figures among the top 500 global financial brands (Ranked

376<sup>th</sup>), according to Brand Finance Plc of UK. PFC got listed in Global 2000 leading Companies (Ranked 1195<sup>th</sup>), only 57 Companies from India figured in this list.

The Indian power sector had a different landscape when your Company started operations. Your Company acted as the change agent in turning around the sector into a viable investment proposition. Today your Company performs a variety of functions like funding power projects, implementing key development schemes and offering diverse products and services like consultancy and advisory in the power sector. Your Company is also looking at business diversification in related areas, but more on that later.

### INDIAN ECONOMY

The Indian economy during fiscal 2011 has been characterized by robust economic growth and steady fiscal consolidation. Inflation continues to be high even though it has come down significantly from where it was at the start of the fiscal year. This has been a classic year of economic recovery for India. The economy remained on the path of rapid resurgence, which began in fiscal 2009 and has virtually returned to the high growth path that it had achieved during fiscal 2008, before the global financial crisis and economic meltdown. India's growth story this year has been remarkable by any standards.

One of the major requirements for sustainable and inclusive economic growth is an extensive and efficient infrastructure network. It is critical for the effective functioning of the economy and industry. The key to global competitiveness of the Indian economy lies in building a high class infrastructure. Among the 10 infrastructure sectors, power is the most critical. Of the USD 500 billion investment in infrastructure required during the 11<sup>th</sup> plan, power is the largest head, accounting for about a third of the overall fund requirement. Investment requirements will only increase in the 12<sup>th</sup> plan, as demand for power grows. Your Company is well positioned to take advantage of these opportunities.

### OUTLOOK ON POWER SECTOR

Power sector at this point of time is undergoing crucial changes in terms of huge capacity addition, higher efficiency, increased private power participation, competitive pricing and improved regulatory framework. The power requirement in India is expected to grow manifold in the coming years as a result of industrial and urban expansion. Govt of India has responded positively by accelerating the capacity addition from 21,180 MW in 10<sup>th</sup> Plan to 39,631 MW in the 11<sup>th</sup> plan upto 31<sup>st</sup> July, 2011. It is expected that approximately 52,000 MW will be added by end of 11<sup>th</sup> Plan, leading to almost two and a half times that of 10<sup>th</sup> Plan. In addition, 16 UMPPs have been identified, out of which 4 UMPPs have already been awarded. This initiative will immensely contribute in achieving the targeted capacity addition of 93,000 MW in 12<sup>th</sup> Plan (including 12,000 MW slippages from 11<sup>th</sup> Plan). On the same lines, Govt of India has also initiated development of large Transmission Systems through private sector participation. 11 such Independent Transmission Projects (ITPs) have been identified by the Empowered Committee.

In spite of impressive growth in capacity addition and transmission infrastructure, the distribution sector continues to be the weak spot. The financial health of distribution utilities in the country is a matter of concern. The financial losses have shown increase in the last few years. While the utilities should make serious efforts to reduce the Aggregate Technical and Commercial (AT&C)



losses there should be adequate tariff to recover the cost of supply. You will be happy to note that in the Conference of Power Ministers held on 13th July, 2011 on Distribution Reforms, about 14 resolutions were passed unanimously aiming at reforming the distribution sector. Some of the major resolutions include (1) Distribution utilities file the Annual Tariff Revision Petition by December-January of the preceding financial year to the State Regulators as stipulated in the National Tariff Policy (2) automatic pass through in tariff for any increase in fuel cost (3) clearance of all outstanding subsidies to the utilities and ensure advance payment of subsidy (4) the accounts of the utilities are audited upto the financial year 2009-10 and the accounts of a financial year are audited by Sept of the next financial year, henceforth.

Govt of India has also initiated various reform measures to address the issue of distribution sector losses. These include: (i) Re-structured Accelerated Power Development and Reform Programme (R-APDRP) which focuses on actual, demonstrable performance in terms of sustained loss reduction; (ii) Procurement of Power by Competitive bidding, which focuses on the concept of competitive tariffs that leads to economical power procurement by DISCOMs thereby increasing their viability and (iii) Franchisee models. Some of franchisee models implemented have shown that this could be a possible viable alternative to existing distribution business. In addition to these three, other initiatives to reduce distribution losses include constitution of a High Level Panel on Financial Position of Distribution Utilities under Shri V. K. Shunglu (former CAG), constitution of Task Force on private participation in power distribution and Rating of Distribution Utilities.

## PERFORMANCE HIGHLIGHTS

Your Company has come a long way since 25 years when it started its lending operations in the fiscal 1988 with a modest sanction of ₹107 Crores and disbursement of ₹ 101 Crore. In comparison, your Company has sanctioned ₹75,197 Crores and disbursed close to ₹34,122 Crore including R-APDRP during the just concluded fiscal 2011, which is quite creditable. With this, cumulative sanctions move to ₹3,45,726 Crore and cumulative disbursements to ₹1,73,049 Crore as on March 31, 2011. Your Company has supported the capacity addition in power sector significantly by providing financial support to 31,462 MW during the 11th Plan and 48,573 MW so far in the 12th Plan.

The fiscal 2011 has been yet another year of impressive growth in loan assets of 25% with a net profit of about ₹2,620 Crore. The operating income touched a new level of ₹10,128 Crore showing an increase of 26% over previous year. Personnel and Administration expenses in the fiscal 2011 were 0.09% of Loan Assets. Your Company has also maintained very low levels of net NPAs of 0.20% of loan assets.

**Long Term Infrastructure Bonds and Tax free Bonds :** Your Company by virtue of its Infrastructure Finance Company (IFC) status has become eligible to issue Long Term Infrastructure Bonds u/s 80CCF of Income Tax Act, 1961. The Company collected a total of ₹235 Crore from the market in this fiscal 2011 and intends to tap the market again in the next fiscal 2012 with an issue size of ₹6,900 Crore. Additionally, the Company has been allocated tax free bonds of ₹ 5000 Crore for issuance in the next fiscal 2012.

**Ratings:** In the fiscal 2011, International credit rating agencies Moody's, Fitch and Standard & Poor's have given to your Company, long term foreign currency issuer ratings of "Baa3", "BBB-" & "BBB-" respectively, which are at par with sovereign rating. The long term domestic borrowing programme (including bank loans) got the highest safety rating of "AAA" and "LAAA" respectively by CRISIL and ICRA. Further, short term domestic borrowing programme of your Company (including bank loans) was awarded the highest rating of "P1+" and "A1+" respectively by CRISIL & ICRA. PFC is an ISO 9001:2008 certified Company.

**Further Public Offer (FPO):** PFC successfully closed its FPO despite tough market conditions during the first quarter of fiscal 2012. The issue got a phenomenal response and was subscribed 4.31 times. The issue was priced at ₹203 (5% discount to Retail & Employees). The offering comprised of fresh issue of 17,21,65,005 equity shares by the Company and an offer for sale (disinvestment) of 5,73,88,335 equity shares by Government of India. Post-issue, the holding of the Government of India stands at 73.72% and the balance is held by public. The Company raised an amount of ₹ 3,433 Crore from issue of fresh shares to the public.

**Restructured Accelerated Power Development & Reform Programme (R-APDRP):** Your Company, as nodal agency, has contributed significantly during the year in implementation of R-APDRP programme. Your Company cumulatively upto fiscal 2011 (i) Sanctioned Part A (IT) schemes of all eligible 1,401 towns (ii) Sanctioned Part-A (SCADA) schemes for 28 out of 60 eligible towns and (iii) Sanctioned Part-B schemes for 823 of 1,100 eligible towns. During this year (fiscal 2011) your Company sanctioned ₹13,665 Crore of projects against the MoU target of ₹9,000 Crore set for PFC, which include ₹147 Crore for Part-A (IT) covering

projects of 23 towns, ₹603 Crore for Part-A (SCADA) of 25 projects and ₹12,915 Crore for Part-B projects of 584 towns.

Your Company has also disbursed the entire amount of ₹2,257 Crore released by Ministry of Power (MoP) during the fiscal 2011 upto March 31, 2011 to the State Utilities.

During this fiscal 2011, ring fencing of 810 towns was completed as against the MoU target of 350 towns. Recognizing the need and to keep pace with technology and contemporary knowledge and skill, PFC imparted training on various themes for various levels of Power Utility personnel across the country. Training was imparted for 35,895 mandays, against the MoU target of 4,000.

**Ultra Mega Power Project:** Your Company has been designated as the 'Nodal Agency' by Ministry of Power, Government of India, for facilitating development of Ultra Mega Power Projects (UMPPs), with a capacity of about 4,000 MW each. As on March, 2011, twelve Special Purpose Vehicle (SPVs) have been established by the Company for these UMPPs to undertake preliminary site investigation activities necessary for conducting the bidding process for these projects. So far, 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. The Orissa UMPP received response from 20 bidders and the evaluation is in process, whereas Chhattisgarh UMPP is at Request for Qualification (RfQ) stage. The remaining 10 identified UMPPs are in the pipeline which are at various stages of development.

**Independent Transmission Projects (ITPs):** PFC Consulting Limited (PFCCL), a wholly owned subsidiary of your Company is nominated as 'Bid Process Coordinator' for Independent Transmission Projects by Ministry of Power, Govt. of India.

Special Purpose Vehicles (SPVs) have been incorporated for the above purpose, one by PFC namely East North Interconnection Company Limited (ENICL) and three by PFC Consulting Limited (a wholly owned subsidiary of PFC) namely Jabalpur Transmission Company Limited (JTCL), Bhopal Dhule Transmission Company Limited (BDTCL) and Nagapattinam-Madhugiri Transmission Company Limited (NMTCL). ENICL, JTCL and BDTCL have already been transferred to successful developers and the RfQ responses for NMTCL are under evaluation.

**Corporate Social Responsibility:** Your Company has implemented its Corporate Social Responsibility (CSR) Policy with an aim to ensure that the Company becomes a socially responsible corporate entity contributing towards quality of life of the society at large without compromising on ecological conditions. During the year, your Company has allocated an amount of ₹12 Crore and taken several initiatives which includes (i) construction of houses for the flood affected marginalized sections of the population in Andhra Pradesh (400Nos) (ii) distribution of Solar Lanterns in 169 Villages for people who do not have access to electricity (iii) construction of primary school and construction of flood protection wall in Ladakh.

## BUSINESS EXPANSION THROUGH VERTICALS

**PFC Consulting Ltd:** In 1999, Consultancy Services Group (CSG) was created to offer consultancy services in power sector. To provide exclusive focus to this business, CSG in 2008 was converted into a wholly owned subsidiary of PFC namely PFC Consulting Ltd (PFCCL). PFCCL is now providing wide ranging services related to power sector with a diverse client base of 37 clients spread across 20 states. During the fiscal 2011, PFCCL has earned a total income of ₹ 52.60 crore and earned a net profit of ₹26.95 crore.

**PFC Green Energy Limited:** Your Company believes that the renewable energy space in India provides significant untapped potential. To tap this opportunity, the Renewables business group of PFC was converted into PFC Green Energy Limited as a wholly owned subsidiary of the Company. This company will exclusively extend finance and financial services to promote green (renewable and non-conventional) sources of energy with an authorised capital of ₹1,200 crore and subscribed share capital of ₹0.05 crore. The Company received its certificate of commencement of business on July 30, 2011.

**PFC Capital Advisory Services Limited:** With an aim to harness the huge business potential offered by power sector in the consortium lending operations space, PFC converted its Consortium Lending business group into PFC Capital Advisory Services Ltd, a wholly owned subsidiary of PFC. This company got incorporated on July 18, 2011 to exclusively syndicate and make financial arrangements for the projects / enterprises in the areas of power, energy, infrastructure and other industries. The authorised share capital of the Company is ₹1 crore and the initial paid up share capital of the Company is ₹0.10 crore.

**Facilitation Group:** Your Company has created this business group to tap opportunities in allied sector like power equipment, gas transportation, coal mining etc which have a backward linkage to power sector. The group has already started its business by financing large project for its expansion of power equipment manufacturing / production facilities. Your Company is expanding

this business with several funding proposals in hand to finance power equipment manufacturing facilities like the solar PV facilities.

**Power Trading through Power Exchanges :** To promote short term trading through power exchange, your Company had promoted National Power Exchange Ltd (NPX), jointly with NTPC, NHPC and TCS during fiscal 2009 and contributed ₹2.19 Crore (being 16.66% of paid up equity up to March 2011) towards equity contribution.

Your Company has also contributed ₹1.75 Crore (being 4.37% of paid up equity up to March 2011) towards equity contribution in Power Exchange India Ltd., promoted by NSE and NCDEX.

**Equity Financing:** Your Company is endeavouring to make a mark in the area of equity investment so as to capitalize on its vast domain experience, attained over 25 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.

**Nuclear Funding:** Your Company has signed a Memorandum of Understanding (MoU) with Nuclear Power Corporation of India Ltd (NPCIL) in October, 2010 to offer financial assistance as well as other services to NPCIL for its nuclear power capacity addition in the next 20 years. NPCIL has requested your Company to provide debt financial assistance for its 2 nuclear power projects costing about ₹24,000 Crore.

**Banking Business :** Your Company is currently in the preliminary stages of evaluating the possibility of foray into banking and is in the process of appointing a consultant in connection with such initiative.

**Acquisition Advisory Services:** Your Company being a dominant player in the sector is seeing a fundamental shift of players from government sector to private sector. It believes that increasingly private players will play significant role in power sector and will consolidate their position in the sector. This business group namely Acquisition Advisory Services is formed to tap the mergers and acquisition opportunities in the power sector due to the above referred phenomena. This company will provide advisory services ranging from identification of target projects / players, potential M&A opportunities and also provide techno-commercial appraisal of target projects / players.

## FUTURE STRATEGY

As a part of the sustainable strategy to expand business, your Company intends to float independent business verticals in the form of subsidiaries. As indicated above, your Company has already 3 subsidiaries in place which have developed expertise in their respective niche areas of business to tap the significant business potential. The other business groups in your Company will adopt a similar approach of spinning off into independent subsidiaries as they grow and develop expertise in such areas.

The future strategy therefore is to sustain the growth momentum of your Company by further consolidation in power sector and strengthening of these business verticals so as to enable them to grow into a strong Companies with sound financials. As a part of Corporate Plan, your Company has also identified other potential business areas like foray into international markets, insurance, capacity building initiatives, strategic alliance with domestic and international institutions etc, whose feasibility will be explored and developed on the above lines to further fuel the growth of your Company.

While your Company is committed to accelerate growth, 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.

## AWARDS & ACCOLADES

Your Company's performance has been recognized time and again and the same is reflected in various awards / accolades received. PFC received "SCOPE Commendation Certificate" in the category of "Best Managed Bank, Financial Institution or Insurance Company" for the year 2009-10 from H.E. President of India Smt. Pratibha Devisingh Patil, the "MoU Award of Excellence in Performance" for 7<sup>th</sup> time in the category of "Excellence in Financial Services Sector" from Hon'ble Prime Minister of India Dr Manmohan Singh, the "ICT for India Award 2010" for excellence in performance for R-APDRP from Hon'ble Union Minister Shri S. Jaipal Reddy, the "3<sup>rd</sup> PSU Awards 2011" in the category of "Gentle Giant, The Largest Navratna (Non-Manufacturing)" from Hon'ble Union Power Minister Shri Sushilkumar Shinde.

## ACKNOWLEDGEMENTS:

I would like to place on record my sincere thanks to the Board of Directors, Shareholders, investors and valued clients for reposing faith in the Company. I also place on record the support of a motivated, dedicated and highly committed PFC team.

I take this opportunity to express my sincere and grateful thanks to the unstinted support of 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, Reserve Bank of India, Department of Public Enterprises, Securities and Exchange Board of India, National Stock Exchange of India Limited, Bombay Stock Exchange Limited, Planning Commission, CEA, C&AG, Statutory Auditors and other concerned Government departments/agencies at the Central and State level, World Bank, the Asian Development Bank, USAID, KfW of Germany, EDC of Canada and various international financial institutions/banks, 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.

I hope the coming years will further strengthen our relationship with all stakeholders for a sustainable growth and performance of your Company.



(Satnam Singh)

Chairman & Managing Director

New Delhi  
26<sup>th</sup> August, 2011

## NOTICE

Notice is hereby given that the Twenty Fifth Annual General Meeting of the Power Finance Corporation Ltd. will be held **on Wednesday the September 28, 2011 at 10:00 AM** at Manekshaw Centre, Parade Road, Delhi Cantt., New Delhi-110010 to transact the following business:-

### ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at March 31, 2011 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 2010-11.
3. To appoint a Director in place of Shri M. K. Goel, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri P. Murali Mohana Rao, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Shri Ravindra H. Dholakia, who retires by rotation and being eligible, offers himself for re-appointment.
6. To fix the remuneration of the Auditors.

### SPECIAL BUSINESS

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

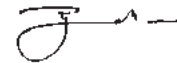
**"RESOLVED THAT** in supersession of resolution passed by the shareholders in its 21<sup>st</sup> Annual General Meeting held on September 25, 2007, the consent of the Company be and is hereby accorded to the Board of Directors of the Company under the provisions of Section 293(1)(d) of the Companies Act, 1956 for borrowing money, upto total amount (outstanding in books of the Company) of ₹ 2,00,000 crore (Rupees Two Lakh crore only) in Indian Rupees and in any Foreign Currency equivalent to US \$ 4 Billion (Four Billion US Dollars only) for the purpose of the business of the Company notwithstanding the money to be borrowed by the Company exceeds the aggregate of the paid-up capital and free reserves of the Company."

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

**"RESOLVED THAT** in supersession of resolution passed by the shareholders in its 21<sup>st</sup> Annual General Meeting held on

September 25, 2007, the consent of the Company be and is hereby accorded under the provisions of Section 293(1) (a) of the Companies Act, 1956 to the Board of Directors of the Company for mortgaging and/or charging of all or any of the movable and/or immovable properties of the Company, both present and future, or the whole or substantial whole of the undertaking or the undertakings of the Company for securing loan amount (outstanding in books of the Company) of ₹ 2,00,000 crore (Rupees Two Lakh crore only) in the Indian Currency and in any Foreign Currency equivalent to US \$ 4 Billion (Four Billion US Dollars Only) for the purpose of the business of the Company."

By order of the Board of Directors



**J.S. AMITABH**  
Company Secretary

### Registered office:

Urjanidhi, 1, Barakhamba Lane,  
Connaught Place,  
New Delhi- 110001  
Date: August 26, 2011

### 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. As required by clause 49 of Listing Agreement, a brief profile of Shri M. K. Goel, Shri P. Murali Mohana Rao & Shri Ravindra H. Dholakia, Director(s) retiring by rotation and seeking re-appointment under item nos. 3, 4 & 5 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 annexed.
3. An explanatory statement pursuant to Section 173 of the Companies Act, 1956, relating to the Special Business under item nos. 7 and 8 as set out above is also annexed hereto.

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 September 14, 2011 to September 28, 2011 (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 October 8, 2011 to the Members or their mandates whose names appear on the Company's Register of Members on September 28, 2011 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 September 13, 2011.
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 January 17, 2011 had declared an interim dividend @ 35% on the paid-up equity share capital of the company which was paid on January 31, 2011. Members who have not received or not encashed their dividend warrants may approach Karvy Computershare 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 Government 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 24th Annual General Meeting held on September 21, 2010 authorized the Board of Directors to fix the remuneration of Statutory Auditors for the financial year 2010-11. Accordingly, the Board of Directors fixed audit fee of ₹ 12,00,000/- for the Statutory Auditors for the financial year 2010-11 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 2011-12 will be appointed by C&AG of India, the members may authorize the Board of Directors to fix an appropriate remuneration of Auditors for the year 2011-12.

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 on the Company's website [www.pfcindia.com](http://www.pfcindia.com).
21. The Company is not providing Video conferencing facility for this meeting.

#### **GREEN INITIATIVE IN CORPORATE GOVERNANCE**

The Ministry of Corporate Affairs (MCA) has taken a "Green initiative in Corporate Governance" by allowing paperless compliances by the Companies and has issued circulars stating that service of notice/documents including annual report can be sent by e-mail to its members. To support this green initiative of the Government, members who have not registered their e-mail addresses, so far, are requested to register their email id in the records of their Depository Participant or intimate their e-mail ID to the Company/ Registrar and Transfer Agent or send it through email at [einward.ris@karvy.com](mailto:einward.ris@karvy.com).

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

##### **ITEM NO. 7**

At the Annual General Meeting of the Company held on September 25, 2007, the shareholders of the Company had given power to the Board of Directors of the Company to borrow money upto the total amount of ₹ 1,00,000 crore (Rupees One Lakh crore Only) in Indian Rupees and US \$ 4000 Million (Four Thousand Million US Dollars Only) in foreign currency.

Since 2007, the operations of the Company have increased substantially and to meet its growing fund requirement, the Company will have to borrow substantially from the market, which will cross the existing limit of borrowing.

As per the provisions of Section 293(1)(d) of the Companies Act, 1956 the Board of Directors of the Company shall not except with the consent of the Company in General Meeting borrow, together with the money already borrowed by the company in excess of the paid-up capital and free reserves of the Company.

Therefore, it is proposed that the limit for raising funds in Indian rupees may be increased to ₹ 2,00,000 crore as against the existing limit of ₹ 1,00,000 crore and in any Foreign Currency equivalent to US \$ 4 Billion as against the existing limit of US \$ 4000 Million.

None of the Directors is interested or concerned in the proposed ordinary resolution.

The Directors of the Company recommend the passing of the proposed ordinary resolution as set out in item no. 7 by members of the Company.

##### **ITEM NO. 8**

At the Annual General Meeting of the Company held on September 25, 2007, the shareholders of the Company had given powers to the Board of Directors of the Company to mortgage/create charges on movable and/or immovable properties of the Company both present and future for securing loan upto ₹1,00,000 crore in Indian rupees and US \$ 4000 Million in any Foreign Currency.

Since 2007, the operations of the Company have increased substantially and in order to meet the growing fund requirement of the Company additional funds may be required by the Company to be raised by the creation of security on the movable/immovable assets of the Company.

As per the provisions of Section 293(1)(a) of the Companies

Act, 1956 the Board of Directors of the Company shall not except with the consent of the Company in General Meeting create mortgage and/or charge of all or any of the movable and/or immovable properties of the Company, both present and future, or of the whole or substantial whole of the undertaking or undertakings of the Company.

Therefore, it is proposed to allow the Board of Directors of the Company to mortgage/create charges on movable and/or immovable properties of the Company both present and

future for securing loan upto ₹ 2,00,000 crore in Indian rupees and US \$ 4 Billion or equivalent in any Foreign Currency for the purpose of the business of the Company.

None of the Directors is interested or concerned in the proposed ordinary resolution.

The Directors of the Company recommend the passing of the proposed ordinary resolution as set out in item no. 8 by members of Company.



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

Directors seeking re-appointment at 25<sup>th</sup> Annual General Meeting

<b>Name</b>	Shri M.K. Goel	Shri P. Murali Mohana Rao	Shri Ravindra H. Dholakia
<b>Date of Birth and Age</b>	17.09.1956/54 yrs	04.02.1958/53 yrs	02.04.1953/58 yrs
<b>Date of Appointment</b>	27.07.2007	22.12.2009	22.12.2009
<b>Qualification</b>	B.Tech. (Electrical)	Chartered Accountant	M.A. (Economics and Econometrics), Ph.D. in Economics (Regional Disparities in Economic Growth in India), Post-Doctoral Fellow (Regional Economic Disparities in Canada)
<b>Expertise in Functional Areas</b>	He has experience in the power sector of over three decades. He is in-charge of Commercial Division of the Company. He has been involved in inducing reforms in State Power Utilities, steering Restructured Accelerated Power Development & Reform Programme of Government of India and overseeing the Company's Human Resource functioning, Information Technology and legal activities.	He is a qualified Chartered Accountant. He has been practicing for over 25 years and is a Director in Hyderabad Securities and Enterprises Limited.	He is a Professor of Economics and Public Systems at IIM Ahmedabad and has been on the Faculty of IIM-A since 1985. He has experience in teaching economics to different groups such as students, executives, policymakers and senior government officers. He was a member of the 6th Central Pay Commission in India and has written several monographs, books, research papers published in journals of national and international repute.
<b>Directorship in other companies</b>	<ul style="list-style-type: none"> <li>• PTC India Limited</li> <li>• Orissa Integrated Power Limited</li> <li>• Sakhigopal Integrated Power Company Limited</li> <li>• Ghogarpalli Integrated Power Company Limited</li> <li>• PFC Consulting Limited</li> <li>• Tatiya Andhra Mega Power Limited</li> <li>• PTC India Financial Services Ltd.</li> <li>• PFC Green Energy Limited.</li> </ul>	<ul style="list-style-type: none"> <li>• Hyderabad Securities and Enterprises Limited.</li> </ul>	<ul style="list-style-type: none"> <li>• State Trading Corporation of India Ltd.</li> <li>• Mundra Port and Special Economic Zone Ltd.</li> </ul>
<b>Chairman/ Membership of Committee across all public companies</b>	<b>Power Finance Corporation Ltd.</b> Member, Shareholders'/ Investors' Grievance Committee	<b>Power Finance Corporation Ltd.</b> Chairman, Audit Committee and Shareholders'/ Investors' Grievance Committee	<b>Power Finance Corporation Ltd.</b> – Member, Audit Committee
<b>Number of shares held in the Company</b>	10283	Nil	Nil

Directors appointed since last Annual General Meeting held on September 21, 2010

<b>Name</b>	Ajit Prasad	Krishna Mohan Sahni
<b>Date of Birth and Age</b>	25.11.1957/53 yrs	19.12.1946/64 yrs
<b>Date of Appointment</b>	08.10.2010	31.12.2010
<b>Date of cessation</b>	Continuing	Continuing
<b>Qualification</b>	PH.D, M.Sc, M.A.(Eco)	M.A. (History), M.Sc (Eco)
<b>Expertise in Functional Areas</b>	He is Director of the Asia Pacific Institute of Management, New Delhi and Professor of Economics and Strategy. He has rich experience in the Government, Industry and Academia. His publications and research interests are in the areas of corporate planning, strategic thinking and governance inclusive of issues on ethics.	He is a 1969 batch IAS officer of the Union Territory cadre. He held various positions such as Secretary, Ministry of Labour and Employment, GoI, Additional Secretary, Ministry of Agriculture, GoI, Principal Secretary, General Administration Department and Tourism, Government of NCT of Delhi, Principal Secretary (Power), Government of NCT of Delhi, Chairman and Managing Director of Delhi Transco Limited and Delhi Financial Corporation, Managing Director of Delhi Tourism Development Corporation Limited (now known as Delhi Tourism and Transportation Development Corporation Limited) and Delhi State Industrial Development Corporation Limited (now known as Delhi State Industrial and Infrastructure Development Corporation Limited).
<b>Directorship in other companies</b>	Nil	<ul style="list-style-type: none"> <li>• Omnibus Industrial Development Corporation</li> <li>• National Multi Commodity Exchange of India Ltd.</li> </ul>
<b>Chairman/ Membership of Committee across all public companies</b>	<b>Power Finance Corporation Ltd.</b> - Member, Audit Committee	Nil
<b>Number of shares held in the Company</b>	Nil	Nil

## AWARDS



Shri Satnam Singh, CMD, PFC receiving the "SCOPE Commendation Certificate" in the category of "Best Managed Bank, Financial Institution or Insurance Company" for the year 2009-10 from H.E. President of India Smt. Pratibha Devisingh Patil on 11<sup>th</sup> April, 2011.



Shri Satnam Singh, CMD, PFC receiving the "MoU Award for Excellence in Performance" in the category of "Excellence in Financial Services Sector" for the year 2008-09 from Hon'ble Prime Minister of India Dr. Manmohan Singh on 15<sup>th</sup> Dec, 2010.

## DIRECTORS' PROFILE

### **Shri Satnam Singh** **Chairman and Managing Director**



Shri Satnam Singh, 53 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 Business Administration from Punjab University. Shri Satnam Singh has varied experience of over three decades in power and financial sector. He joined the Company in 1996 and became a member of the board as Director (Finance and Financial Operations) in February 2005.

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 is a member of the R-APDRP Steering Committee constituted by the Govt. He has been nominated as a part of a high level panel approved by the Prime Minister of India on "Financial Position of Distribution Utilities" to suggest measures to improve the viability of the power distribution sector. He is also the member of a High Level Committee on Financing Infrastructure constituted under the chairmanship of Dr. Rakesh Mohan.

Shri Satnam Singh was holding 25155 equity shares in the Company as on March 31, 2011.

### **Shri M.K. Goel** **Director (Commercial)**



Shri Mukesh Kumar Goel, 54 years, holds a Bachelor's degree in Technology specializing in Electrical Engineering from Kanpur University. Shri Goel has experience in the power sector of over three decades. He was working with NHPC Limited, prior to joining PFC on November 22, 1988. He joined the Board on July 27, 2007. As Director (Commercial), he is in-charge of Commercial Division of the Company. He has been involved in inducing reforms in State Power Utilities, steering Restructured Accelerated Power Development & Reform Programme of Government of India and overseeing Human Resource functioning, Information Technology and company's legal activities.

Shri M.K. Goel was holding 10283 equity shares in the Company as on March 31, 2011.

### **Shri Rajeev Sharma** **Director (Projects)**



Shri Rajeev Sharma, 51 years, holds a Bachelors degree in Technology (Electrical Engineering) from Govind Ballabh Pant University, Pantnagar, a Post Graduate Diploma (Electronics and Communication Engineering) and a Masters degree in Engineering (Electrical Engineering) from Indian Institute of Technology, Roorkee.

He also holds a Masters degree in Business Administration from University of Delhi. Shri Sharma has experience in power sector of over two decades. He joined PFC in August 2005.

During his tenure as Executive Director in PFC, he was Director (in-charge) for development of Krishnapatnam Ultra Mega Power Project and was responsible for implementation of R-APDRP in India. In addition, he also looked after the 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 technical appraisal of the projects financed by the Company.

Shri Rajeev Sharma was holding 16287 equity shares in the Company as on March 31, 2011.

### **Shri R. Nagarajan** **Director (Finance)**



Shri R. Nagarajan, 54 years, holds a Bachelor's degree in Commerce from University of Madras and is a qualified Chartered Accountant, Cost Accountant and a certified associate of Indian Institute of Bankers. Shri Nagarajan has around three decades 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 before joining the Board in 2009.

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. As Director (Finance), he is responsible for all functions of the finance division of the Company.

Shri R. Nagarajan was holding 25200 equity shares in the Company as on March 31, 2011.

**Shri Devender Singh**  
**Govt. Nominee Director**



Shri Devender Singh, 49 years, is presently Joint Secretary to the Government of India in 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 a Master's Degree in Business Administration from the Indian Institute of Management

(IIM), Ahmedabad. Shri Singh has an experience of working in various government departments such as in the capacity of Managing Director of Haryana Dairy Development Cooperative Federation Limited and Haryana State Cooperative Supply and Marketing Federation Limited, Chandigarh and also as Director of the Department of Industries and Mines, Deputy Commissioner of Gurgaon and Deputy Commissioner of Karnal.

Shri Devender Singh was holding nil equity shares in the Company as on March 31, 2011.

**Shri Ravindra H. Dholakia**  
**Independent Director**



Shri Ravindra Harshadrai Dholakia, 58 years, was a Post-Doctoral Fellow in the University of Toronto and holds a PhD degree from the Maharaja Sayajirao University of Baroda. He is Professor of Economics and Public Systems at IIM Ahmedabad and has been on the Faculty of IIM-A since 1985. He has experience in teaching economics to different

groups such as students, executives, policymakers and senior government officers. He was a member of the 6th Central Pay Commission in India and has written several monographs, books, research papers published in journals of national and international repute.

Shri Ravindra H. Dholakia was holding nil equity shares in the Company as on March 31, 2011.

**Shri P. Murali Mohana Rao**  
**Independent Director**



Shri P. Murali Mohana Rao, 53 years, holds a bachelor's degree in Commerce from Andhra University and is a qualified chartered accountant. He has been practicing for over 25 years and is a Director in Hyderabad Securities and Enterprises Limited.

Shri P. Murali Mohana Rao was holding nil equity shares in the Company as on March 31, 2011.

**Shri S.C. Gupta**  
**Independent Director**



Shri Suresh Chand Gupta, 57 years, is a qualified Chartered Accountant and holds a Bachelor's degree in Commerce from Punjab University, Chandigarh as well as a Bachelor's degree in Law from Delhi University. In the past, he held directorships in various banks and companies. He is also a senior partner in a chartered accountancy firm.

Shri S.C. Gupta was holding nil equity shares in the Company as on March 31, 2011.

**Shri Ajit Prasad**  
**Independent Director**



Shri Ajit Prasad, 53 years, holds a Master's degree in Economics from University of Delhi and a Post Graduate Diploma in Management from the International Management Institute. He also holds a Ph.D. from Patna University. Presently, he is Director of the Asia Pacific Institute of Management, New Delhi and Professor of Economics and Strategy. He had rich experience in the Government, Industry

and Academia. His publications and research interests are in the areas of corporate planning, strategic thinking and governance inclusive of issues on ethics and Corporate Social Responsibility.

Shri Ajit Prasad was holding nil equity shares in the Company as on March 31, 2011.

**Shri Krishna Mohan Sahni**  
**Independent Director**



Shri Krishna Mohan Sahni, 64 years, holds a Bachelor's degree in English literature and a Master's degree in History from University of Delhi. He is a 1969 batch IAS officer of the Union Territory cadre. He held various positions such as Secretary, Ministry of Labour and Employment, GoI, Additional Secretary, Ministry of Agriculture, GoI, Principal Secretary, General Administration Department and

Tourism, Government of NCT of Delhi, Principal Secretary (Power), Government of NCT of Delhi, Chairman and Managing Director of Delhi Transco Limited and Delhi Financial Corporation, Managing Director of Delhi Tourism Development Corporation Limited (now known as Delhi Tourism and Transportation Development Corporation Limited) and Delhi State Industrial Development Corporation Limited (now known as Delhi State Industrial and Infrastructure Development Corporation Limited).

Shri Krishna Mohan Sahni was holding nil equity shares in the Company as on March 31, 2011.

## DIRECTORS' REPORT 2010-2011

To

The Members,

Your Directors have great pleasure in presenting the 25<sup>th</sup> Annual Report on the performance of your Company for the financial year ended March 31, 2011 along with Audited Statements of Accounts.

### 1.0 FINANCIAL HIGHLIGHTS

#### (a) PROFITABILITY (₹ in crore)

Particulars	2010-11	2009-10
Profit for the Year	<b>3544.21</b>	3013.07
Prior Period Adjustments	<b>(-) 0.07</b>	0.13
Profit Before Tax	<b>3544.14</b>	3013.20
Provision for Income Tax (current year)	<b>(-) 898.99</b>	(-) 800.27
Provision for Income Tax (earlier years)	<b>10.45</b>	135.79
Deferred Tax Liability(-)/ Assets(+)	<b>(-) 36.02</b>	8.53
<b>Profit After Tax</b>	<b>2619.58</b>	2357.25
Transfer towards Provision for Bad & Doubtful Debts u/s 36(1) (vii)(c) of Income Tax Act, 1961	<b>142.47</b>	123.92
Transfer to Special Reserve created and maintained u/s 36(1) (viii) of Income Tax Act, 1961	<b>634.32</b>	568.61
Debenture Redemption Reserve	<b>0.06</b>	-
Interim Dividend	<b>401.72</b>	344.33
Proposed Final Dividend	<b>197.99</b>	172.17
Corporate Dividend Tax paid on Interim Dividend	<b>66.72</b>	58.52
Proposed Corporate Dividend Tax	<b>32.12</b>	29.26
Transfer to General Reserve	<b>262.00</b>	236.00
Balance carried to Balance Sheet	<b>882.18</b>	824.44

#### (b) LENDING OPERATIONS (₹ in crore)

Particulars	2010-11	2009-10
Sanction	<b>61532</b>	59228
Disbursement	<b>31865</b>	24487

#### (c) R-APDRP OPERATIONS (₹ in crore)

Particulars	2010-11	2009-10
Sanctioned project cost	<b>13665</b>	6237
Disbursement	<b>2257</b>	1321

### 2.0 FINANCIAL PERFORMANCE

#### 2.1 REVENUE

The total income during the financial year 2010-11 was ₹10,160.56 crore registering an increase of 25.80% as compared to ₹8,076.86 crore in financial year 2009-10. Operating income for the year increased from ₹8,002.10 crore to ₹10,128.49 crore showing an increase of 26.57%. Interest income including lease income for the financial year 2010-11 was higher at ₹9,776.32 crore against ₹7,867.16 crore in 2009-10.

#### 2.2 EXPENSES

Interest and other finance charges for the financial year 2010-11 amounting to ₹6,486.95 crore accounted for 98.04% of total expenses. Personnel and Administration expenses in the financial year 2010-11 were 1.40% of total expenses and 0.09% of Loan Assets as against 2.09% and 0.13% respectively in the previous year. Further, Personnel and Administration expenses in the financial year 2010-11 were 1.43% of interest and other financial expenses as compared to 2.14% in the previous year.

#### 2.3 PROFIT

During the financial year 2010-11, your Company earned a net profit of ₹2,619.58 crore as compared to ₹2,357.25 crore for the financial year 2009-10 registering an increase of 11.13%.

#### 2.4 FURTHER PUBLIC OFFER (FPO)

During the first quarter of financial year 2011-12, your Company made a Further Public Offer (FPO) of 22,95,53,340 equity shares of ₹10/- each for cash through 100% book-building process with a price band of ₹193-203 per equity share. The issue included a fresh issue of 17,21,65,005 equity shares by the Company and an offer for sale of 5,73,88,335 equity shares by the President of India acting through Ministry of Power, Government of India.

The issue was priced at ₹203/- per share. A discount of 5% to the issue price being ₹10.15 per equity share determined pursuant to completion of the Book Building Process was offered to Eligible Employees and to Retail Bidders. The issue proceeds amounted to ₹4,578.20 crore of which ₹1,144.55 crore pertains to offer for sale. Thus, the total fresh capital including share premium raised through FPO was ₹3,433.65 crore.

The issue got a good response and was subscribed 4.31 times. The Qualified Institutional Bidders (QIB) portion got subscribed 6.92 times, Non-Institutional portion 1.08 times, Retail portion 1.97 times and Employees category 0.87 times. The total number of applications received were 2,58,497. The equity shares under FPO got listed on the NSE and BSE on May 27, 2011. Post-issue, the holding of the

Government of India stands at 73.72% and the balance is held by various investors.

The issued and paid-up share capital increased from ₹1,147.77 crore to ₹1,319.93 crore.

The issue proceeds have been fully utilized for the purpose as mentioned under the objects of the issue enumerated in the Offer Document.

## 2.5 SHARE CAPITAL

As on March 31, 2011, the paid-up share capital of the Company was ₹1,147.77 crore consisting of 1,14,77,66,700 equity shares of ₹10 each. The Government of India held 89.78% of the equity share paid-up capital. The Company has issued 17,21,65,005 equity shares in May, 2011 resulting in an increase of ₹172.16 crore in paid up equity share capital. The post-issue paid-up equity share capital is ₹1,319.93 crore. The shareholding of Government of India in the Company now stands at 73.72%.

## 2.6 DIVIDEND

Your Directors have recommended a final dividend of ₹1.50 per equity share (15%) on the total post issue paid up equity share capital of ₹1,319.93 crore. This is in addition to an interim dividend of ₹3.50 per equity share (35%) on the pre-issue paid up equity share capital of ₹1,147.77 crore which was paid in January 2011.

The total dividend for the financial year 2010-11 thus aggregates to ₹5.00 (interim dividend of ₹3.50 and final dividend of ₹1.50) per equity share of ₹10 each on the pre-issue equity share capital of ₹1,147.77 crore and ₹1.50 (final dividend) on the additional equity share capital of ₹172.16 crore issued in May 2011.

The final dividend will be paid after your approval at the Annual General Meeting. The total dividend pay-out for the year amounts to ₹599.71 crore representing 22.89% of profit after tax as against a dividend pay-out of ₹516.50 crore representing 21.91% of profit after tax in the previous year.

## 3.0 INFRASTRUCTURE FINANCE COMPANY (IFC)

Infrastructure Finance Company (IFC) is a new category of infrastructure funding entities introduced by Reserve Bank of India (RBI) in February 2010. Non-deposit taking Non Banking Financial Companies (NBFCs-ND) which satisfy minimum eligibility criteria relating to proportion of infrastructure loans (75% of total assets deployed in infrastructure loans), net owned funds (₹300 crore), credit rating ('A' or equivalent of CRISIL, FITCH, CARE, ICRA or equivalent rating by any other accredited rating agencies), CRAR (15% with minimum Tier I capital of 10%) are eligible to apply to RBI and seek IFC status.

IFC's enjoy benefits including a lower risk weight on their bank borrowings (from a flat 100% to as low as 20% for AAA rated borrowers), higher permissible bank borrowing (upto 20% of the bank's capital funds) and relaxation in their single party & group lending exposure norms. It

also enables to raise funds on a cost-competitive basis (including through issuance of Rupee-denominated infrastructure bonds that offer certain tax benefits to the bondholders). IFCs are also eligible to avail External Commercial Borrowings (ECBs) up to US\$ 500 million in each fiscal year subject to maximum of 50% of their owned funds, from recognized lenders.

RBI vide its letter dated July 28, 2010 classified your Company as an IFC, and consequently we can avail the benefits applicable to IFCs from time to time.

## 4.0 ISSUE OF LONG TERM INFRASTRUCTURE BONDS

As stated above, your Company was awarded the status of Infrastructure Finance Company (IFC) in July 2010 by RBI. Consequently, the Company became eligible to issue Long Term Infrastructure Bonds u/s 80CCF of Income Tax Act, 1961. Your Company came out with the public issue of Long Term Infrastructure Bonds from February 24, 2011 till March 22, 2011 in four kinds of series i.e. Series 1 & 3 non cumulative and Series 2 & 4 cumulative. The interest rate of Series 1 & 2 was 8.30% and of Series 3 & 4 was 8.50%. The Company collected a total of ₹235.36 crore in all the series from the market to be utilized towards 'infrastructure lending'. The date of allotment of Long Term Infrastructure Bonds was March 31, 2011. These bonds are listed on Bombay Stock Exchange (BSE).

## 5.0 EMPLOYEES STOCK OPTIONS PLAN (ESOP)

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.

The Department of Public Enterprises (DPE) also through its guidelines on pay revision had made it mandatory for all the Central Public Sector Enterprises (CPSEs) to formulate an Employee Stock Option Plan (ESOP) and pay 10% to 25% of the Performance Related Pay (PRP) of the employees as ESOPs. In accordance with these directions of the DPE, the Board of Directors had formulated an Employee Stock Option Plan titled as 'PFC-ESOP 2010' and intends to grant ESOPs to the employees through a Trust. Shareholders had also approved this Employee Stock Option Plan in their last Annual General Meeting held on September 21, 2010. However, no stock option has been granted so far under this plan.

## 6.0 LENDING OPERATIONS

Your Company issued sanctions of ₹61,532 crore during the financial year 2010-11 compared to ₹59,228 crore sanctioned during the financial year 2009-10. An amount of ₹31,865 crore was disbursed during the same period to State, Central, Private and Joint Sector entities, compared to ₹24,487 crore disbursed during the last year. With this, cumulative sanction of ₹3,23,905 crore and disbursement of ₹1,69,146 crore have been made by the Company as on March 31, 2011.

In addition to above, an amount of ₹13,665 crore was sanctioned and ₹2,257 crore was disbursed during 2010-11 under R-APDRP scheme. With this, cumulative sanction under R-APDRP stands at ₹21,821 crore and disbursement at ₹3,903 crore.

## 6.1. Financial Assistance

### 6.1.1 Sector-wise

(₹ in crore)

Category	2010-11		Cumulative upto March, 2011	
	Sanctions	Disbursements	Sanctions	Disbursements
State Sector	42345	20400	220116	125567
Central Sector	2500	5944	35030	23761
Private Sector	16687	3746	51045	10875
Joint Sector	0	1775	17714	8943
<b>Total</b>	<b>61532</b>	<b>31865</b>	<b>323905</b>	<b>169146</b>

### 6.1.2 Discipline-wise

(₹ in crore)

Category	2010-11		Cumulative upto March, 2011	
	Sanctions	Disbursements	Sanctions	Disbursements
Thermal Generation	46995	19545	198303	83603
Hydro Generation	3322	1733	32059	21767
Wind, Solar and Bagasse	974	466	1888	893
Renovation and Modernization of Thermal Power Stations	556	562	8556	5553
Renovation & Upgrading of Hydro Power Projects	7	83	1387	1040
Transmission	4173	2616	34877	15835
Distribution	216	1825	14058	9298
Short Term Loans	4265	4206	27495	27020
Others*	1024	829	5282	4137
<b>Total</b>	<b>61532</b>	<b>31865</b>	<b>323905</b>	<b>169146</b>

\* 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.

### 6.1.3 Product-wise

(₹ in crore)

Category	2010-11		Cumulative upto March, 2011	
	Sanctions	Disbursements	Sanctions	Disbursements
Term Loans	56440	26750	289609	136663
Short Term Loans	4265	4206	27495	27020
Leasing	0	78	1043	784
Grants	0	4	74	52
Others **	827	827	5684	4627
<b>Total</b>	<b>61532</b>	<b>31865</b>	<b>323905</b>	<b>169146</b>

\*\* 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.



## 6.2 Financial Assistance under R-APDRP

(₹ in crore)

Category	2010-11		Cumulative upto March, 2011	
	Sanctioned project cost	Disbursements	Sanctioned project cost	Disbursements
Part A	750	217	5846	1667
Part B	12915	2040	15975	2236
<b>Total</b>	<b>13665</b>	<b>2257</b>	<b>21821</b>	<b>3903</b>

## 7.0 REALISATION

Your Company gives highest priority to the realisation of its dues towards principal, interest etc. Out of ₹21,491.54 crore to be recovered towards principal, interest etc. under rupee term loans, bill discounting, working capital, lease financing, foreign currency loan, loans for equipment financing and guarantee fee, an amount of ₹21,417.86 crore was actually realised. This works out to an overall recovery rate of 99.66% (previous year 99.63%). The overall recovery rate has been consistently maintained at 96-99% for the last ten years. The company has achieved recovery rate of 99.81% in respect of principal amount due during the year.

In terms of Prudential Norms applicable, the Company has made an additional provision amounting to ₹29.14 crore on non-performing loan assets during the year. The Company has made a total provision amounting to ₹36.06 crore for Non-Performing Assets (NPA) against Loan Assets in its Annual Accounts upto the year 2010-11. After making provision on NPA, the level of net Non-Performing Assets (NPA) has been recorded at ₹194.60 crore forming 0.20% to the Total Loan Assets as on March 31, 2011.

In addition to above the company has also made a provision of ₹2.80 crore in respect of a restructured loan asset classified as 'Standard assets' in terms of RBI circular no.DBOD.No.BP.BC.85/21.4.048/2009-10 dated March 31, 2010.

## 8.0 BORROWINGS

### 8.1 BORROWINGS FROM DOMESTIC MARKET

Your Company mobilized funds amounting to ₹26,057.39 crore from the domestic market during 2010-11 as against ₹20,922.91 crore during 2009-10. Out of the above, ₹14,023.96 crore was raised by issue of unsecured taxable bonds in the nature of debentures, ₹8,029.17 crore by way of long/medium term loans from Banks/FIs, and ₹4004.26 crore by way of issue of Commercial Paper and Short Term Loans.

### 8.2 EXTERNAL BORROWINGS

During the financial year 2010-11, your Company raised

External Commercial Borrowing (ECB) of USD 500 million through Syndicated Loan as per the following details:

Amount (USD in Million)	Rate of Interest	Tenor of the Loan	Average Tenor
240	6MJPY LIBOR+150bps	6 years	5 years
260	6MJPY LIBOR+165bps	6 years	5 years

## 8.3 REDEMPTION AND STATUS OF UNCLAIMED AMOUNTS BONDS

The unclaimed balance amount of bonds as on March 31, 2011 was ₹7.32 crore (previous year – ₹25.70 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.

## 9.0 CREDIT RATINGS

### Domestic

During the financial year 2010-11, 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 2010-11, 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.

## 10.0 RISK MANAGEMENT

### 10.1 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 decisions 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 March 31, 2011 is set out below:

Maturity pattern of certain items of Asset and Liabilities based on Audited Balance Sheet as on March 31, 2011							
(₹ in crore)							
Particulars	2011-12	2012-13	2013-14	2014-15	2015-16	Beyond 2015-16	Total
<b>Rupee Loan Assets</b>	8505	7886	8666	8613	8921	56582	<b>99173</b>
<b>Foreign Currency Assets</b>	86	55	55	55	50	95	<b>396</b>
<b>Investments</b>	0.00	0.00	0.00	0.00	0.00	54	<b>54</b>
<b>Foreign Currency Liabilities</b>	79	203	19	2322	390	1950	<b>4963</b>
<b>Rupee Liabilities (Bonds + RTL + STL)</b>	15239	10255	8997	2910	10623	32614	<b>80638</b>

## 10.2 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 March 31, 2011, the total foreign currency liabilities are USD 541.63 million, JPY 42,797.05 million and Euro 26.66 million. On an overall basis, the currency exchange rate risk is covered to the extent of 15% through hedging instruments and lending in foreign currency.

## 10.3 INTEGRATED ENTERPRISE WIDE 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 (11 quantifiable risks and 15 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 risks. The CRA unit constantly monitors the risk from time to time and ensures that the risks are being mitigated on time. The status report on quarterly basis is being submitted to Risk Management Compliance Committee & Risk Management Committee of Board. The minutes of the Risk Management Committee of Board is being submitted to the Audit Committee of Directors and the Board of Directors on quarterly basis.

## 11.0 GENERATION PROJECTS

### 11.1 THERMAL PROJECTS

Thermal Power generation comprises a major proportion of India's total installed capacity. During the year 2010-11, the Company has sanctioned loans amounting to ₹46,995 crore and disbursed an amount of ₹19,545 crore. The cumulative financial support provided by the Company for thermal generation scheme is ₹1,98,303 crore out of which ₹83,603 crore has been disbursed till March 31, 2011.

The major thermal generation projects sanctioned by your Company during the year are: Vodarevu TPP (2X800 MW), IB TPS (2X660 MW), Suratgarh TPP STG-V U7&8 (2X660 MW), Chhabra TPP U5&6 (2X660 MW), Bellary TPS UNIT 3(700 MW).

### 11.2 HYDRO GENERATION PROJECTS

Hydro generation capacity in the country needs significant augmentation for overall systems to have optimal energy mix. During the year 2010-11, loans amounting to ₹3,322

crore were sanctioned and an amount of ₹1,733 crore was disbursed by your company. The cumulative financial support provided by the Company for hydro generation scheme is ₹32,059 crore out of which ₹21,767 crore has been disbursed till March 31, 2011.

## 12.0 RENOVATION, MODERNISATION AND LIFE EXTENSION

### 12.1 THERMAL PROJECTS

During the year 2010-11, loans worth ₹556 crore were sanctioned for R&M and life extension of thermal power plants and an amount of ₹562 crore was disbursed. Cumulatively, an amount of ₹8,556 crore has been sanctioned and ₹5,533 crore stands disbursed till March 31, 2011.

### 12.2 HYDRO PROJECTS

During the year 2010-11, the Company disbursed ₹83 crore for R&M of hydro power projects. Cumulatively, an amount of ₹1,387 crore has been sanctioned and ₹1,040 crore stands disbursed till March 31, 2011.

## 13.0 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 March 31, 2011, your Company had sanctioned an amount of ₹2,272.94 crore as APDRP counterpart loan towards 120 loans and has disbursed an amount of ₹1,739.41 crore. The eleven States funded by your Company under APDRP are Haryana, Rajasthan, Uttar Pradesh, Delhi, Bihar, West Bengal, Andhra Pradesh, Jharkhand, Orissa, Maharashtra and Goa.

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

Ministry of Power, Government of India, had 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 for five years. 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, your Company 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 RAPDRP Steering Committee.

### Sanctions and Disbursements

Your Company, as nodal agency, has contributed significantly during the year in implementation of R-APDRP programme. Upto financial year 2011, Part A(IT) schemes of all eligible 1401 towns, Part-A(SCADA) schemes for 28 out of 60 eligible towns and Part-B schemes in 823 of 1100 eligible towns have been sanctioned. During the year, PFC appraised projects and RAPDRP Steering Committee has sanctioned ₹13,665 crore of project during the financial year 2010-11 against the MoU target of ₹9,000 crore set for PFC. The sanctions include ₹147 crore for Part-A (IT) covering projects of 23 towns, ₹603 crore for 25 projects of Part-A (SCADA) and ₹12,915 crore for projects of 584 towns under Part-B.

Your Company has also disbursed the entire amount of ₹2,257 crore released by Ministry of Power(MoP) during the financial year 2010-11 upto March 31, 2011 to the state utilities for the projects sanctioned by the RAPDRP

Steering Committee.

During the financial year 2010-11, ring fencing of 810 towns were completed as against the MoU target of 350 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. Training was imparted for 35,895 mandays, against the MoU target of 4,000.

#### **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. IT Consultants have been appointed by all utilities, while IT implementation agencies have been appointed by all except north eastern (NE) states & Haryana, where the process is under way. Supervisory Control and Data Acquisition System (SCADA) consultants have been appointed in 16 utilities & 5 states have initiated process of appointment of SCADA Implementing Agencies.

### **15.0 ULTRA MEGA POWER PROJECTS (UMPPs)**

#### **15.1 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 2<sup>nd</sup> UMPPs in Andhra Pradesh, Tamil Nadu, Gujarat and Jharkhand and 3<sup>rd</sup> UMPP in Andhra Pradesh.

Upto March 31, 2011, twelve (12) Special Purpose Vehicles (SPVs) have been established by the Company 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:

<b>S. No.</b>	<b>Name of SPV</b>	<b>Successful Bidder</b>	<b>Date of Transfer</b>
1	Coastal Gujarat Power Ltd.	The Tata Power Company Ltd.	April 22, 2007
2	Sasan Power Ltd.	Reliance Power Ltd.	August 7, 2007
3	Coastal Andhra Power Ltd.	Reliance Power Ltd.	January 29, 2008
4	Jharkhand Integrated Power Ltd.	Reliance Power Ltd.	August 7, 2009

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

### **15.2 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.

PFC Consulting Limited (PFCCCL), a wholly owned subsidiary of PFC, was nominated as 'Bid Process Coordinator' for independent transmission projects by Ministry of Power, Govt. of India.

So far, 5 Special Purpose Vehicles (SPVs), two by PFC namely East North Interconnection Company Limited (ENICL) and Bokaro-Kodarma Maithon Transmission Company Limited (BKMTCL) and other three i.e. Jabalpur Transmission Company Limited (JTCL), Bhopal Dhule Transmission Company Limited (BDTCL) and Nagapattinam-Madhugiri Transmission Company Limited (NMTCL) by PFC Consulting Limited, a wholly owned subsidiary of PFC, have been incorporated.

East North Interconnection Company Limited (ENICL), an SPV established for enabling import of NER/NR (north eastern region/northern region) surplus power by NR, has been transferred to the successful developer i.e. M/s Sterlite Technologies Limited on March 31, 2010. Bokaro-Kodarma Maithon Transmission Company Limited (BKMTCL) was established for evacuation system for Maithon RB, Kodarma and Bokaro Extension Thermal Power Plants. Ministry of Power, Government of India,

has directed Power Grid Corporation of India Limited for taking up the work for above evacuation system. Accordingly, the name of the company was struck off from the records of Registrar of Companies in December 2010.

Two other SPVs namely, Jabalpur Transmission Company Limited (JTCL) and Bhopal Dhule Transmission Company Limited (BDTCL) have been transferred to successful developer i.e. M/s Sterlite Transmission Project Private Limited on March 31, 2011.

## 16.0 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). 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 Karnataka, Gujarat and Maharashtra. 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 loan amount of ₹164.08 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 ₹150.96 crore towards these three projects as loan under DRUM scheme.

Further, a cumulative grant sanctioned from USAID is USD 3.278 million (i.e. ₹14.80 crore at an exchange rate of USD 1=₹45.14 as on March 31, 2011) for aforesaid three

DRUM Pilot Projects and a cumulative amount of USD 0.81 million (i.e. ₹3.71 crore at an average exchange rate of USD 1=₹45.75) is disbursed as USAID grant through PFC. The projects are on the verge of completion.

### 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.

## 17.0 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 Uttarakhand Jal Vidyut Nigam Ltd. (UJVNL). Out of six projects, Notice for Inviting Tenders (NIT) has already been issued for the Kulhal project. For the remaining five projects, NIT is under process and is expected to be issued soon.

## 18.0 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 ₹1.17 crore of grant for reform related studies to MeSEB, KSEB, IPGCL & PPCL and Government of Jharkhand. Government of Punjab vide their notification dt. April 16, 2010 has unbundled Punjab State Electricity Board (PSEB). Similarly, Government of Tamil Nadu vide their notification dt. October 19, 2010 has unbundled Tamil Nadu Electricity Board (TNEB).

Your company is also encouraging IT initiatives in the SPUs for their overall operational improvement. During the year, an amount of ₹3.60 crore has been sanctioned and ₹1.19 crore has been disbursed for computerization schemes of State Power Utilities (other than computerization schemes covered under R-APDRP).

### 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 March 31, 2011, 95 utilities were categorized, 26 as "A+", 31 as "A", 28 as "B" and 10 as "C".

Category	No. of Utilities
A+	26
A	31
B	28
C	10

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 AND ANNUAL REPORT OF STATE POWER UTILITIES**

Your Company is bringing out one page research report on the performance of each of the state power utilities (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 of performance etc. The report is sent to the stakeholders in the Power Sector. 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.

During the year 2010-11, your Company issued performance reports for the quarters January 2010 to March 2010, April 2010 to June 2010, July 2010 to September 2010 and October 2010 to December 2010 covering 34, 39, 41 and 41 utilities respectively.

In addition, your Company brings out a Report on the Performance of State Power Utilities (SPUs) annually. The 7th Report for the year 2006-07 to 2008-09 covering 90 SPUs has already been published. The report is a part of our effort to provide a reliable database which can help to gauge the pulse of reforms in the sector and the results associated with it. The report is also recognized by various stakeholders as a useful source of information regarding the state power sector. The report analyses the financial and operational performance e.g. profitability, gap between average cost of supply and average 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 years 2007-08 to 2009-10 covering 77 utilities has been prepared and submitted to Ministry of Power as per the targets set in MoU. The final report (8th) on the performance of all SPUs for the period 2007-08 to 2009-10 is under finalization.

## **19.0 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. During the year, your company introduced new scheme to provide short term financial assistance to SPVs in Government Sector for meeting their working capital requirement, policy guidelines for partial prepayment on reset and prescribed mechanism of revolving bulk State Government guarantee, etc.

During the year, the company also reviewed its policy guidelines for rating of Government Departments & project SPVs in Government Sector, debt-equity ratio, premature repayment of loans with a view to make the same borrower friendly.

In spite of growing competition in the market as well as interest rate concerns on account of factors like increase in RBI policy rates, inflation prevailing in this financial year etc., PFC maintained its spreads well and could balance its objectives of business growth & profitability. The guidelines/fee structure in respect of processing fee, appraisal fee and lead fee also reviewed during the year.

## **20.0 CONSORTIUM LENDING SERVICES**

Under Consortium Lending Services, the company has during the financial year 2010-11, started regular disbursements for 1350 MW TPP of M/s Indiabulls Power Ltd., 3X360 MW TPP of RKM Ph-II, 1350 MW TPP of M/s Indiabulls Realtech 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, 120 MW TPP of Indian Metal & Ferro Alloys Ltd. and 700 MW TPP of M/s Ind Barath Energy Utkal Ltd. after achieving financial closure for these projects. During the financial year, documents have been executed for 6x660 MW TPP of M/s Coastal Andhra Power Ltd. (Krishnapattnam UMPP), 1350 MW TPP of M/s Indiabulls Realtech Ltd., 2x660 MW TPP of M/s Lanco unit 3&4, 660 MW TPP of M/s Ind Barath Power (Madras) Ltd., 96 MW HEP of M/s Madhya Bharat Power Corporation Ltd., 2x660 MW TPP of M/s East Coast Energy Pvt. Ltd., Transmission line of M/s Parbati Koldam Transmission Company Ltd. 3x360 MW TPP of M/s RKM Power Ph-II, 2x60 MW TPP of M/s Indian Metals & Ferro Alloys Ltd., and 6X600 MW TPP of M/s KSK Mahanadi Power Company Ltd.

In the financial year 2010-11, interactive meetings with IPPs were organized to review the progress of projects supported by PFC and to discuss about future financial needs of IPPs to explore business opportunities.

With the aim to give impetus to Consortium Lending Operations, your Company is working towards harnessing the huge business potential offered by the Power Sector. The Company has been carrying out passive syndication activities for projects where it is lead FI and also coordinating activities pertaining to Power Lenders Club. During the financial year, your Company has also been able to syndicate ₹262 crore for 1320 MW TPP of M/s East Coast Energy P. Ltd. and ₹51 crore for 10 MW Solar project of M/s PLG Photovoltaic Ltd.

In order to syndicate and make financial arrangements for the Projects/enterprises in the areas of power, energy, infrastructure and other industries, a separate subsidiary company namely PFC Capital Advisory Services Ltd has been incorporated on July 18, 2011.

### 21.0 FACILITATION SERVICES

The Company is constantly working towards exploring new opportunities for expanding its business in areas like financing Fuel Sources Development & Distribution, Equipment manufacturing, Nuclear Power projects, Hydel projects in Bhutan & Nepal etc.

Your company has signed a Memorandum of Understanding (MoU) with NPCIL on October 28, 2010 to offer financial assistance as well as other services to NPCIL for its nuclear power capacity addition in the next 20 years. In consequence, NPCIL has requested for financial assistance for its two Nuclear projects, KAPS unit#3&4 (2x700 MW) and RAPS unit#7&8 (2x700 MW) having project cost of ₹11,459 crore and ₹12,320 crore with debt component of ₹8,021 crore and ₹8,624 crore respectively.

During FY 2010-11, your company had sanctioned as well as disbursed loan amount of ₹827 crore to Suzlon Group under Scheme for financing equipment manufacture for Power Sector. Further, new proposals for financial assistance were received from NHPTL for setting up of transformers testing laboratory, IndoSolar Ltd. for setting up of Line-3 for Solar cell manufacturing, among others.

Apart from the above, your company is also exploring the possibility of extending services in the areas of financing of 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.

### 22.0 ACQUISITION ADVISORY SERVICES

The Company believes that institutional and regulatory reforms in the Indian power sector and increased investor interest will lead to consolidation in the power sector in order to ensure synergies and economies of scale. In addition, the company believes that the increasing supply-demand gap in the power sector has driven the procurement of power from the private sector through

competitive bidding. Further, high demand for efficiency and economies in generation are expected to lower the cost of tariff. Open access and power trading are likely to increase competition in the sector in the future.

The company has therefore set up an Acquisition Advisory Services unit to focus on acquisition advisory services for power sector projects, including the identification of target projects and potential acquisitions and consolidation opportunities, and also provide techno-commercial appraisal of target projects.

### 23.0 RENEWABLE ENERGY AND CLEAN DEVELOPMENT MECHANISM (RE&CDM)

Renewable energy (RE) provides a number of primary and secondary benefits which are economic, social, environmental or technical in nature. Some of the key benefits related with renewable energy generation are increased power/energy availability, enhanced access to power in rural/remote areas, increased employment generation, enhanced energy security and environmental benefits. Therefore a good mix of these energy sources in the overall energy mix would enhance sustainable development at the state, national and global level.

Today, in the International Renewable Energy market, India is fast becoming one of the world's most attractive markets for Renewable Energy (RE) investments. India's rise has been due to the effective policy and regulatory support for investment in renewable energy technologies (RETs).

The central government has just launched the Jawaharlal Nehru Solar Mission and the Electricity Regulatory Commissions (CERC and SERCs) are promoting renewable energy generation through preferential tariffs. One of the main drivers in the future for enhancing RE generation is likely to be the mandatory renewable energy purchase obligations for utilities as mandated by the Electricity Act 2003 and declared by the state commissions. Several states have also issued the Renewable Purchase Obligations (RPO).

To tap the Renewable Energy business in state and private sector, your company has created a Strategic Business Unit for handling renewable energy portfolio since August 2008 for giving thrust on Renewable Energy and CDM. During the financial year 2010-11, loans amounting to ₹974 crores were sanctioned to support a capacity of 202 MW for solar and biomass generation projects in state and private sector.

Your Company is also facilitating SPUs for Clean Development Mechanism (CDM) benefits for R&M of old Thermal & Hydro projects as per mandate from MoP. Four projects in the States of Meghalaya, Andhra Pradesh, Himachal Pradesh and Maharashtra have been identified

for registration with United Nations Framework Convention on Climate Change (UNFCCC). The Project Design Documents (PDD) for 4 projects has been prepared through the consultant appointed by Asian Development Bank (ADB). Ministry of Environment and Forest (MoEF) has accorded host country approval for Koradi Thermal Power Project (Maharashtra), Umiam HEP (Meghalaya) and Giri HEP (Himachal Pradesh).

In order to promote green (renewable and non-conventional) sources of energy, a separate subsidiary company namely PFC Green Energy Limited has been incorporated during the year.

#### **24.0 PROMOTION OF 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 ₹2.19 crore (being 16.66% of paid up equity upto March 31, 2011) towards equity contribution. This exchange is yet to start its operation.

Your company has also contributed ₹1.75 crore (being 4.37% of paid up equity upto March 31, 2011) towards equity contribution in Power Exchange India Ltd., promoted by NSE and NCDEX.

#### **25.0 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 capitalize on its vast domain experience, 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.

#### **26.0 COMMERCIAL BANKING OPERATIONS**

The Company is currently in the preliminary stages of evaluating the possibility of establishing or acquiring a bank and is in the process of appointing a consultant in connection with such initiative.

#### **27.0 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. The name of one of the subsidiary i.e. Bokaro-Kodarma Maithon Transmission Company Limited (BKMTCL) was struck off from the records of Registrar of Companies in December 2010 as Ministry of Power, Government of India, has directed Power Grid Corporation of India Limited for taking up its work.

In addition, the Company has so far incorporated three wholly owned subsidiaries namely, PFC Consulting Limited, PFC Green Energy Limited and PFC Capital Advisory Services Ltd.

##### **27.1 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 March 25, 2008, in order to give it requisite autonomy in functions and flexibility in operations. PFCCL is mandated to promote, organize and carry out consultancy services to the Power Sector and is also undertaking the work related to the development of UMPPs and ITPs. PFCCL has been nominated as the 'Bid Process 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 various 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.
- Selection of JV Partners for development of Power Plants and Coal Blocks.
- New and Renewable Energy Sources.
- Overall advisory services for development of a new Thermal Power Station.
- Restructuring/Implementation of reforms for State Utilities.

#### Client Base

Till date, consultancy services have been provided to 38 Clients spread across 21 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, Tamil Nadu, Orissa, Tripura, Madhya Pradesh, Kerala, Maharashtra, Karnataka and Delhi. The numbers of states including the profile of clients are given below:

Clients	Nos.
States/ UTs	21
Total No. of Clients	38
State Utilities	17
Public Sector Undertakings	7
State Governments	4
Regulatory Commissions	3
Licensees/ IPPs	7

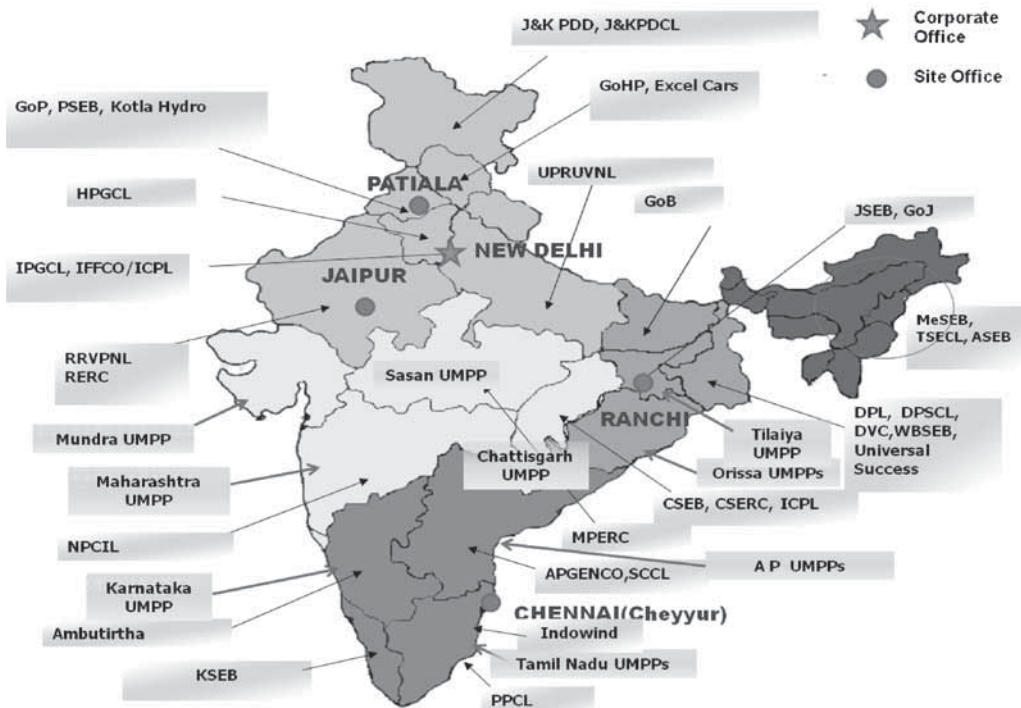
During the financial year 2010-11, the total income of PFCCL has increased to ₹52.60 crore as compared to ₹45.27 crore in the previous year and net profit has increased to ₹26.95 crore as compared to ₹21.62 crore in the previous year.

#### 27.1.1 SUBSIDIARIES OF PFC CONSULTING LTD

##### JABALPUR TRANSMISSION COMPANY LIMITED (JTCL)

SPV, Jabalpur Transmission Company Limited was incorporated on September 8, 2009 for development of transmission system project for 'System Strengthening Common for Western Region (WR) and Northern Region

#### PFCCL Footprints



Total No. of Assignments undertaken: 72

(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.

The SPV was transferred to successful developer i.e M/s Sterlite Transmission Project Private Limited on March 31, 2011.

#### **BHOPAL DHULE TRANSMISSION COMPANY LIMITED (BDTCL)**

SPV, Bhopal Dhule Transmission Company Limited was incorporated on September 8, 2009 for development of 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.

The SPV was transferred to successful developer i.e M/s Sterlite Transmission Project Private Limited on March 31, 2011.

#### **NAGAPATTINAM-MADHUGIRI TRANSMISSION COMPANY LIMITED (NMTCL)**

SPV, Nagapattinam-Madhugiri Transmission Company Limited was incorporated on May 20, 2011 for the development of the transmission system project for 'Transmission System Associated with IPPs of Nagapattinam/Cuddalore Area – Package A". The project includes Nagapattinam Pooling Station – Salem 765 kV D/C line, Salem – Madhugiri 765 kV S/C line. The Bid Process for the project is underway.

#### **27.2 PFC GREEN ENERGY LIMITED**

PFC Green Energy Limited has been incorporated as a wholly owned subsidiary of the Company to extend finance and financial services to promote green (renewable and non-conventional) sources of energy with authorised capital of ₹1,200 crore and subscribed share capital of ₹0.05 crore. The company received its certificate of commencement of business on July 30, 2011.

#### **27.3 PFC CAPITAL ADVISORY SERVICES LIMITED**

PFC Capital Advisory Services Ltd, a wholly owned subsidiary of the Company has been incorporated on July 18, 2011 interalia to syndicate and make financial arrangements for the Projects/enterprises in the areas of power, energy, infrastructure and other industries. The authorised share capital of the company is ₹1 crore and the initial paid up share capital of the company is ₹0.10 crore.

### **28.0 JOINT VENTURES AND ASSOCIATE COMPANIES**

#### **28.1 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 ₹2.19 crore (being 16.66% of paid up equity upto March 31, 2011) towards equity contribution. This exchange is yet to start its operation.

#### **28.2 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 your Company holds 30% stake and the remaining being held by individuals. However, being largely owned by individuals, the company was not able to transact any business as it was unable to provide the requisite comfort to its clients. Therefore, in order to provide the requisite comfort to the clients and to substantially improve the possibility of PECAP to do meaningful business, the Board of Directors of PFC in February, 2011 approved a proposal for acquiring 100% stake in PECAP.

#### **28.3 PTC INDIA LIMITED**

PTC India Limited (PTC) was jointly promoted by Power Grid, NTPC, NHPC and PFC. Your Company 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 primary focus is to develop a commercially vibrant power market in the country.

#### **28.4 ENERGY EFFICIENCY SERVICES LIMITED**

Energy Efficiency Services Limited (EESL) was incorporated on February 11, 2010. EESL was jointly promoted by Power Grid, NTPC, REC and PFC with equal equity participation of ₹25 crore each 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".

### **29.0 MEMORANDUM OF UNDERSTANDING WITH GOVT. OF INDIA**

For the Financial Year 2010-2011, 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.

#### **29.1 PRESIDENTIAL DIRECTIVES**

Your Company has implemented wage-revision w.e.f. January 1, 2007 for the employees in the Executive Cadre

in September 2009 and for employees in non-unionised Supervisory Cadre in August 2010 as per Presidential Directives issued on April 2, 2009 and November 26, 2008. The Company has not received any Presidential directives during the year 2010-11.

### 30.0 HRD INITIATIVES

#### TRAINING & DEVELOPMENT

In the field of Human Resource Development, your company stresses on the need to continuously upgrade the competencies of its employees and equip them to keep abreast of latest developments in the sector. The Company operates in a knowledge intensive business and is committed to enhancing these skills of its employees. In order to achieve this, the Company has an annual training plan to assess the various training needs. Necessary professional skills are also imparted across all levels of employees through customized training interventions.

#### EMPLOYEE TRAINING

During the year 2010-11, your company organized 19 in-house programs. A total of 1,572 mandays were achieved during the period under review of which 1,109 were through in-house programs and 463 were through nominations to open programmes organized by other training institutes.

#### DRUM AND UTILITY TRAINING

During the financial year 2010-11, 125 training programmes were organized through which 2,875 number of personnel were trained from various power 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.

### 31.0 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 2010-11, total 46 new employees were recruited, out of which 17.39% are SC (8), 4.35% are ST (2), 2.17% are PWD (1) and 21.74% are OBC (10).

### 32.0 VIGILANCE

During the financial year 2010-11, 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 gaps and ensuring transparency in day to day operations. Information technology was used as an effective tool for providing on-line services to all the stakeholders and enhance organizational efficiency. Vigilance Unit also 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 out in several cases of registered complaints.

In accordance with the directives of CVC, Vigilance Awareness Week was observed from October 25, 2010 to November 1, 2010 in the head office and regional offices of the Company. In order to increase scope of e-procurement in the Company and educating employees and borrowers of the Company about tendering procedures and to disseminate a strong message of integrity and transparency in public spending, interactive two days programme on "Tendering and Procurement of Goods and Services including E-procurement" 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.

In compliance to the instructions of CVC, the sensitive posts in the Corporation were identified and HR Division has rotated the concerned officers working on these posts for a long time. Agreed lists were finalized in respect of Corporate office at Delhi and regional Offices at Mumbai and Chennai in consultation with the local branches of CBI. Prescribed periodical statistical returns were sent to CVC, CBI, MOP on time.

Thus, the vigilance Unit worked for continuous improvement of the systems with a view to bringing about transparency, objectivity and accountability thereby contributing to the overall efficiency and effectiveness of the organization.

### 33.0 OFFICIAL LANGUAGE

In your Company, Rajbhasha Neeti i.e. implementation of official language policy is taken as a vital area of Management Operations.

During the year, six workshops were organized to impart training to the employees with a view to help them in doing their official work in hindi. Training programmes on use of 'Saransh' package were also organized during the year. The 'Saransh' bilingual package is available on the computers of all the employees in the Company including regional offices.

A cultural programme was organized in Hindi on July 16, 2010 on Foundation day of the Company. To enhance the environment of Rajbhasha Hindi, "Hindi Pakhwada" was observed from September 14, 2010 to September 30, 2010. On the occasion of Hindi Day on September 14, 2010, the messages of Hon'ble Minister of Home Affairs, Hon'ble Minister of Power and Chairman and Managing Director of Company were circulated to all the employees of PFC. During the year, various competitions, like 'Vartani Shodhan', 'Katha/Kahani Lekhan', 'Noting and drafting in Hindi' 'Chitrabhivyakti', 'Shrut lekhan' were organized. A 'Kavi Sammelan' was organized wherein renowned Hindi and Urdu poets like 'Padambhusan' Shri Gopal Das 'Neeraj', 'Padamshree' Shri Surendra Dubey, Dr. Hari Om Pawar, Shri Arun Gemini, Dr. Suneel Jogi and Dr. Suman Dubey recited their poems.

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. 'Rajbhasha Visheshank' was also published and was highly appreciated by the readers.

### 34.0 RIGHT TO INFORMATION ACT

Your company has implemented Right to Information Act, 2005 (RTI Act, 2005) in order to provide information to citizens and to maintain accountability and transparency. The Company has designated Public Information Officer (PIO), an Appellate Authority and also one Transparency Officer at its registered office for effective implementation of the RTI Act, 2005. During the financial year 2010-2011, all 57 applications received under the RTI Act, were duly processed and replied to. In compliance with Section 4 of the RTI Act, 2005, RTI Manual has also been updated and put on PFC website. Your company has also complied with the directions of Central Information Commission (CIC) regarding filing of online Quarterly/ Annual Return for the financial year 2010-2011.

### 35.0 AUDITORS

M/s. Mehra Goel & 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 2010-2011 by the Comptroller & Auditor General of India.

The Joint Statutory Auditors have audited the accounts of the Company for the financial year 2010-11 and have given their report without any qualification.

### 36.0 FOREIGN EXCHANGE EARNINGS AND OUTGO

The Foreign exchange outgo aggregating ₹166.03 crore was made on account of debt servicing, financial & other charges, travelling and other miscellaneous expenses.

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

During the year 2010-11, the details of the employees who were in receipt of gross remuneration in excess of ₹60 Lakh per annum or ₹5 Lakh per month and above, is given in **Annexure A**.

### 38.0 HUMAN RESOURCE MANAGEMENT

Your Company lays great emphasis on upgrading the skills of its Human Resources. It benchmarks its practices with the best practices being followed in the corporate world. This, apart from other strategic interventions, leads to effective management of Human Resources thereby ensuring high level of productivity. Your Company enjoys a very cordial and harmonious relationship with its employees. There were no man-days lost during the year. During the period under review, your Company has successfully negotiated the wage settlement valid till December 31, 2016 with the employees in the workmen category.

### 39.0 WELFARE MEASURES

Your Company follows good management practices to ensure welfare of its employees through a process of inclusive growth & development. The Company follows an open door policy whereby the employees can access the top management thereby contributing in the management and growth of the company. Commitment of the workforce is ensured through an effective package of welfare measures which include comprehensive insurance, medical facilities and other amenities which in turn lead to a healthy workforce.

### 40.0 CORPORATE SOCIAL RESPONSIBILITY

Your Company has implemented its Corporate Social Responsibility (CSR) Policy with an aim to ensure that the Company becomes a socially responsible corporate entity contributing towards quality of life of the society at large. Your Company has entered into an MoU with Government of India for spending 0.5% of PAT towards

CSR activities as part of its Corporate Social Responsibility. The Company has undertaken major initiatives in several critical areas which impact the lives of the common man in a positive way. During the year, your Company had allocated ₹11.89 crore for CSR initiatives. Your Company sanctioned ₹5.00 crore for construction of houses for the flood affected marginalized sections of the population in Andhra Pradesh and provided assistance of ₹3.50 crore to Ladakh in its process of reconstruction & environmental protection in Phyang village. Your Company also sanctioned ₹3.38 crore for providing easy access of electricity to the people in the disturbed and border areas of the country for distribution of solar lanterns.

#### 41.0 REPRESENTATION OF WOMEN EMPLOYEES

Your Company provides equal growth opportunities for its women employees and today the Company can boast of women heading critical functional areas. There is no discrimination of employees on the grounds of gender. The women employees represent 19.73% of the total work force.

#### 42.0 GLOBAL COMPACT

Your Company is a socially conscious organization and fully endorses the nine principles of Global Compact enunciated by the United Nations Organisation (UNO) which encompass areas of human rights, environmental protection and labour rights. These principles of Global Compact are embedded in various organizational policies of the Company thereby facilitating their implementation in a natural way. Your Company has been an active participant in various endeavors of the Global Compact and also provides sponsorship aid and support to other endeavors which are in line with the principles of Global Compact.

Your Company 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 the Company 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.

#### 43.0 GRIEVANCE REDRESSAL

Your Company has Grievance Redressal Systems for dealing with the grievances of the employees, its customers and the public at large. The systems are duly notified and are easily accessible. A designated Nodal Officer is responsible to 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.

#### 44.0 STATUTORY AND OTHER INFORMATION REQUIRED

Information required to be furnished as per the Companies Act, 1956, Listing Agreement with Stock exchanges, Guidelines on Corporate Governance for CPSEs etc. is annexed to this report as follows:

Particulars	Annexure
Report on Corporate Governance	I
Management Discussion and Analysis Report	II
Certificate on Corporate Governance	III
Statement pursuant to Section 212 of the Companies Act, 1956 relating to subsidiary companies	IV

#### 45.0 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	9.70% TAXU PFC Bonds(2011)-X Series 9.25% TAXU PFC Bonds(2012)-XI 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 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

	<p>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  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  8.90% 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 PFC Bonds (2012)-56 Series  8.60% TAXU PFC Bonds (2014)-57-B Series  8.60% TAXU PFC 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% TAXU PFC 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  8.95% TAXU PFC Bonds (2015)-64-Series  8.95% TAXU PFC Bonds (2020)-64-Series  8.95% TAXU PFC Bonds (2025)-64-Series</p>
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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 7.60% TAXU PFC Bonds (2015)-XXV Series 7.95% 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 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 9.03% TAXU PFC Bonds (2013) - XLII –B Series 9.30% TAXU PFC Bonds (2013) – XLIII-B Series 9.40% TAXU PFC Bonds (2013) – XXXIV Series
5.	PNB Investment Services Ltd. 10, Rakesh Deep Building, Yusuf Sarai Commercial Complex, Gulmohar Enclave, New Delhi-110049	8.70% TAXU PFC Bonds-65-Series 8.65% TAXU PFC Bonds-66 A-Series 8.75% TAXU PFC Bonds-66 B-Series 8.85% TAXU PFC Bonds-66 C-Series 7.10% TAXU PFC Bonds-67-Series 8.25% TAXU PFC Bonds-68 A-Series 8.70% TAXU PFC Bonds-68 B-Series 7.89% TAXU PFC Bonds-69 –Series 8.78% TAXU PFC Bonds-70-Series 9.05% TAXU PFC Bonds-71 Series 8.97% TAXU PFC Bonds-72-A Series 8.99% TAXU PFC Bonds-72 B-Series
6	GDA Trustee & Consultancy Private Ltd. Shri Niwas 1202/29 Apte Road, Shivajinagar, Pune-411004	Long Term Infrastructure Bonds 2011-Series-I Long Term Infrastructure Bonds 2011-Series-II Long Term Infrastructure Bonds 2011-Series-III Long Term Infrastructure Bonds 2011-Series-IV

#### 46.0 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.

#### 47.0 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 2010-11, 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 2010-11 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.

#### 48.0 ACKNOWLEDGEMENT

The Board of Directors acknowledge and place on record their appreciation for the guidance, co-operation and encouragement extended to the Company by the Government of India, Ministry of Power, Ministry of Finance, Reserve Bank of India, Department of Public Enterprises, Securities and Exchange Board of India, National Stock Exchange of India Limited, Bombay Stock Exchange Limited and other concerned Government departments/agencies at the Central and State level as well as World Bank, the Asian Development Bank, USAID, KfW of Germany, EDC of Canada and various international financial institutions/banks, agencies etc.

The Board also conveys its gratitude to the shareholders, various International and Indian Banks/Multilateral agencies/financial Institutions/ credit rating agencies for

the continued trust and for the confidence reposed by them in PFC. Your Directors would also like to convey their gratitude to the clients and customers for their unwavering trust and support.

The Company is also thankful to the Comptroller & Auditor General of India and the Statutory Auditors for their constructive suggestions and co-operation.

The Board would also like to place on record our appreciation for the untiring efforts and contributions made by the employees to ensure excellent all round performance of the Company.

**For and on behalf of the Board of Directors**



Place : New Delhi

**(Satnam Singh)**

Dated :August 26, 2011

**Chairman & Managing Director**



**PARTICULARS OF EMPLOYEES PURSUANT TO SECTION 217 (2A) OF  
THE COMPANIES ACT, 1956.**

Name	Designation and Nature of Duties	Remuneration (In ₹)	Qualification	Date of Commencement of Employment	Exp. (Yrs.)	Age as on 31.3.2011 (Yrs.)	Last Employment held	Remarks
<b>Employed for whole of the Year</b>								
NIL								
<b>Employed for part of the Year</b>								
Shri R.S. Johri	Executive Director	2480520	B.Sc.(Engg.)	29.12.1988	22	51 at the time of seperation	NTPC	Resigned
Shri J.K. Gulati	Executive Director	1700110	Chartered Accountant	07.12.1989	21	60 at the time of superannuation	Hindustan Insecticides Limited	Superannuated

- Note:**
1. Persons named above were employees of the Company.
  2. Both the employees have resigned/superannuated during 2010-11.
  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 FY 2010-11

## REPORT ON CORPORATE GOVERNANCE

Your Company has always endeavored to implement and maintain high standards of Corporate Governance norms and has been practicing the principles of good Corporate Governance.

Corporate Governance principles as practiced by the Company rests upon the foundation of transparency, adequate disclosures, absolute compliance with the laws, fairness, professionalism, accountability and ultimately the target of maximizing the shareholders value besides catering to the interests of the creditors, employees, the environment and the society at large.

Your company is committed to conduct its business in a manner, which will ensure sustainable, capital-efficient and long-term growth and in order to achieve this 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.

Your Company's philosophy of corporate governance embodies the dual goals of protecting the interests of all stakeholders while respecting the duty of the board and senior management to oversee the affairs of a company and promote long-term growth and profitability. The corporate structure, business and disclosure practices of the company have been aligned to its Corporate Governance Philosophy.

A report in line with the requirements of the Listing Agreement and Guidelines on Corporate Governance for Central Public Sector Enterprises (CPSEs) 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.

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 judgment independent of management and exercises control over the Company, while remaining at all times accountable to the stakeholders.

#### Composition

The composition of the Board of Directors of the Company is in conformity with the requirements of clause 49 of the listing agreement as well as guidelines on corporate governance for CPSEs.

As on March 31, 2011 the Company's Board comprised of ten (10) Directors out of which four (4) were Whole Time Functional Directors including the Chairman and Managing Director, one (1) Government Nominee Director and five (5) Independent Directors.

During the year 2010-11, the Ministry of Power, Government of India appointed two Independent Directors viz. Shri Ajit Prasad w.e.f. October 8, 2010 and Shri Krishna Mohan Sahni w.e.f. December 31, 2010. Further, Shri Rakesh Jain, Government Nominee Director ceased to be the Director w.e.f. January 6, 2011 consequent upon withdrawal of his nomination by Govt. of India. Brief profile of the Directors is set out in the Annual Report.

The composition of Board of Directors as on March 31, 2011 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 Director		
v)	Shri Devender Singh	Director (Government Nominee)
Independent Directors		
vi)	Shri Ravindra H. Dholakia	Independent Director
vii)	Shri P.Murali Mohana Rao	Independent Director
viii)	Shri S.C. Gupta	Independent Director
ix)	Shri Ajit Prasad	Independent Director
x)	Shri Krishna Mohan Sahni	Independent Director

### Number of Board Meetings

During the year under review, the Board met 13 times on the following dates:

(i) April 20, 2010 (ii) April 27, 2010 (iii) June 18, 2010 (iv) July 22, 2010 (v) August 12, 2010 (vi) August 27, 2010 (vii) September 29, 2010 (viii) November 10, 2010 (ix) December 6, 2010 (x) December 16, 2010 (xi) January 17, 2011 (xii) February 17, 2011 (xiii) March 17, 2011.

The maximum time gap between two board meetings was less than three months.

### Annual General Meeting

The Last Annual General Meeting of the Company was held on September 21, 2010.

**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 31.03.2011*	Membership in the committees of other companies as on 31.03.2011**		Attendance at the last AGM held on September 21, 2010
	Held during the tenure	Attended		As Member	As Chairman	
<b>Shri Satnam Singh</b> Chairman and Managing Director	13	13	2	Nil	Nil	Present
<b>Shri M.K. Goel</b> Director (Commercial)	13	13	8	Nil	Nil	Present
<b>Shri Rajeev Sharma</b> Director (Projects)	13	13	4	Nil	Nil	Present
<b>Shri R. Nagarajan</b> Director (Finance)	13	13	5	Nil	1	Present
<b>Shri Devender Singh</b> Director (Govt. Nominee)	13	12	2	Nil	1	Present
<b>Shri Rakesh Jain</b> Director (Govt. Nominee) (ceased w.e.f. January 6, 2011)	10	7	NA	NA	NA	Present
<b>Shri Ravindra H. Dholakia</b> Independent Director	13	12	Nil	Nil	Nil	Present
<b>Shri P. Murali Mohana Rao</b> Independent Director	13	13	1	Nil	Nil	Present
<b>Shri S.C. Gupta</b> Independent Director	13	13	1	Nil	1	Present
<b>Shri Ajit Prasad</b> Independent Director (appointed w.e.f. October 8, 2010)	6	6	Nil	Nil	Nil	N.A.
<b>Shri Krishna Mohan Sahni</b> Independent Director (appointed w.e.f. December 31, 2010)	3	3	1	Nil	Nil	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, 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 placed before the Board of Directors

Detailed Agenda Notes with necessary information were circulated in advance to the Board.

During the year, all the relevant information as mentioned in Clause 49 of the Listing Agreement and Guidelines on Corporate Governance for Central Public Sector Enterprises was placed before the Board for its consideration. The information regularly supplied to the Board specifically includes inter alia:

- 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.

### Compliance with applicable laws

The company has a robust system in place for monitoring of various statutory and procedural compliances. The Board periodically reviews the status of Statutory, Policy & Procedural compliances to ensure proper compliance of all laws applicable to the company.

### 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 placed on the website of the Company i.e. [www.pfcindia.com](http://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:

#### Declaration

All the members of the Board and Senior Management Personnel have affirmed compliance of the Code of Conduct for the financial year ended March 31, 2011.

Sd/-

**Satnam Singh**  
Chairman & Managing Director

### b) Code for Prevention of Insider Trading

In pursuance of Securities and Exchange Board of India (Insider Trading) Regulations, 1992 as amended from time to time, 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 ensuring adherence of the '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. 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.

### c) Anti Fraud Policy

The Company has adopted an "Anti Fraud policy" so as

to provide a system of detection and prevention of fraud in the Company. It aims to promote consistent legal and ethical organizational behavior by assigning responsibility for the development of controls and providing guidelines for reporting of fraud/suspected fraud and conduct of investigation of suspected fraudulent behavior. The scope of policy extends to fraud or suspected fraud in the Company involving employees (including contractual employees) as well as shareholders, consultants, vendors, suppliers, service providers, contractors, lenders, borrowers, outside agencies and/or any other parties having business relationship with the Company.

#### 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.

All decisions pertaining to the constitution of Board Committees, appointment(s) of members and fixation of terms of reference of the committees is taken by the Board of Directors.

As on March 31, 2011 the Board had following 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)
- viii) Ethics Committee

Further, for the purpose of Further Public Offer (FPO) of the Company, the company had constituted the following committees comprising inter alia Directors of the Company:

- i) Pricing Committee
- ii) FPO Committee of Directors
- iii) Committee of Directors for approving changes/corrections in Draft Red Herring Prospectus (DRHP)

Since the FPO of the Company was successfully completed in May, 2011, the purpose of constituting these committees is over and thus the committees are no longer functional.

##### 4.1 Audit Committee

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

Agreement and Guidelines on Corporate Governance for Central Public Sector Enterprises.

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 statutory 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, debenture 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

the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.

As on March 31, 2011, the Audit Committee comprised of the following members:

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

During the financial year 2010-11 nine (9) meetings of the Audit Committee were held i.e. (i) April 26, 2010 (ii) June 18, 2010 (iii) July 21, 2010 (iv) September 21, 2010 (v) November 9, 2010 (vi) December 6, 2010 (vii) January 17, 2011 (viii) February 17, 2011 (ix) March 17, 2011.

The details of the meetings attended by members during the year 2010-11 is as follows:

Name of Members	Designation	No. of Meetings	
		Held during the tenure	Attendance
Shri P.Murali Mohana Rao	Chairman/ Independent Director	9	9
Shri Ravindra H.Dholakia	Independent Director	9	8
Shri Ajit Prasad (appointed as a member of the Audit Committee w.e.f November 10, 2010)	Independent Director	4	4
Shri Rajeev Sharma	Director (Projects)	9	9

- of financial condition and results of operations.
- Formulation of whistle blower policy and recommending the same to Board for approval and review the functioning of the whistle blower mechanism and also to protect the whistle blowers.
- To review the follow up action on the audit observations of the CAG audit.
- To review the follow up action taken on the recommendations of the Committee on Public Undertakings (COPU) of the Parliament.
- Reviewing, with the management, the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc.),

Director (Finance), head of internal audit and a representative of the statutory auditor(s) are invited to the Audit Committee Meetings for interacting with the members of the committee. Senior functional executives are also invited as and when required to provide necessary inputs to the committee.

The Minutes of the 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 September 21, 2010.

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

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

#### 4.2 Remuneration Committee

Our Company being a Central Public Sector Undertaking, the appointment of CMD and Directors and fixation of their remuneration are decided by President of India as per the Articles of Association of the Company. However, as per the provisions of the Department of Public Enterprises (DPE) guidelines on Corporate Governance for CPSEs, the company had constituted a Remuneration Committee headed by an Independent Director.

During the financial year 2010-11, in view of the requirement of the revised DPE Guidelines on Corporate Governance for Central Public Sector Enterprises, the Remuneration Committee was reconstituted on July 22, 2010, comprising of three independent directors. The terms of reference of the Remuneration Committee include inter alia deciding the quantum of annual bonus/variable pay and policy for its distribution, formulation of ESOP scheme, pension scheme etc. within the prescribed limits across the whole time directors, executives and non unionized supervisors.

As on March 31, 2011, the Remuneration Committee comprised of the following members:

1. Prof. Ravindra H. Dholakia Member & Chairman
2. Shri P.Murali Mohana Rao Member
3. Shri S.C. Gupta Member

During the financial year 2010-11, six (6) meetings of the Remuneration Committee were held i.e. (i) April 26, 2010 (ii) June 18, 2010 (iii) July 21, 2010 (iv) July 30, 2010 (v) November 9, 2010 (vi) March 30, 2011.

The details of the meetings attended by members during the year 2010-11 is as follows:

Name of Members	Designation	No. of Meetings	
		Held during the tenure	Attendance
Prof. Ravindra H. Dholakia	Chairman/Independent Director	6	6
Shri P.Murali Mohana Rao	Member/Independent Director	6	6
Shri S.C. Gupta (appointed as a member of the Remuneration Committee w.e.f July 22, 2010)	Member/Independent Director	3	3
Shri M.K. Goel* (ceased to be a member of the Remuneration Committee w.e.f July 22, 2010)	Member/Director (Commercial)	3	3
Shri R. Nagarajan* (ceased to be a member of the Remuneration Committee w.e.f July 22, 2010)	Member/Director (Finance)	3	3

\*Permanent invitees to the Remuneration Committee w.e.f. July 22, 2010

#### Remuneration Policy

##### 4.2A Remuneration of Whole Time Directors

As already stated above, our Company being a Central Public Sector Undertaking, the appointment of Directors and payment of their remuneration are decided by President of India as per the Articles of Association of the Company. The remuneration paid to whole time directors including the Chairman & Managing Director was as per the terms and conditions of their appointment.

Details of remuneration of Whole Time Directors of the company during the year 2010-11 are given below:

Name of the Director	Salary (₹)	Benefits (₹)	Bonus/ Commission ex-gratia (₹)	Performance linked incentives (₹)	Total (₹)
Shri Satnam Singh	22,49,883	9,80,041	0	6,33,600	<b>38,63,524</b>
Shri M.K. Goel	20,75,596	12,34,387	0	6,33,643	<b>39,43,626</b>
Shri Rajeev Sharma	19,38,945	11,75,764	0	5,94,000	<b>37,08,709</b>
Shri R. Nagarajan	22,30,951	4,16,392	0	6,13,092	<b>32,60,435</b>

**Notes:**

1. In accordance with the directions of the DPE, the Company had formulated an Employee Stock Option Plan titled as 'PFC-ESOP 2010'. However no stock option has been granted so far under this plan.
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 and Government Nominee Directors do not have any material pecuniary relationship or transactions with the Company. However, Independent Directors were paid only the sitting fees at a rate fixed by the Board within the limits as prescribed under the Companies Act, 1956 for attending the meetings of the Board/Committees of Directors. Presently, sitting fee of ₹15,000 for attending each meeting of the Board/Committees of Directors is being paid to each Independent Director.

Details of payments towards sitting fees to Independent Directors for the meetings held during the year 2010-11 are given below:

Name of the Independent Director	Sitting Fees		Total (₹)
	Board Meeting (₹)	Committee Meeting (₹)	
Prof. Ravindra H. Dholakia	1,80,000	3,15,000	<b>4,95,000</b>
Shri P.Murali Mohana Rao	1,95,000	2,85,000	<b>4,80,000</b>
Shri S.C. Gupta	1,95,000	1,05,000	<b>3,00,000</b>
Shri Ajit Prasad	90,000	75,000	<b>1,65,000</b>
Shri Krishna Mohan Sahni	45,000	30,000	<b>75,000</b>

Government nominees were not entitled to any remuneration or sitting fee from the Company.

**4.3 Shareholders'/Investors' Grievance Committee**

The Company has set up 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 reports/dividend/notices etc. The Committee oversees performance of the Registrar and Transfer Agent of the Company and recommends measures for overall improvement in the quality of investor services.

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

The Company Secretary of the company acts as the secretary to the committee and is also the compliance officer of the company.

As on March 31, 2011 the Shareholders'/Investors' 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 March 31, 2011 is as follows:

Pending at the beginning of the year	Nil
Received during the year	199
Disposed off during the year	199
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 March 31, 2011 the Committee comprised of the following members:

Shri Satnam Singh	Chairman & Managing Director
Shri Devender Singh	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 March 31, 2011, the Committee comprised of 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 March 31, 2011, the Committee comprised of 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) has been 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 March 31, 2011 the Committee comprised of the following members:

Shri Satnam Singh	Chairman & Managing Director
Shri R. Nagarajan	Director(Finance)

#### 4.8 Ethics Committee of Directors

The Board of Directors in its meeting held on November 10, 2010 constituted an Ethics committee. It's main function is

to act as a conscience keeper and watch dog for company and ensure ethical business practices are being followed in managing the affairs of the Company.

As on March 31, 2011 the Committee comprised of the following members:

Shri Satnam Singh	Chairman & Managing Director
Shri Ravindra H. Dholakia	Independent Director
Shri Ajit Prasad	Independent Director

## 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
22nd	July 30, 2008	Wednesday	10.00 A.M	Air Force Auditorium, Subroto Park, New Delhi-110010	No Special resolution was passed.
23rd	September 23, 2009	Wednesday	10:00 A.M.	Air Force Auditorium, Subroto Park, New Delhi-110010	No Special resolution was passed.
24th	September 21, 2010	Tuesday	10:00 A.M.	Air Force Auditorium, Subroto Park, New Delhi-110010	<ul style="list-style-type: none"> <li>Fresh issue of equity shares along with Offer for Sale, if any, not exceeding 20% of existing paid up share capital.</li> <li>Introduction of "PFC ESOP Scheme"</li> </ul>

No special resolution was put through postal ballot during the financial year 2010-11 and none of the business is proposed to be conducted in the ensuing Annual General Meeting through Postal Ballot.

## 6. Subsidiary Companies

The Company does not have any 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 Minutes of the Board Meetings of unlisted subsidiary companies were reviewed by the Board of Directors of the company. The financial results of the subsidiaries were reviewed by the Audit Committee of Board of Directors of the company.

## 7. Disclosures

- (1) The company has not entered into any transaction of material nature with its promoters, the directors or the management, their relatives or its subsidiaries, 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 17-Notes on Accounts of Annual Accounts in the Annual Report.
- (2) The company has complied with all the requirements of the listing agreement with the stock exchanges as well as regulations and guidelines issued by SEBI. Hence neither any penalty nor any stricture has been imposed by SEBI, Stock Exchanges or any other statutory authority on any matter related to capital market during the last three year.
- (3) The Company has not adopted any separate "Whistle Blower policy". However, under the provisions of "Anti Fraud Policy" adopted by the Company, a whistle blower mechanism is in place for reporting of fraud or suspected fraud in the Company involving employees (including contractual employees) as well as shareholders, consultants, vendors, suppliers, service providers, contractors, lenders, borrowers, outside agencies and/or any other parties with a business relationship with the Company. Further, the Company affirms that no personnel have been denied access to the Audit Committee.
- (4) No item of expenditure was debited in books of accounts which was not for the purpose of the business. Further,

no expense was incurred which was personal in nature and was incurred for the Board of Directors and Top Management.

- (5) The Company has fully complied with all the mandatory requirements prescribed under Clause 49 of the Listing Agreement and Guidelines on Corporate Governance for Central Public Sector Enterprises relating to Corporate Governance and has adopted all suggested items to be included in the Report on Corporate Governance.
- (6) Adoption/non adoption of the non mandatory requirements of the Clause 49 of the Listing Agreement are given under Annexure 1.
- (7) The company has laid down the procedures to inform the Board about the risk assesment and minimisation. The Board of Directors of the company periodically reviews these procededures to ensure that risks are managed through a properly defind framework.
- (8) 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

The company recognizes communication as a key element of the overall Corporate Governance framework and therefore emphasizes continuous, efficient and relevant communication to all external constituencies. The Company communicates with its shareholders through its annual report, general meeting, newspapers and disclosures through website. Quarterly/ annual financial results are published in 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](http://www.pfcindia.com) and have 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 Clause 49 of the Listing Agreement, the Certificate duly signed by Shri Satnam Singh, Chairman & Manajng Director and Shri R. Nagarajan, Director (Finance) was placed before the Board of Directors at the meeting held on June 20, 2011.

## 10. Shareholders Information

### i) Annual General Meeting

Date	Time	Venue
September 28, 2011	10.00 A.M.	Manekshaw Centre, Parade Road, Delhi Cantt., New Delhi-110010

### ii) Financial calendar for FY 2011-12 (Tentative)

Particulars	Date
Financial year	April 1, 2011 to March 31, 2012
Un-audited financial results for the first three quarters	Will be announced within 45 days from the end of each quarter.
Fourth Quarter results	Audited Accounts will be announced on or before May 30, 2012.
<b>AGM(Next year)</b>	September 2012

### iii) Date of Book Closure

The Register of Members and Share Transfer Books of the Company will remain closed from September 14, 2011 to September 28, 2011 inclusive of both days.

#### iv) Payment of Dividend

The Board of Directors of the Company for the financial year ended March 31, 2011, has recommended payment of final dividend of ₹1.50 per share on the total post issue paid up equity share capital of the Company, which will be paid after your approval at the Annual General Meeting. This is in addition to the Interim Dividend of ₹3.50 per share already paid in January 2011 on the pre-issue paid up equity share capital of the Company. Thus, the total Dividend for the financial year 2010-11 amounts to ₹5.00 per share.

The record date for the payment of Final Dividend for year 2010-11 is September 13, 2011. The Dividend, if declared at the AGM, would be paid to the shareholders within 30 days from the date of AGM.

#### v) Dividend History

Year	Total Paid-up Capital (₹ in crore)	Total Amount of Dividend paid (₹ in crore)	Rate of Dividend (%)	Date of Payment (Interim & Final)
2005-06	1030.45	361.53	35.08%	August 17, 2005 (Interim), February 8, 2006 (Interim) & May 22, 2006 (Interim)
2006-07	1147.77	259.78	22.63%	January 9, 2007 (Interim) & September 28, 2007 (Final)
2007-08	1147.77	401.72	35.00%	February 19, 2008 (Interim) & August 5, 2008 (Final)
2008-09	1147.77	459.11	40.00%	March 5, 2009 (Interim) & September 29, 2009 (Final)
2009-10	1147.77	516.50	45.00%	February 12, 2010 (Interim) & September 29, 2010 (Final)

#### vi) Listing on Stock Exchanges

PFC shares are listed on the following stock exchanges:

National Stock Exchange of India Limited (NSE)	Bombay Stock Exchange Limited (BSE)
Scrip Code: PFC EQ	Scrip Code: 532810
Stock Code: INE134E01011	

The annual listing fees for the financial year 2011-12 have been paid to NSE and BSE.

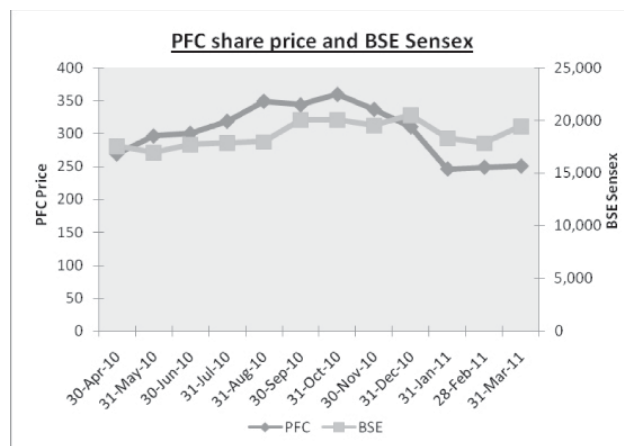
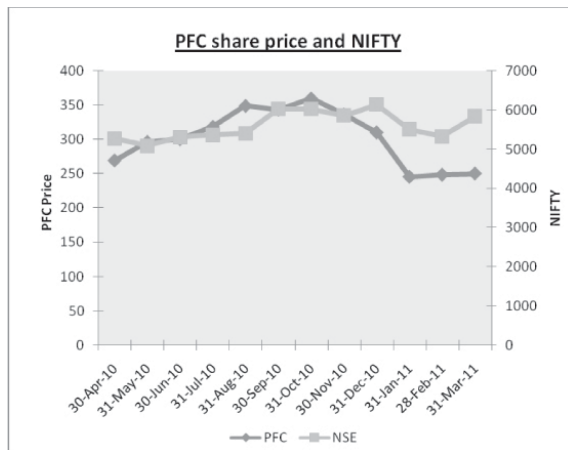
#### vii) Market Price Data NSE

Month	High(₹)	Low(₹)	Closing(₹)
April'10	284.90	247.75	269.05
May'10	299.90	263.20	296.20
June'10	306.80	279.10	300.15
July'10	337.70	292.50	318.40
August'10	356.40	315.00	349.15
September'10	364.50	331.55	343.50
October'10	385.00	345.00	360.00
November'10	376.50	287.00	336.75
December'10	346.85	291.20	310.30
January'11	314.70	240.55	245.20
February'11	268.90	234.55	248.20
March'11	281.70	217.55	249.95

## BSE

Month	High(₹)	Low(₹)	Closing(₹)
April'10	284.00	253.50	268.70
May'10	298.45	255.10	296.00
June'10	307.00	279.15	300.00
July'10	337.70	292.50	318.40
August'10	357.00	300.00	348.85
September'10	364.00	333.05	343.30
October'10	383.00	345.10	359.30
November'10	376.90	286.60	336.45
December'10	346.90	291.00	309.90
January'11	314.80	243.30	245.95
February'11	271.00	235.05	248.60
March'11	281.00	217.75	250.25

### viii) Performance in comparison to indices



### ix) Registrar and Transfer Agent

#### Registered Office

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

#### Communication Address

17-24, Vittal Rao Nagar  
Madhapur  
Hyderabad-500 081  
Andhra Pradesh, India  
Tel: +91 40 23420815-28  
Fax: +91 40 23420814/59  
Email: einward.ris@karvy.com  
Website: www.karvycomputershare.com

### x) 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 reconciliation of share capital 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 Demat Suspense Account

The details of shares in the Demat Suspense account as on March 31, 2011 is as follows:

S.No.	Description	No. of Cases	No. of Shares
i)	Aggregate number of shareholders and the outstanding shares in the suspense account lying at the beginning of the year i.e. April 1, 2010	68	6772
ii)	Number of shareholders who approached the Company for transfer of shares from suspense account during the year 2010-2011	15	1471
iii)	Number of shareholders to whom shares were transferred from suspense account during the year 2010-2011	15	1471
iv)	Aggregate number of shareholders and the outstanding shares in the suspense account lying at the end of the year i.e. March 31, 2011	53	5301

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 March 31, 2011

Number of shares	Number of shareholders	% of shareholders	Total No. of shares	Amount	% of shares
1 -- 5000	145636	98.25%	12886854	128868540	1.12%
5001 - 10000	1338	0.90%	1020751	10207510	0.09%
10001 - 20000	552	0.37%	821974	8219740	0.07%
20001 - 30000	180	0.12%	452273	4522730	0.04%
30001 - 40000	76	0.05%	266774	2667740	0.02%
40001 - 50000	71	0.05%	331515	3315150	0.03%
50001 - 100000	126	0.08%	916620	9166200	0.08%
100001 & Above	259	0.18%	1131069939	11310699390	98.55%
<b>Total</b>	<b>148238</b>	<b>100%</b>	<b>1147766700</b>	<b>11477667000</b>	<b>100%</b>

- Shareholding pattern as on March 31, 2011

Category	Total no. shares	% to Equity
President of India	1030450000	89.78%
Foreign Institutional Investors	41502103	3.62%
Indian Financial Institutions	28101455	2.45%
Bodies Corporate	23975927	2.09%
Resident Individuals	15100930	1.31%
Mutual Funds	6366311	0.55%
Employees	860602	0.07%
HUF	531364	0.05%
Non Resident Indians	329475	0.03%
Banks	310647	0.03%
Clearing Members	213098	0.02%
Trusts	24691	0.00%
Foreign Nationals	97	0.00%
<b>Total</b>	<b>1147766700</b>	<b>100%</b>

### 13) Dematerialization of shares

Number of shares held in dematerialized and physical mode as on March 31, 2011.

Category	No. of shares	% of total capital issued
NSDL	1143801835	99.65%
CDSL	3956051	0.35%
Physical	8814	0.00%
<b>Total</b>	<b>1147766700</b>	<b>100%</b>

### 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 23456020  
Fax: +91 11 23456786  
e-mail: fpo@pfcindia.com

Annexure 1

## 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, in aggregate, for a period exceeding nine (9) years.
- 2. Remuneration Committee:** The appointment of Chairman and Managing Director and other Directors and fixation 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 has constituted a Remuneration Committee comprising of three independent directors. The terms of reference of the Remuneration Committee include interalia deciding the quantum of annual bonus/variable pay and policy for its distribution, formulation of ESOP scheme, pension scheme etc. within the prescribed limits across the whole time directors, executives and non unionized supervisors.
- 3. Shareholder Rights:** The quarterly financial results of the Company are published in leading newspapers as mentioned under the heading "Means and Communication" of the Corporate Governance report and also displayed on the website of the Company. These results are not separately circulated to the shareholders.
- 4. Audit Qualifications:** There are no audit qualifications.
- 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 has not adopted any separate "Whistle Blower policy". However, under the provisions of "Anti Fraud Policy" adopted by the Company, a whistle blower mechanism is in place for reporting of fraud or suspected fraud in the Company involving employees (including contractual employees) as well as shareholders, consultants, vendors, suppliers, service providers, contractors, lenders, borrowers, outside agencies and/or any other parties with a business relationship with the Company.

## MANAGEMENT DISCUSSION & ANALYSIS REPORT

The Management of the Company (PFC) is pleased to present its Report on Industry scenario including Company's performance during the year 2010-11.

### Industry Structure and Development

India has the fifth largest generation capacity in the world. The top four countries, viz., US, Japan, China and Russia together consume about 49 per cent of the total power generated globally. India is witnessing a rapid economic growth and with it the need for energy in the country is also growing.

As on March 31, 2011, India's total installed capacity was 1,73,626.40 MW. Thermal sources continue to have a dominant share at 65 per cent (1,12,824.48 MW) followed by Hydro (21.63 per cent), renewable (10.62 per cent) and nuclear (2.75 per cent). The states collectively generated 47.48 per cent (82,452.58 MW), followed by the central utilities (31.33 per cent) and IPPs (21.2 per cent).

Indian economy is based on planning through successive five year plans ("Five Year Plans") that set out targets for economic development in various sectors, including the power sector. During the 9th Five Year Plan (1997-2002) ("9th Plan"), capacity addition achieved was 19,015 MW, which was 47.5% of the 40,245 MW targeted under the 9th Plan. During the course of the 10th Five Year Plan (2002 to 2007) ("10th Plan"), capacity addition achieved was 21,180 MW, which was 51.6% of the 41,110 MW targeted under the 10th Plan. The current revised capacity target for the 11th Five Year Plan (2007-2012) ("11th Plan") is 78,700 MW. As of March 31, 2011, capacity addition achieved over the 11th Plan has been 56.7% of the target addition or 44,622.90 MW.

In India, the transmission and distribution system is a three-tier structure comprised of regional grids, state grids and distribution networks. The five regional grids, configured on

Source	Central	State	Private	Total	Share (%)
Hydro	8885.40	27257.00	1425.00	<b>37567.40</b>	21.63
Thermal	40747.23	52186.73	19890.52	<b>112824.48</b>	65.00
Nuclear	4780.00	0.00	0.00	<b>4780.00</b>	2.75
RES*	0.00	3008.85	15445.67	<b>18454.52</b>	10.62
<b>Total</b>	54412.63	82452.58	36761.19	<b>173626.40</b>	
Share (%)	31.33	47.48	21.2		

\*RES = Renewal Energy Sources

The Indian Power Sector achieved a significant milestone in fiscal year 2010-11 by recording its highest ever capacity addition. The power sector added record conventional capacities of 12,160 MW during 2010-11. The addition was around 27 per cent higher than in 2009-10. However, it still fell short of the targeted 21,441 MW and is insufficient to cater to the rapidly growing power demand.

Reforms in the power sector, to make it efficient and more competitive, have been under way for several years and while there has been some progress, shortage of power and lack of access continues to be a major constraint on economic growth. The persistent shortages of electricity both for peak power and energy indicate the need for improving performance of the power sector in the country. The total energy deficit and peak power deficit for March 2011 was approximately 7.5% and 10.3%, respectively. The shortages in energy and peak power have been primarily due to the sluggish progress in capacity addition. The

a geographical contiguity basis, enable transfer of power from a power surplus state to a power deficit state. The regional grids also facilitate the optimal scheduling of maintenance outages and better co-ordination between power plants. These regional grids are to be gradually integrated to form a national grid, whereby surplus power from a region could be redirected to another region facing power deficits, thereby allowing a more optimal utilization of the national generating capacity.

With focus on increasing generation capacity over the next 8-10 years, the corresponding investment in the transmission sector is also expected to augment. The Ministry of Power plans to establish an integrated National Power grid in the country by 2012 with close to 2,00,000 MW generation capacities and 37,700 MW of inter regional power transfer capacity. The idea of a single national grid articulated in the slogan 'one nation one grid' has more or less fulfilled. Four out of the five regions in the country have been connected in a synchronous mode. The present inter



regional transmission capacity stands at 22,400 MW and is expected to go up further to 28,000 MW by March 2012.

While some progress has been made at reducing the Transmission and Distribution (T&D) losses, these still remain substantially higher than the global benchmarks. In order to address some of the issues in this segment, reforms have been undertaken through unbundling the State Electricity Boards into separate Generation, Transmission and Distribution units and privatization of power distribution has been initiated either through the outright privatization or the franchisee route. Ministry of Power is implementing a multi faceted strategy through the R-APDRP programme. Distribution companies are being encouraged to use IT for energy audits and accounting as well as carry out system strengthening and technological upgradation of the distribution network to control power pilferage and theft.

In recent years, in light of persistent power shortages and given the estimated rate of increase in demand for electricity in India, the Gol has taken significant action to restructure the power sector, increase capacity, improve transmission, sub-transmission and distribution, and attract investment to the sector. The most significant reform package has been the introduction of the Electricity Act 2003, which has modified the legal framework governing the electricity sector and has been designed to address systemic deficiencies in the Indian power sector and to attract capital for large-scale power projects. In addition, some of the other policies and initiatives of the Gol include the National Tariff Policy, Ultra Mega Power Projects(UMPPs), Independent Transmission Projects(ITPs), Restructured-Accelerated Power Development Programme (R-APDRP), Distribution Reform, Upgrades and Management (DRUM) and the national solar mission. Other initiatives of the Gol include development of merchant power plants and captive power plants, power trading, the establishment of exchanges such as the Indian Energy Exchange and the Power Exchange India Limited and IFCs, which are a new category of infrastructure funding entities introduced by the RBI in February 2010.

### **Opportunities /Threats /Risks /Concerns**

The total fund requirement to achieve the 11th Plan target was estimated as ₹10,31,600 crores. One year of the 11th plan is still left and huge investment is likely to be seen in the remaining period of this plan. A tentative capacity addition of approximately 1,00,000 MW has been envisaged for the 12th Plan. The total fund requirement to achieve the above targeted capacity addition is estimated at ₹11,00,000 crores. Thus total investment in power sector during the 11th and 12th plan is likely to be around ₹21,31,600 crores. This huge fund requirement in power sector is a clear indication of the opportunities available for PFC in the coming years.

PFC is playing a key role in various Government of India programs for the power sector, including acting as the nodal agency for the UMPP program and the R-APDRP and as a bid process coordinator for the ITP scheme.

Further, PFC has been classified as an IFC in July 2010 by RBI. The IFC status has put PFC in a better position than some of its competitors and has granted more flexibility to it in its operations. It has enhanced PFC's ability to raise funds on a cost-competitive basis (including through issuance of Rupee-denominated infrastructure bonds that offer certain tax benefits to the bondholders), and increased its lending exposures to individual entities, corporations and groups etc. IFCs are also eligible to avail External Commercial Borrowings (ECBs) up to US\$ 500 million in each fiscal year subject to maximum of 50% of their owned funds, from recognized lenders. Further, as IFC, risk weight of banks' finance to PFC shall now be 20% vis-à-vis extant risk weight of 100% earlier. Lower risk weight will help PFC in securing competitive interest rates from banks. Thus, this classification would enable PFC to effectively capitalize on the available financing opportunities in the power sector in India.

Further, sensing the increasing opportunities in the allied sectors, PFC has strategically expanded its focus areas to include projects that represent forward and backward linkages to the core power sector projects, including financial assistance for manufacturers of equipment used in the power sector, including transmission and distribution equipment and solar and wind energy generation equipment, fuel sources for power generation projects and related infrastructure development, as well as power trading initiatives.

PFC has a significant concentration of outstanding loans to public sector power utilities, many of which are historically loss-making, thus giving rise to concerns that its asset portfolio may be affected adversely.

Further, the competition scenario from the banks of late is increasing with the increasing bank credit to the infrastructure sector (including power sector). Interest spread of the banks is higher than 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, large capital outlay, 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 may adversely affect a projects' viability in the implementation and operational stages which may impact the ability of borrowers to service the loans. Further, significant shortages in the supply of crude oil, natural gas or coal could

adversely affect the Indian economy and the power sector projects to which PFC has exposure.

### **Outlook**

A tentative capacity addition of approximately 1,00,000 MW has been envisaged for the 12th Plan. This comprises an estimated 74,000 MW thermal power, 20,000 MW hydro power, 3,400 MW nuclear power and 2,500 MW from lignite, respectively. The total fund requirement to achieve the above targeted capacity addition is estimated at ₹11,00,000 crores, with an estimated ₹4,95,000 crores being required for generation projects, an estimated ₹2,40,000 crores being required for transmission projects and an estimated ₹3,71,000 crores being required for distribution projects.

The low per capita consumption of electricity in India compared to the world average presents significant potential for sustainable growth in the demand for electric power in India. The total energy consumption in India is estimated to grow rapidly creating huge potential for investments in the energy sector in India.

Further the economy of the country is growing consistently and creating opportunities to all the sectors including power sector. The demand of energy consumption in the country and huge potential investment in the power sector in coming years simply indicates that the outlook for the power sector and for the PFC continue to remain bright.

### **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 2010-11. The total revenues grew by 25.80% from ₹8,076.86 crore to ₹10,160.56 crore in financial year 2010-11. Profit before Tax (PBT) grew by 17.62% from ₹3,013.20 crore to ₹3,544.14 crore in financial year 2010-11. Profit after Tax (PAT) grew by 11.13% from ₹2,357.25 crore to ₹2,619.58 crore in financial year 2010-11.

Further, Net Worth of the company grew by 14.32% in 2010-11 to ₹14,197 crore as compared to ₹12,419 crore in 2009-10 and the total loan assets (net) as at March 31, 2011 grew by 24.69% to ₹99,570.74 crore from ₹79,855.76 crore as at March 31, 2010. However, the gross Non Performing Assets (NPAs) increased to ₹230.65 crores in 2010-11 as compared to ₹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 resources. 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 is committed to keep them satisfied at all time. There were no man-days lost during the period under review. The Company had 365 employees on its rolls as on March 31, 2011.

### **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,  
New Delhi**

We have examined the compliances of conditions of Corporate Governance by **POWER FINANCE CORPORATION LIMITED**, for the Financial Year ended March 31, 2011, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges as well as guidelines on corporate governance for Central Public Sector Enterprises issued by Department of Public Enterprise (DPE), Government of India.

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 and guidelines on corporate governance for Central Public Sector Enterprises issued by DPE.

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

**For SANJAY GROVER & ASSOCIATES  
COMPANY SECRETARIES**

**Date: August 26, 2011  
Place: New Delhi**

**Sd/-  
SANJAY GROVER  
FCS No. 4223  
CP No. 3850**

**POWER FINANCE CORPORATION LIMITED**  
**BALANCE SHEET AS AT 31ST MARCH , 2011**

(₹ in crore)

Description	Schedule Number	As at 31.03.2011		As at 31.03.2010	
<b>I. SOURCES OF FUNDS</b>					
<b>(1) Share Holder's Funds</b>					
(a) Share Capital	1	1147.77		1147.77	
(b) Reserves & Surplus	2	<u>14034.72</u>	<u>15182.49</u>	<u>12113.02</u>	<u>13260.79</u>
<b>(2) Loan Funds</b>					
Secured Loans	3	235.36		0.00	
Unsecured Loans		<u>85363.21</u>	<u>85598.57</u>	<u>67108.41</u>	<u>67108.41</u>
<b>(3) Interest Subsidy Fund from GOI</b>					
			451.87		663.49
<b>(4) Deferred Tax Liability (Net of Asset )</b>					
			82.97		46.95
<b>Total</b>			<u>101315.90</u>		<u>81079.64</u>
<b>II. APPLICATION OF FUNDS</b>					
<b>(1) Fixed Assets</b>					
Gross Block	4	98.94		93.21	
Less : Depreciation / Amortization		<u>24.51</u>		<u>20.44</u>	
Net Block			<u>74.43</u>		<u>72.77</u>
Capital Works in Progress			2.28		1.73
<b>(2) Investments</b>					
	5		53.88		31.43
<b>(3) Loans</b>					
	6		99570.74		79855.76
<b>(4) Net Current Assets</b>					
<b>Current Assets, Loans &amp; Advances</b>					
(a) Cash & Bank Balances	7	2350.26		1394.30	
(b) Other Current Assets		1941.87		1592.76	
(c) Loans & Advances		<u>640.58</u>		<u>491.12</u>	
		<u>4932.71</u>		<u>3478.18</u>	
<b>Less : Current Liabilities &amp; Provisions</b>					
(a) Current Liabilities	8	3021.47		2124.52	
(b) Provisions		<u>296.87</u>		<u>235.71</u>	
		<u>3318.34</u>		<u>2360.23</u>	
<b>Net Current Assets</b>			<u>1614.37</u>		1117.95
<b>(5) MISCELLANEOUS EXPENDITURE</b>					
<b>(to extent not written off)</b>					
Miscellaneous expenses			0.20		0.00
<b>Total</b>			<u>101315.90</u>		<u>81079.64</u>
<b>ACCOUNTING POLICIES</b>					
	16				
<b>NOTES ON ACCOUNT</b>					
	17				
<b>SCHEDULES 1 TO 17 FORM INTEGRAL PART OF ACCOUNTS.</b>					

For and on behalf of the Board of Directors

**J S AMITABH**  
Company Secretary

**R NAGARAJAN**  
Director (Finance)

**SATNAM SINGH**  
Chairman and Managing Director

Signed in terms of our report of even date

For Mehra Goel & Co.  
Chartered Accountants  
Firm Regd. No - 0517N

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

**( R K MEHRA )**  
PARTNER  
Membership No - 6102

**( G K GUPTA )**  
PARTNER  
Membership No - 81085

Place : New Delhi  
Date : 20.06.2011

**POWER FINANCE CORPORATION LIMITED**  
**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011**

Description	Schedule Number	Year ended 31.03.2011	(₹ in crore) Year ended 31.03.2010
<b>INCOME</b>			
Operating Income	9	10128.49	8002.10
Other Income	10	32.07	74.76
<b>Total</b>		<b>10160.56</b>	<b>8076.86</b>
<b>EXPENSES</b>			
Interest and other charges	11	6423.90	4912.24
Bond Issue Expenses	12	63.05	43.79
Personnel & Administration and Other Expenses	13	92.62	106.04
Depreciation	4	4.28	3.38
Amortization of Intangible Assets	4	0.77	0.43
Provision for Contingencies		31.79	-0.57
Provision for Decline in Value of Investments		-0.06	-1.52
<b>Total</b>		<b>6616.35</b>	<b>5063.79</b>
<b>Profit for the year</b>		<b>3544.21</b>	3013.07
Less(-) / Add(+): Prior Period Adjustments	14	-0.07	0.13
<b>Profit before tax</b>		<b>3544.14</b>	3013.20
Less(-) / Add(+): Provision for Taxation			
- Current Year :-			
- Tax		-898.99	-800.27
- Earlier Years :-			
- Tax		10.45	135.79
Less / Add : Deferred tax liability(-) / Asset(+)			
- Current Year		-36.02	8.53
<b>Profit after tax available for appropriations</b>	15	<b>2619.58</b>	<b>2357.25</b>
<b>Basic &amp; Diluted Earning Per Share of ₹10/- each</b>		<b>22.82</b>	<b>20.54</b>

Refer Note No. 18 of Schedule-17, Notes on Accounts -  
(Amount in ₹)

**ACCOUNTING POLICIES** 16  
**NOTES ON ACCOUNTS** 17  
**SCHEDULES 1 TO 17 FORM INTEGRAL PART OF ACCOUNTS**

For and on behalf of the Board of Directors

**J S AMITABH**  
Company Secretary

**R NAGARAJAN**  
Director (Finance)

**SATNAM SINGH**  
Chairman and Managing Director

Signed in terms of our report of even date

For Mehra Goel & Co.  
Chartered Accountants  
Firm Regd. No - 0517N

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

Place : New Delhi  
Date : 20.06.2011

**( R K MEHRA )**  
PARTNER  
Membership No - 6102

**( G K GUPTA )**  
PARTNER  
Membership No - 81085

## SCHEDULE - 1 SHARE CAPITAL

Description	(₹ in crore)	
	As at 31.03.2011	As at 31.03.2010
<b>Authorised :</b> 200,00,00,000 Equity shares of ₹10/- each (Previous year 200,00,00,000 shares of ₹10/- each)	2000.00	2000.00
<b>Issued, subscribed and paid up :</b> 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
<b>TOTAL</b>	<b>1147.77</b>	<b>1147.77</b>

## SCHEDULE - 2 RESERVES & SURPLUS

Description	(₹ in crore)	
	As at 31.03.2011	As at 31.03.2010
Reserve for Bad & doubtful debts u/s 36(1)(vii)(c) of Income-Tax Act, 1961		
Opening balance	842.07	718.15
Add : Transfer from Profit & Loss Account	142.47	123.92
Add : Transfer from Surplus in Profit & Loss Account *	0.34	0.00
	<b>984.88</b>	842.07
Special Reserve created u/s 36(1)(viii) of Income Tax Act, 1961 upto Financial Year 1996-97	<b>599.85</b>	599.85
Special Reserve created and maintained u/s 36(1)(viii) of Income Tax Act, 1961 from Financial Year 1997-98		
Opening balance	4574.64	4006.03
Add : Transfer from Profit & Loss Account	634.32	568.61
Add : Transfer from Surplus in Profit & Loss Account *	0.27	0.00
Add : Transfer from Profit & Loss Account (Balance Sheet head) ***	7.92	0.00
Less: Transfer to Surplus in Profit & Loss Account ****	12.83	0.00
	<b>5204.32</b>	4574.64
Securities Premium Account	<b>851.10</b>	851.10
General Reserve		
Opening balance	2031.97	1795.97
Add : Transfer from Profit & Loss Account	262.00	236.00
	<b>2293.97</b>	2031.97
Debeture Redemption Reserve		
Opening balance	0.00	0.00
Add : Transfers from Profit & Loss Account	0.06	0.00
	<b>0.06</b>	0.00
Surplus in Profit and Loss Account		
Opening balance	3213.39	2388.95
Add : Transfer from Profit & Loss Account	882.18	824.44
Add : Adjustments during the current year **	0.67	0.00
Add : Transfers from Special Reserve under Income Tax Act, 1961 ****	12.83	0.00

Less : Transfers to Reserve for Bad & doubtful debts and Special Reserve under Income Tax Act, 1961 *	0.61		0.00	
Less : Transfers to Special Reserve under Income Tax Act, 1961 ***	7.92	<b>4100.54</b>	0.00	3213.39
<b>TOTAL</b>		<b>14034.72</b>		<b>12113.02</b>

\* Transferred to match the deduction claimed as per the Income tax return for the Assessment Year 2010-11.

\*\* On account of reversal of excess corporate dividend tax provided for during the FY 2009-10.

\*\*\* Additional special reserve created for AY 2009-10 to match with our claim as per revised return .

\*\*\*\* Surplus special reserve has been reversed due to pre payment of loans before five years .

### SCHEDULE - 3 LOANS FUNDS

Description	As at		As at	
	31.03.2011		31.03.2010	
(₹ in crore)				
<b>A Secured</b>				
<b>I. Bonds</b>				
a) Infrastructure Bonds (Refer Note 1)		<b>235.36</b>		0.00
<b>Sub Total (A)</b>		<b>235.36</b>		<b>0.00</b>
<b>B Unsecured</b>				
<b>I. Bonds</b>				
a) Bonds Guaranteed by the Government of India (Refer Note No. 2)		<b>22.00</b>		42.00
b) Other Bonds (Refer Note Nos. 3 to 13)		<b>55879.64</b>		45759.43
c) Foreign Currency Notes (Refer Note No. 15)		<b>812.52</b>	<b>56714.16</b>	820.44
				46621.87
<b>II. Loans</b>				
<b>a) Long Term Loans</b> (Refer Note No. 16)				
(i) Foreign Currency Loans from Foreign banks / Institutions ( Guaranteed by the Govt. of India )		<b>331.54</b>		389.04
(ii) Syndicated Foreign Currency Loans from banks / Institutions		<b>3637.91</b>		1367.40
(iii) Foreign Currency Loans ( FCNR(B) from banks )		<b>180.56</b>		181.98
(iv) Rupee Term Loans ( From Banks )		<b>17078.00</b>		14793.00
(v) Rupee Term Loans ( From Financial Institutions )		<b>1130.00</b>	<b>22358.01</b>	1430.00
				18161.42

**b) Short Term Loans**

(i) RTL- from Banks	2100.00			0.00		
(ii) Commercial Paper	1950.00			650.00		
(iii) Working Capital Demand Loan/OD/CC/ Loan Against FD/Line of Credit	2241.04	6291.04	28649.05	1675.12	2325.12	20486.54
<b>Sub Total B</b>			<b>85363.21</b>			<b>67108.41</b>
<b>Total (A+B)</b>			<b>85598.57</b>			<b>67108.41</b>

**Notes**

The details of Infrastructure Bonds outstanding as at 31.03.2011 are as follows:

Bond Series	Date of allotment	Amount (₹ in crore)	Redemption details
Infrastructure Bonds Series-1	31.03.2011	66.84	They are redeemable at par, one date, being the date falling ten years from the Date of allotment and / or are redeemable at par, one date, being the date falling five years and one day from the Date of Allotment on exercising the put option by the bondholders.
Infrastructure Bonds Series-2	31.03.2011	139.67	They are redeemable at par with cumulative interest and interest on application interest compounded annually, one date, being the date falling ten years from the date of allotment and / or are redeemable at par with cumulative interest and interest on application interest compounded annually, one date, being the date falling five years and one day from the date of allotment on exercising the put option by the bondholders.
Infrastructure Bonds Series-3	31.03.2011	6.13	They are redeemable at par, one date, being the date falling fifteen years from the date of allotment and / or are redeemable at par, one date, being the date falling seven years and one day from the date of allotment on exercising the put option by the bondholders.
Infrastructure Bonds Series-4	31.03.2011	22.72	They are redeemable at par with cumulative interest and interest on application interest compounded annually, one date, being the date falling fifteen years from the date of allotment and / or are redeemable at par with cumulative interest and interest on application interest compounded annually, one date, being the date falling seven years and one day from the date of allotment on exercising the put option by the bondholders.

2. The details of Government guaranteed bonds outstanding as at 31.03.2011 are as follows:

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

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 ₹ 1,00,00,000 each comprising 7 detachable and separately transferable principal parts - I and VII parts of ₹ 15,00,000/- each and II to VI parts of ₹ 14,00,000/- each. The separate principal parts are designated as A,B,C,D,E,F and G. Parts A,B,C, D, E & F amounting to ₹ 53.10 crore, ₹ 49.56 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 & 23.11.2010 respectively. The separate principal parts designated as F and G will be redeemed at par as follows:



PART	DATE OF REDEMPTION	AMOUNT (₹ IN CRORE)
G	23.11.2011	53.10

4. 9.25% Taxable non-cumulative Unsecured redeemable Bonds 2012- XI Series of ₹ 774.97 crore have been allotted on 20.02.2002. They are redeemable at par on the expiry of 10 years from the date of allotment 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-cumulative Unsecured redeemable Bonds 2017 - XIII Series of ₹ 125.00 crore and ₹ 65.00 crore have been allotted on 16.5.2002 and 24.5.2002 respectively. They are redeemable at par on the expiry of 15 years from the date of allotment.
6. 8.21% Taxable non-cumulative Unsecured redeemable Bonds 2017 - XVII Series of ₹ 250.00 crore have been allotted on 03.10.2002. They 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. An amount of ₹ 25.00 crore each amounting to ₹ 75 crore was redeemed on 03.10.2008 , 03.10.2009 and 03.10.2010 respectively. The date and the amount of the bonds to be redeemed are as follows :-

Date of Redemption	Amount (₹ in crore)
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-cumulative Unsecured redeemable Bonds 2017 - XVIII Series of ₹ 250.00 crore have been allotted on 13.11.2002. They 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. An amount of ₹ 25.00 crore each amounting to ₹ 75 crore was redeemed on 13.11.2008, 13.11.2009 & 13.11.2010 respectively . The date and the amount of the bonds to be redeemed are as follows :-

Date of Redemption	Amount (₹ in crore)
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 ₹ 300.56 crore (previous year ₹ 278.04 crore) are redeemable at face value of ₹ 750.00 crore on 30.12.2022 [(net of Unamortised Interest of ₹ 449.44 crore ( previous year ₹ 471.96 crore )].
9. 6.80% Taxable non cummulative unsecured redeemable Bonds 2011 - XXI - A Series of ₹ 301.00 crore have been allotted on 02.11.2004. They are redeemable at par on expiry of 7 years from the date of allotment 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.
10. 7.00% Taxable non cummulative unsecured redeemable Bonds 2014 - XXI - B Series of ₹ 168.80 crore have been allotted on 02.11.2004. They are redeemable at par on expiry of 10 years from the date of allotment 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.
11. 7.00% Taxable non cummulative unsecured redeemable Bonds 2011 - XXII Series of ₹ 1040.70 crore have been allotted on 24.12.2004. They are redeemable at par on expiry of 7 years from the date of allotment 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.

12. 7.00% Taxable non cummmulative unsecured redeemable Bonds 2012 - XXIII Series of ₹ 349.90 crore have been allotted on 05.07.2005. They are redeemable at par on expiry of 7 years from the date of allotment 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 ₹ 147.20 crore has been exercised by the bondholders on 05.07.2010.

13. The details of unsecured Taxable (Non cumulative) Bonds series XXIV to LXXI are as follows :

Bond Series	Coupon Rate	Date of Redemption	Amount (₹ in crore)
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 - 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 - B Series	9.03%	15.02.2013	319.00
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

Bond Series	Coupon Rate	Date of Redemption	Amount (₹ in crore)
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
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
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	1 year INCMTBMK + 135 bps	20.11.2012	175.00
LX - B Series	1 year 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
LXV - Series	8.70%	14.05.2015	1337.50
	8.70%	14.05.2020	162.50
	1 year INCMTBMK + 98 bps	14.05.2020	1175.00
	1 year INCMTBMK + 63.5 bps	14.05.2025	250.00
	8.70%	14.05.2025	1087.50

LXVI - A Series	3 year INCMTBMK + 87.50 bps	15.06.2020	500.00
LXVI - B Series	3 year INCMTBMK + 84.25 bps	15.06.2025	700.00
	8.75%	15.06.2025	832.00
LXVI - C Series	8.85%	15.06.2030	633.00
LXVII Series	7.10%	15.07.2012	1100.00
LXVIII - A Series	8.25%	15.07.2015	147.00
LXVIII - B Series	8.70%	15.07.2020	1424.00
LXIX - Series	7.89%	15.09.2012	950.00
LXX Series	8.78%	15.11.2020	1549.00
LXXI - A Series	9.05%	15.12.2020	192.70
LXXI - B Series	9.05%	15.12.2025	192.70
LXXI - C Series	9.05%	15.12.2030	192.70
LXXII - A Series	8.97%	15.01.2018	144.00
LXXII - B Series	8.99%	15.01.2021	1219.00

14. As at 31.03.2011, Bonds of ₹3.40 crore (previous year ₹3.42 crore) are held by PFC Ltd. Employees Provident Fund Trust and Bonds of ₹0.70 crore (previous year ₹0.70 crore) are held by PFC Ltd. Gratuity Trust.
15. Foreign currency 6.61 % Senior Notes (USPP - I) of USD 180 million amounting to ₹812.52 crore (previous year ₹820.44 crore) are redeemable at par on 05.09.2017.
16. Long term loans due for repayment within one year are ₹ 3513.50 crore (previous year ₹5256.62 crore).

**SCHEDULE - 4  
FIXED ASSETS**

(₹ in crore)

Description	GROSS BLOCK		DEPRECIATION			NET BLOCK					
	Opening Balance as at 01.04.2010	Additions/ Adjustments	Deductions/ Adjustments	Closing Balance as at 31.03.2011	Opening Balance as at 01.04.2010	For the Period 01.04.2010 to 31.03.2011	Charged to Prior period Adjustments	Withdrawn/ Written back	Closing Balance as at 31.03.2011	As at 31.03.2011	As at 31.03.2010
<b>I. TANGIBLE ASSETS : Owned Assets</b>											
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	0.46	37.87	0.00	0.00	0.00	0.00	0.00	37.87	38.33
Buildings	24.14	0.00	0.00	24.14	4.34	0.99	0.00	0.00	5.33	18.81	19.80
EDP Equipments	7.33	4.82	0.93	11.22	6.07	1.77	0.01	0.82	7.03	4.19	1.26
Office and other equipments	11.21	0.47	0.09	11.59	5.19	0.90	0.00	0.05	6.04	5.55	6.02
Furniture & Fixtures	7.02	0.23	0.06	7.19	3.87	0.61	0.00	0.04	4.44	2.75	3.15
Vehicles	0.18	0.00	0.05	0.13	0.15	0.01	0.00	0.05	0.11	0.02	0.03
<b>Total</b>	90.80	5.52	1.59	94.73	19.62	4.28	0.01	0.96	22.95	71.78	71.18
Previous Year	95.33	1.10	5.63	90.80	21.79	3.38	0.00	5.55	19.62	71.18	73.54
<b>II. Intangible Assets : Purchased Software</b> (Useful Life - 5 years)	2.41	1.90	0.10	4.21	0.82	0.77	0.00	0.03	1.56	2.65	1.59
<b>Previous Year</b>	2.00	0.41	0.00	2.41	0.39	0.43	0.00	0.00	0.82	1.59	1.61
<b>III. Capital Works in Progress - Intangible Assets **</b>	1.73	0.55	0.00	2.28	0.00	0.00	0.00	0.00	0.00	2.28	1.73
<b>Previous Year</b>	0.00	1.73	0.00	1.73	0.00	0.00	0.00	0.00	0.00	1.73	0.00

\*\*\*Software Applications - Purchased and under implementation

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



## SCHEDULE - 5 INVESTMENTS

Description	(₹ in crore)	
	As at 31.03.2011	As at 31.03.2010
<b>A. Long Term Investments (Trade - Unless otherwise specified)</b>		
<b>- Valued at Cost</b>		
1,20,00,000 (Previous Year 1,20,00,000) Equity Shares of ₹10/- each fully paid up of PTC Ltd. (Quoted)	12.00	12.00
21,87,015 (Previous Year 8,33,000) Equity Shares of ₹10/- each fully paid up of National Power Exchange Ltd. (Unquoted - Non Trade)	2.19	0.83
17,50,000 (Previous Year 17,50,000) Equity Shares (Face value of ₹10/- each) of Power Exchange India Ltd. (Unquoted - Non Trade)	1.75	1.75
6,25,000 (Previous Year 6,25,000) Equity Shares (Face value of ₹10/- each) of Energy Efficiency Services (P) Ltd. (Unquoted - Non Trade)	0.63	0.63
4,65,000 (Previous Year 4,65,000) Equity Shares of ₹10/- each fully paid up of Subsidiaries / Associates (Unquoted - Non Trade)	0.47	0.47
8,330 (Previous Year 8,330) 4% Bonds of ₹100/- each of IMP Power Ltd. (Unquoted - Non Trade)	0.08	0.08
<b>- Valued at Cost (Less diminution, if any, other than temporary)</b>		
87,33,788 (Previous Year 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)	8.73	12.08
Less : Provision for diminution	0.18	8.55
<b>- Valued at Cost (NPAs)</b>		
Nil (Previous Year 50,000) Equity Shares of ₹10/- each fully paid up of subsidiaries (Unquoted - Non Trade)	0.00	0.05
Less : Provision for contingencies	0.00	0.00
<b>B. Current Investments - Valued scrip wise at lower of cost or market Price (Trade - Unless otherwise specified)</b>		
Equity Shares (Quoted) **	3.83	3.83
Less : Provision for diminution	0.00	3.83
<b>C. Application Money pending allotment of Shares</b>		
2,43,80,000 (Previous Year nil) Equity Shares (Face value of ₹10/- each) of Energy Efficiency Services (P) Ltd. (Unquoted - Non Trade) (Refer note no. 10.2 (C) (2) of Schedule 17)	24.38	0.00
<b>TOTAL</b>	<b>53.88</b>	<b>31.43</b>
**		
5,39,349 (Previous year 5,39,349) Equity Shares (Face value of ₹10/- each) of PGCIL purchased at a cost of ₹52	2.80	2.80
97,952 (Previous year 97,952) Equity Shares (Face value of ₹10/- each) of REC Ltd. purchased at a cost of ₹105	1.03	1.03
	<b>3.83</b>	<b>3.83</b>

Particulars	Book Adjusted Value	Market Value
<b>Aggregate of Quoted Investments</b>	15.83	108.06
(previous year)	(15.83)	(142.69)
<b>Aggregate of Unquoted Investments</b>	13.67	
(previous year)	(15.60)	
<b>Application Money pending allotment of Shares</b>	24.38	
(previous year)	0.00	
<b>TOTAL</b>	<b>53.88</b>	<b>108.06</b>
(Previous year)	<b>(31.43)</b>	<b>(142.69)</b>

## SCHEDULE - 6 LOANS

(₹ in crore)  
As at  
31.03.2010

Description	As at 31.03.2011		As at 31.03.2010	
<b>I. Secured Loans</b>				
<b>a) Considered Good</b>				
Rupee Term Loans (RTLs) to State Electricity Boards, State Power Corporations, Central Public Sector Undertakings and State Governments	57995.39		47082.90	
RTLs to Independent Power Producers	3999.46		1552.05	
Foreign Currency Loans to Independent Power Producers	324.30		406.11	
Buyer's Line of Credit	11.41		19.94	
Lease Financing to Borrowers	131.37		300.52	
RTLs to Equipment Manufacturers	2.50		3.76	
Working Capital Loans to State Electricity Boards and State Power Corporations	500.00		0.00	
Incomes accrued & due on loans	8.54	62972.97	1.93	49367.21
<b>b) Others</b>				
RTL to Independent Power Producers - Projects under implementation	700.00		0.00	
Less: Provision for contingencies	2.80	697.20	0.00	0.00
RTL to Independent Power Producers - NPA	8.92		8.92	
Less: Provision for contingencies	8.92	0.00	2.68	6.24
Lease financing to Borrowers - NPA	217.49		0.00	
Less: Provision for contingencies	22.89	194.60	0.00	0.00
<b>II. Un Secured Loans</b>				
<b>a) Considered Good</b>				
RTLs to State Electricity Boards, State Power Corporations, Central Public Sector Undertakings and State Governments	32572.26		25480.00	
RTLs to Independent Power Producers	628.63		1955.47	
Working Capital Loans to State Electricity Boards and State Power Corporations	1605.77		2948.99	
Foreign Currency Loans to State Electricity Boards and State Power Corporations	72.31		93.65	
Buyer's Line of Credit	0.00		4.18	
RTLs to Equipment Manufacturers	827.00		0.00	
Incomes accrued & due on loans	0.00	35705.97	0.02	30482.31
<b>b) Others</b>				
RTLs to State Power Corporations - NPAs	4.24		4.24	
Less : Provision for contingencies	4.24	0.00	4.24	0.00
<b>TOTAL</b>		<b>99570.74</b>		<b>79855.76</b>



**SCHEDULE - 7**  
**CURRENT ASSETS LOANS & ADVANCES**

Description			(₹ in crore)	
	As at 31.03.2011		As at 31.03.2010	
<b>I CURRENT ASSETS</b>				
<b>(A) CASH AND BANK BALANCES</b>				
a) (i) Cheques in hand	0.38		1.27	
(ii) Imprest with postal authority	0.01	0.39	0.01	1.28
b) In Current Accounts with :-				
i) Reserve Bank of India	0.05		0.05	
ii) Scheduled Banks	247.77	247.82	2.55	2.60
c) Fixed Deposits with Scheduled Banks		2102.05	2350.26	1390.42
				1394.30
<b>(B) OTHER CURRENT ASSETS</b>				
a) Interest accrued but not due on Loan Assets		1860.28		1543.23
b) Other charges accrued but not due on Loan Assets		60.98		38.96
c) Interest accrued but not due on Employee advances		5.26		5.47
d) Interest Accrued but not due on Deposits and Investments		15.35	1941.87	5.10
				1592.76
<b>II LOANS &amp; ADVANCES</b>				
<b>Loans (considered good) *</b>				
a) to Employees (Secured)	11.76		8.98	
b) to Employees (Unsecured)	15.97	27.73	8.64	17.62
<b>Advances (Unsecured considered good)</b>				
Advances recoverable in cash or in kind or for value to be received				
a) to Subsidiaries (including interest recoverable there on)	133.98		65.39	
b) to Employees	0.59		0.40	
c) Prepaid Expenses	2.19		1.54	
d) Unamortized financial charges on Commercial Paper	35.45		5.15	
e) Others	329.35		240.49	
f) Advance Income Tax and Tax Deducted at Source (net)	106.52		157.81	
g) Advance Fringe Benefit Tax	1.29		1.29	
h) Security Deposits	3.48	612.85	1.43	473.50
<b>Loans &amp; Advances (Unsecured - Others)</b>				
a) Others - NPAs	1.03		1.17	
Less : Provision for contingencies	1.03	0.00	1.17	0.00
		640.58		491.12
<b>TOTAL</b>		<b>4932.71</b>		<b>3478.18</b>

**\*Note :-**

Loans and Advances include :

Particulars	Balance as at 31.03.2011	Maximum during 2010-11	Balance as at 31.03.2010	Maximum during 2009-10
Loans given to Directors	0.16	0.22	0.22	0.29
Loans given to Officers	4.50	5.80	2.73	3.54

## SCHEDULE - 8 CURRENT LIABILITIES & PROVISIONS

Description	As at 31.03.2011		As at 31.03.2010	
<b>I. CURRENT LIABILITIES</b>				
Unclaimed / Unpaid Bonds *	6.52		22.83	
Unclaimed / Unpaid Interest on Bonds **	3.65		4.04	
Unclaimed Dividend	0.60		0.55	
Interest Accrued but not due :				
On Bonds	2305.69		1594.67	
On Loans	117.88	2423.57	121.82	1716.49
Interest Differential Fund - KFW		49.01		47.60
Advance received from Subsidiaries (including interest payable thereon)		247.79		186.86
Amount payable to Gol under R-APDRP		6.88		0.11
Other liabilities ***		283.45	146.04	2124.52
<b>II. PROVISIONS</b>				
Taxation - Income Tax (net)		33.52		0.00
Taxation - Fringe Benefit Tax		0.80		0.80
Proposed Wage Revision		0.00		6.20
Leave Encashment		15.47		12.84
Economic Rehabilitation of Employees		1.26		1.31
Staff Welfare Expenses		9.93		8.59
Gratuity / Superannuation Fund		5.78		4.54
Proposed Final Dividend		197.99		172.17
Proposed Corporate Dividend Tax		32.12	29.26	235.71
<b>TOTAL</b>		<b>3318.34</b>		<b>2360.23</b>

\*Includes an amount of ₹ 0.52 crore (previous year ₹ 0.52 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 ₹ 167.36 crore from one bank (previous year ₹ 28.35 crore).

## SCHEDULE - 9 OPERATING INCOME

Description	Year ended		Year ended	
	31.03.2011		31.03.2010	
Interest on Loans	9760.51		7852.26	
Prepayment Premium on Loans	27.85		14.53	
Upfront fees on Loans	41.72		22.06	
Service charges on Loans	0.07		0.11	
Management, Agency & Guarantee Fees	96.77		48.62	
Commitment charges on Loans	3.04		4.54	
Less : Commitment charges on Loans waived	0.08	2.96	0.00	4.54
Income from surplus funds	93.18		48.81	
Lease income	15.81		14.90	
Nodal Agency Fees under R-APDRP (Refer note No.16 (ii) of Schedule 17)	89.62		-17.33	
Advisory Fees - UMPPs	0.00		13.60	
<b>TOTAL</b>	<b>10128.49</b>		<b>8002.10</b>	

## SCHEDULE - 10 OTHER INCOME

Description	Year ended		Year ended	
	31.03.2011		31.03.2010	
Interest on Income Tax Refund	24.49		54.43	
Miscellaneous Income	2.75		6.93	
Excess Liabilities written back	1.34		7.90	
Dividend / Interest Income on Long term Investments	1.56		1.59	
Dividend / Interest Income on Current Investments	0.15		0.12	
Profit on sale of Long term Investments	1.78		0.53	
Profit on sale of Current Investments	0.00		3.26	
<b>TOTAL</b>	<b>32.07</b>		<b>74.76</b>	

## SCHEDULE - 11 INTEREST & OTHER CHARGES

Description	Year ended		Year ended	
	31.03.2011		31.03.2010	
<b>I. Interest</b>				
On Bonds	4835.41		3700.99	
On Loans	1417.53		1051.21	
to GOI on Interest Subsidy Fund	56.22		80.70	
Rebate for Timely Payment to Borrowers	157.05		127.36	
Swap Premium ( Net )	-153.05	6313.16	-42.31	4917.95
<b>II. Other Charges</b>				
Commitment & Agency Fees	0.67		0.49	
Financial Charges on Commercial Paper	15.45		64.49	
Guarantee, Listing & Trusteeship fees	1.71		1.98	
Management Fees on Foreign Currency Loans	61.04		27.71	
Bank/Other charges	0.07		0.00	
Net Translation / Actual Exchange Loss/gain (-) on Foreign Currency Loans	26.38	105.32	-103.84	-9.17
Interest paid on advances received from subsidiaries	6.85		4.28	
Less : Interest received on advances given to subsidiaries	1.43	5.42	0.82	3.46
<b>TOTAL</b>	<b>6423.90</b>		<b>4912.24</b>	

## SCHEDULE - 12 BOND ISSUE EXPENSES

Description	(₹ in crore)	
	Year ended 31.03.2011	Year ended 31.03.2010
Interest on Application Money	37.42	27.06
Credit Rating Fees	1.57	2.24
Other Issue Expenses	20.83	10.68
Stamp Duty Fees	3.23	3.81
<b>TOTAL</b>	<b>63.05</b>	<b>43.79</b>

## SCHEDULE - 13 PERSONNEL, ADMINISTRATION AND OTHER EXPENSES

Description	(₹ in crore)	
	Year ended 31.03.2011	Year ended 31.03.2010
Salaries, Wages and Bonus	47.92	51.39
Contribution to Provident and other funds	4.87	3.69
Staff Welfare	7.41	12.56
Office Rent	0.40	0.35
Rent for Residential accomodation of employees	6.89	4.06
Electricity & Water charges	0.90	1.02
Insurance	0.03	0.12
Repairs & Maintenance	1.96	2.35
Stationery & Printing	0.46	0.34
Travelling & Conveyance	5.30	4.61
Postage, Telegraph & Telephone	0.70	1.11
Professional & Consultancy charges	1.80	7.02
Miscellaneous	27.16	14.85
Loss on sale of assets	0.06	0.02
Auditors' remuneration	0.38	0.26
Service Tax	1.62	1.26
Rates & Taxes	0.65	1.02
Wealth Tax	0.00	0.01
<b>TOTAL</b>	<b>108.51</b>	<b>106.04</b>
Less : Re-imbursement of expenditure incurred for operationalization of R-APDRP scheme **	15.89	0.00
<b>TOTAL</b>	<b>92.62</b>	<b>106.04</b>

\*\* The amount pertains re-imbursements related to FYs 2008-09 and 2009-10. The expenses of ₹ 7.88 crore relating to the current financial year have been adjusted against the respective heads.

### Note:

Description	(₹ in crore)	
	Year ended 31.03.2011	Year ended 31.03.2010
<b>1. Miscellaneous includes :</b>		
Books & Periodicals	0.03	0.03
Advertisement	6.12	4.88
Membership & Subscription	0.82	1.01

Entertainment	<b>0.42</b>	0.36
Conference & Meeting Expenses	<b>1.33</b>	1.36
Security Expenses	<b>0.74</b>	0.67
Training	<b>0.43</b>	0.34
EDP Expenses	<b>1.52</b>	0.66
Business Promotion / Related Expenses	<b>0.10</b>	0.14
<b>2. Auditors' Remuneration includes * :</b>		
Audit fees	<b>0.12</b>	0.12
Tax Audit fees	<b>0.04</b>	0.04
Other certification services	<b>0.23</b>	0.10
Reimbursement of Expenses	<b>0.01</b>	0.00
<b>3. Payments made in r/o CMD and Directors:</b>		
Salaries, Wages & Bonus	<b>0.89</b>	0.97
Contribution to Provident and other welfare funds	<b>0.07</b>	0.06
Other Perquisite payment	<b>0.51</b>	0.56
Inland travelling	<b>0.41</b>	0.27
Foreign travelling	<b>0.49</b>	0.35

\* excludes ₹0.10 crore. and ₹0.09 crore paid / payable for certification works related to Infrastructure bonds issue and follow on public issue respectively.

#### SCHEDULE - 14 PRIOR PERIOD ADJUSTMENTS

Description	Year ended 31.03.2011	Year ended 31.03.2010
<b>Prior Period Income :</b>		
Interest & Other charges	<b>0.13</b>	-0.20
<b>Prior Period Expenses :</b>		
Depreciation	<b>-0.03</b>	0.00
Interest & Other charges	<b>0.19</b>	-0.40
Personnel & Administration Expenses	<b>0.04</b>	0.07
<b>Prior Period Adjustments (Net)</b>	<b>-0.07</b>	0.13

## SCHEDULE - 15 APPROPRIATION

Description	Year ended	(₹ in crore)
	31.03.2011	Year ended 31.03.2010
Transfer towards Reserve for Bad & Doubtful Debts u/s 36 (1) (vii) (c) of Income Tax Act, 1961	142.47	123.92
Transfer to Special Reserve created and maintained u/s 36(1)(viii) of Income Tax Act, 1961	634.32	568.61
Debenture Redemption Reserve	0.06	0.00
Dividend & Corporate Dividend Tax :		
Interim Dividend Paid	401.72	344.33
Proposed Final Dividend	197.99	172.17
Corporate Dividend Tax paid on Interim Dividend	66.72	58.52
Proposed Corporate Dividend Tax	32.12	29.26
General Reserve	262.00	236.00
Balance carried to Balance Sheet	882.18	824.44
<b>TOTAL</b>	<b>2619.58</b>	<b>2357.25</b>

## SCHEDULE - 16

### 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 01.04.2001 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 ₹5,000/- are charged to natural heads of account.

2.7 (i) Nodal Agency Fees under Restructured Accelerated Power Development and Reforms Programme (R – APDRP) is accounted for @1% of the sanctioned project cost in three steps- 0.40% on sanction of the project, 0.30% on disbursement of the funds and remaining 0.30% after completion of the sanctioned project (for Part – A) and verification of AT&C loss of the project areas (for Part – B).

(ii) The actual expenditure incurred for operationalising the R- APDRP are reimbursable from Ministry of Power, Government of India and accounted for in the period so incurred.

#### 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 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 for on straight line method at the rates prescribed under the 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 ₹5,000/- 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 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 no longer exists.

#### **6 PROVISIONS / WRITE OFF AGAINST LOANS AND ADVANCES PRUDENTIAL NORMS**

**6.1** PFC being a Government owned Non Banking Financial Company (NBFC) is exempt from the RBI directions relating to Prudential Norms. The Company, however, has formulated its own set of Prudential Norms with effect from 01.04.2003, which has been revised from time to time.

In respect of private sector utilities, the Company applies RBI exposure norms, as advised by RBI, vide letter of December, 2008. Further, RBI exempted PFC from its prudential exposure norms in respect of lending to State / Central entities in power sector till March'2012, vide its letter dated 18.03.2010.

RBI has accorded the status of Infrastructure Finance company (IFC) to PFC, vide its letter dated 28.07.2010. Accordingly, PFC maintains CRAR as applicable to IFC.

**6.2** As per prudential norms approved by the Board of Directors and the 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 the Central / State Government guarantee or by the 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 the 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** 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 the state / central government or by the 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.

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) 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.
- (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 / borrowing.

**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 FUND**

**9.1** Interest subsidy for eligible borrowers received from the 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** 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 the 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 project loan / scheme (generation) to state sector borrower (category A) as per the policy of the Company.
- 11.4** 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.
- 11.6** The company incurs expenditure for development work in the UMPPs. The expenditure incurred is shown as amount recoverable from the respective subsidiaries set up for development of UMPPs. Provisioning / write off is considered to the extent not recoverable when an UMPP is abandoned by the Ministry of Power, Government of India.

## **12 EMPLOYEE BENEFITS**

### **12.1 Provident Fund, Gratuity and post retirement benefits**

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 Standard – 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.

Deferred tax charge or credit and corresponding deferred tax liabilities or assets are recognized using 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 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 the Accounting Standard Board of the 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. 17

### NOTES ON ACCOUNTS

1. The Company is a government company engaged in extending financial assistance to power sector.
2. Contingent liabilities:
  - (i) Default guarantees issued by the Company in foreign currency :
    - a) EURO 0.355 million equivalents to ₹ 2.27 crore (previous year EURO 0.710 million equivalents to ₹ 4.35 crore).
    - b) US \$ 14.34 million equivalent to ₹ 64.75 crore (previous year US \$ 17.745 million equivalent to ₹ 80.88 crore).
  - (ii) Default guarantee issued by the Company in Indian Rupee: ₹ 400 crore (previous year ₹ 400.00 crore).
  - (iii) Bank guarantee issued by the Company in Indian Rupee: ₹ 50.04 crore (previous year Rs 0.04 crore).
  - (iv) The additional demand raised by Income Tax Department of ₹ 9.24 crore, Rs 0.57crore , ₹ 0.03 crore and ₹ 4.48 crore. for Assessment Years 2005-06, 2006-07, 2007-08 and 2008-09 respectively are being contested. The management does not consider it necessary to make any provision, as the probability of outflow of resources is negligible.
  - (v) Claims against the Company not acknowledged as debts are ₹ 7.80 crore (previous year ₹ 7.80 crore).
  - (vi) Outstanding disbursement commitments to the borrowers by way of Letter of Comfort issued against loans sanctioned, ₹ 5,758.02 crore as at 31.03.2011 (previous year ₹ 3,414.21 crore).
3. Estimated amount of contract remaining to be executed on account of capital contracts, not provided for, is ₹ 3.70 crore (previous year ₹ 4.26 crore).
4. Additional demands raised by the Income Tax Department (net of relief granted by Appellate Authorities) amounting to ₹ 22.58 crore for Assessment Year 2001-02 to 2008-09 were paid, provided for and are being contested.
5. A project under implementation having principal outstanding of ₹ 700.00 crore (previous year ₹ 325.00 crore) has been considered as standard asset in terms of RBI circular No. DBS.FID.No.C – 11 / 01.02.00 / 2001-02 dated 01.02.2002 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), RBI letter no. DBOD, BP.No.7675 / 21.04.048 / 2008-09 dated 11.11.2008 (which inter-alia advised that the date of commencement of commercial operation (DCCO) be treated as 31.03.2009), RBI circular no. DBOD. BP. BC. 85 / 21.04.048 / 2009 -10 dated 31.03.2010 and RBI letter no. DBOD. No. BP. No. 11505 / 21.04.048 / 2010-11 dated- 21.01.2011. (which inter-alia enables that the said asset can be retained as standard asset, if the DCCO is re-fixed within the period of 3 years from the commercial operation of 31.03.2009 provided the change in DCCO is due to reasons beyond control of the promoter and subject to compliance of certain provisions).  
Accordingly, in terms of the RBI circular no. DBOD. No. BP. BC. 85 / 21.04.048 / 2009 -10 dated 31.03.2010, the Company has made a provision of ₹ 2.80 crore at the rate of 0.40% of the outstanding amount of ₹ 700 crore during the year. However, the Company recognizes interest on this loan on receipt basis in terms of the accounting policy and as per prudential norms approved by the MoP.  
The Company has approved and finalized amendments to the Financial Realignment Plan (FRP). As per FRP, the Project Company is to issue Zero Coupon Bonds (ZCB) (towards interest outstanding for the period from 01.10.2001 to 31.10.2005) valuing ₹ 103.87 crore. During the FY 2010-11, an amount of ₹ 120.81 crore ( including the dues of previous year of ₹ 23.12 crore and the guarantee fee of ₹ 4.60 crore for the current year) became due on the loan as per FRP, out of which ₹ 74.74 crore were received and accounted for as per the accounting policy. The balance of ₹ 46.07 crore being interest and guarantee fee due up to 31.03.2011 and ₹103.87 crore against ZCB have not been recognized, as per the accounting policy.
6. During the year, one borrower had made premature repayment of loan of ₹ 497.92 crore with payment of ₹ 10.99 crore towards prepayment premium. As per the terms and conditions of the loans / prepayment policy of the company, the demand for balance prepayment premium of ₹ 10.79 crores was sent to the borrower, which they have disputed and have not paid. Hence the same has not been accounted for.
7. Interest Subsidy of ₹ 17.65 crore under Accelerated Generation & Supply Programme (AG&SP) along with interest upto 31st March, 2011 amounting to ₹26.78 crore (previous year ₹ 24.67 crore), became recoverable in respect of one project, as the project was not completed till 31.03.2007 and the subsidy was withdrawn by the MoP. The amount of ₹ 26.78 crore (previous year ₹24.67 crore) is payable to the MoP on receipt from the borrower.
8. The company creates Debenture Redemption Reserve (DRR) upto 50% of the value of bonds / debentures issued through public issue, during the maturity period of such bonds / debentures. Accordingly, during the year the company has created

DRR amounting to ₹ 0.06 crore (previous year Nil) on account of public issue of long term infrastructure bonds.

The Company is not required to create Debenture redemption reserve in case of privately placed debentures as per circular No. 6 / 3 / 2001 – CL.V dated 18.04.2002 of the Government of India, Ministry of Law, Justice Company Affairs, Department of Company Affairs.

The Company is not required to maintain reserve fund under section 45 – I C of the Reserve Bank of India Act, 1934 by transferring 20 percent of its net profits, as it is exempted by RBI, vide RBI letter dated 24.01.2000.

9. Foreign currency actual outgo and earning:

(₹ in crore)

S.No.	Description	Year ended 31.03.11	Year ended 31.03.10
<b>A.</b>	<b>Expenditure in foreign currency</b>		
i)	Interest on loans from foreign institutions	108.40	96.91
ii)	Financial & Other charges	57.37	35.08
iii)	Traveling Expenses	0.16	0.26
iv)	Training Expenses	0.10	0.15
<b>B.</b>	<b>Earning in foreign currency</b>	Nil	Nil

10.1 Related party disclosures:

Key managerial personnel:

<b>Name of the key managerial personnel</b>
Shri Satnam Singh, CMD (with effect from 01.08.2008)
Shri M K Goel, Director (with effect from 27.07.2007)
Shri Rajeev Sharma, Director (with effect from 09.03.2009)
Shri R. Nagarajan, Director (with effect from 31.07.2009)
<b>Subsidiary company</b>
Shri N D Tyagi, CEO of PFC Consulting Limited.
<b>Joint Ventures entities</b>
Shri R. S. Sharma, Chairman of Energy Efficiency Services Limited
Shri I. J. Kapoor, Chairman of National Power Exchange Limited

Managerial remuneration:

(₹ in crore)

	<b>Chairman &amp; Managing Director</b>		<b>Other Directors and CEO</b>	
	<b>For year ended 31.03.2011</b>	<b>For the year ended 31.03.10</b>	<b>For the year ended 31.03.2011</b>	<b>For the year ended 31.03.10</b>
Salaries and allowances	0.23	0.27	0.66	0.70
Contribution to provident fund and other welfare fund	0.02	0.02	0.05	0.04
Other perquisites / payments	0.13	0.18	0.38	0.38
<b>Total</b>	<b>0.38</b>	<b>0.47</b>	<b>1.09</b>	<b>1.12</b>

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 companies incorporated in India as subsidiaries / associates / joint venture companies including companies promoted as Special Purpose Vehicles (SPV) for ultra mega power projects are given below:

SL	Name of the companies	Date of investment	No. of shares subscribed	% of ownership	Amount (₹ in crore)
<b>A</b>	<b>Subsidiary Company</b>				
1.	PFC Consulting Limited (*)	09.04.2008	50,000	100%	0.05
	Sub-Total (A)		50,000		0.05
<b>B</b>	<b>Subsidiary Companies promoted as SPVs for Ultra Mega Power Projects (**)</b>				
1.	Coastal Maharashtra Mega Power Limited	05.09.2006	50,000	100%	0.05
2.	Orissa Integrated Power Limited	05.09.2006	50,000	100%	0.05
3.	Coastal Karnataka Power Limited	14.09.2006	50,000	100%	0.05
4.	Coastal Tamil Nadu Power Limited	31.01.2007	50,000	100%	0.05
5.	Chhattisgarh Surguja Power Limited	31.03.2008	50,000	100%	0.05
6.	Sakhigopal Integrated Power Limited	27.01.2010	50,000	100%	0.05
7.	Ghogarpalli Integrated Power Limited	27.01.2010	50,000	100%	0.05
8.	Tatiya Andhra Mega Power Limited	27.01.2010	50,000	100%	0.05
	Sub-Total (B)		4,00,000		0.40
<b>C</b>	<b>Joint venture Companies (*)</b>				
1	National Power Exchange Limited (***)	18.12.2008 03.09.2010	8,33,000 13,54,015	16.66%	0.83 1.36
2.	Energy Efficiency Services Limited (****)	21.01.2010	6,25,000	25%	0.63
	Sub-Total (C)		28,12,015		2.82
<b>D</b>	<b>Associate companies (*)</b>				
1.	Power Equity Capital Advisors (Private) Limited	15.04.2008	15,000	30%	0.02
	Sub-Total (D)		15,000		0.02
	<b>TOTAL (A) + (B) + (C) + (D)</b>		<b>32,77,015</b>		<b>3.29</b>

(\*) 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 subsidiary companies were incorporated as SPVs under the mandate from the Government of India for development of ultra mega power projects (UMPPs) and independent 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 are attached as required under Section 212 of the Companies Act, 1956 without consolidating in accordance with paragraph 11 of Accounting Standard-21.

(\*\*\*) Power Finance Corporation Limited (PFC), NTPC Limited, NHPC Limited and Tata Consultancy Services Limited (TCS), have jointly promoted National Power Exchange Limited (NPEL). NPEL will carry out the business of providing a platform for trading of power through an organized exchange. NPEL has not commenced its operation.

(\*\*\*\*) Energy Efficiency Services Limited (EESL) has been jointly promoted by PFC, NTPC, PGCIL and Rural Electrification Corporation Limited (REC) with equal participation in equity capital for implementing energy efficiency projects. Further, the Company has paid ₹ 24.38 crore towards additional subscription to equity shares; the allotment of equity shares is awaited from EESL.

The name of Bokaro-Kodarma Maithan Transmission Company Limited has been struck off by the Registrar of Companies in the month of January 2011. Accordingly, a provision of ₹ 0.05 crore made against equity investment in the company has been reversed.

**10.3** Power Finance Corporation Green Energy Ltd. (PFCGEL) has been incorporated as a wholly owned subsidiary of the Company to extend finance and financial services to promote green (renewable and non-conventional sources of) energy with authorized share capital of ₹ 1200.00 crores and subscribed share capital of ₹ 0.05 crores. The certificate of commencement of business is awaited. The subsidiary's financial statement is not consolidated, as the first financial year of the subsidiary has been decided by its Board of directors to be for the period from 30.03.2011 to 31.03.2012.

**10.4** The Company's share of assets, liabilities, contingent liabilities and capital commitment as at 31.03.2011 and income and expenses for the period in respect of joint venture entities based on audited / unaudited accounts are given below:

(₹ in crore)

SL	Particulars	As at 31.03.2011			As at 31.03.2010		
		NPEL	EESL	Total	NPEL	EESL	Total
	Ownership (%)	16.66	25		16.66	25	
A	Assets						
	- Long term assets	0.01	0.13	0.14	0.02	-	0.02
	- Current assets	1.76	27.85	29.61	0.73	6.70	7.43
	<b>Total</b>	<b>1.77</b>	<b>27.98</b>	<b>29.75</b>	<b>0.75</b>	<b>6.70</b>	<b>7.45</b>
B	Liabilities						
	- Long term liabilities	-	-	-	-	-	-
	- Current Liabilities	0.12	2.43	2.55	0.20	0.28	0.48
	<b>Total</b>	<b>0.12</b>	<b>2.43</b>	<b>2.55</b>	<b>0.20</b>	<b>0.28</b>	<b>0.48</b>
C	Contingent liabilities	0.01	-		0.01	-	0.01
D	Capital commitments	-	-		-	-	
				For the period			Previous Year
E	Income	0.07	1.50	1.57	0.03	0.00	0.03
F	Expenses	0.32	0.37	0.69	0.30	0.30	0.60

**10.5** 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 31.03.2011	Amount as on 31.03.2010	Maximum during the period	Maximum During the previous year
Coastal Maharashtra Mega Power Limited	4.88	4.28	4.95	4.28
Orissa Integrated Power Limited	58.40	13.67	58.40	13.67
Coastal Karnataka Power Limited	2.08	1.83	2.11	1.83
Coastal Tamil Nadu Power Ltd.	18.74	11.17	18.74	11.17
Chhattisgarh Surguja Power Ltd.	41.05	33.08	41.05	33.08
Sakhigopal Integrated Power Limited	0.65	0.24	0.65	0.24
Ghogarpalli Integrated Power Limited	0.53	0.24	0.53	0.24
Tatiya Andhra Mega Power Limited	5.40	0.88	5.40	0.88
Power Finance Corporation Green Energy Ltd.	2.25	0.00	2.25	0.00
<b>Total</b>	<b>133.98</b>	<b>65.39</b>	<b>134.08</b>	<b>65.39</b>

**10.6** 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 31.03.2011	Amount as on 31.03.2010	Maximum during the period	Maximum During the previous year
PFC Consulting Limited	0.00	1.86	1.99	1.86
Coastal Maharashtra Mega Power Limited	45.65	42.96	45.65	42.96
Orissa Integrated Power Limited	52.47	48.05	52.47	48.05
Coastal Tamil Nadu Power Ltd.	50.02	46.88	50.02	46.88
Chhattisgarh Surguja Power Ltd.	46.13	41.96	46.13	41.96
Sakhigopal Integrated Power Limited	17.74	5.15	17.74	5.15
Ghogarpalli Integrated Power Limited	16.52	0.00	16.52	0.00
Tatiya Andhra Mega Power Limited	19.26	0.00	19.26	0.00
<b>Total</b>	<b>247.79</b>	<b>186.86</b>	<b>249.78</b>	<b>186.86</b>

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

The Company has outstanding investment of ₹ 8.73 crore (previous year ₹ 12.08 crore) in units of Small is Beautiful Fund. The face value of the Fund is ₹ 10 per unit. The NAV as on 31.03.2010 was ₹ 9.80 per unit and as on 31.03.2011 is ₹ 10.08 per unit. As investment in Small is Beautiful Fund is long term investment, the fluctuation in NAV in the current scenario is considered as temporary.

**(ii) Investment in equity (unquoted) in Power Exchange India Limited:-**

Power Exchange India Ltd. (PXIL) has been promoted by National Stock Exchange (NSE) and National Commodity and Derivatives Exchange Limited (NCDEX). The authorized capital has been enhanced from ₹ 50 crore to ₹ 100 crore in September 2010. The paid up capital of PXIL is ₹ 40.00 crore, as on 31.03.2011. The Company has subscribed ₹ 1.75 crore of the paid up capital of PXIL.

**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 31.03.2011 is ₹ 49.01 crore (previous year ₹ 47.60 crore) after adjusting the translation loss of ₹ 15.74 crore (previous year ₹ 13.73 crore).

**12. The Company borrows money in foreign currency to finance power projects. In the opinion of the Company, AS 16 – Borrowing costs is applicable where funds are borrowed for acquisition of qualifying asset. The Company does not have any qualifying asset as per AS 16 and hence the foreign exchange gain / loss have been recognized in the Profit & Loss A/c as per AS 11 – The Effects of Changes in Foreign Exchange Rates.**

**13. (i) Foreign currency liabilities not hedged by a derivative instrument or otherwise:-**

Currencies	Amount (in millions)	
	31.03.2011	31.03.2010
USD	381.76	427.43
EURO	26.66	27.63
JPY	42,551.04	1,590.51

(ii) The company enters into derivative contracts for mitigating exchange rate risk in foreign currency liabilities and interest rate risk in foreign currency and rupee liabilities. Paragraphs 36 and 39 of the AS 11 states that in respect of forward exchange contracts not intended for trading or speculative purpose, the forward premium / discount be amortised over the life of such contracts and the forward exchange contracts intended for trading or speculative purpose be marked to market. The derivatives entered into by the company are in the nature of hedging and not in the nature of speculative or trading. The derivatives in the nature of forwards are dealt with in accordance with AS 11.

The Institute of Chartered Accountants of India (ICAI) had issued an announcement dated 29th March, 2008 regarding accounting for derivatives which gives companies an option either to account for losses, if any, on derivatives based on mark to market valuation or to adopt the principles enunciated in the Accounting Standard (AS) 30 on 'Financial Instruments: Recognition and Measurements'. The Company has not adopted AS 30, nor accounted for mark to market losses for other derivatives outstanding as at 31st March 2011, as the ICAI, vide their announcement dated 11th February 2011, have stated, inter-alia, that AS - 30 is not presently mandatory and that it is not expected to continue in its present form, and hence the announcement prior to the date of 11th February, 2011, in the management's view, does not hold good.

**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 and the value of unearned financial income are been given in the table below:

The future lease rentals are given below:-

(₹ in crore)

Particulars	As on 31.03.2011	As on 31.03.10
Total of future minimum lease payments (Gross Investments)	541.19	205.01
Present value of lease payments	355.96	160.63
Unearned finance income	185.23	44.38

Maturity profile of total of future minimum lease payments (Gross Investment)		
Not later than one year	77.99	45.07
Later than one year and not later than 5 years	246.56	156.99
Later than five years	216.64	2.95
<b>Total</b>	<b>541.19</b>	<b>205.01</b>
Break up of Present Value of Lease Payments		
Not later than one year	43.28	29.26
Later than one year and not later than 5 years	155.19	128.49
Later than five years	157.49	2.88
<b>Total</b>	<b>355.96</b>	<b>160.63</b>

- 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 ₹ 46.01 crore as on 31.03.2011. The lease rent is to be recovered within a period of 15 Years, starting from 19.07.2004, 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 ₹ 48.33 crore as on 31.03.2011. The lease rent is to be recovered within a period of 20 years, starting from 18.05.2004, 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 ₹ 65.60 crore as on 31.03.2011. The lease rent is to be recovered within a period of 19 years 11 months, starting from 09.06.2005, which comprises of 10 years as a primary period and maximum of 9 years and 11 months as a secondary period.
- (v) The Company had sanctioned an amount of ₹228.94 crore in the year 2008 as finance lease for financing wind turbine generator. The gross investment stood at ₹ 381.25 crore as on 31.03.2011. The lease rent is to be recovered within a period of 20 years, starting from 31.10.2010, which comprises of 12 years as a primary period and maximum of 8 years as a secondary period.

b) Operating Lease:

The Company's operating leases consists:-

Premises for offices and for residential use of employees are lease arrangements, and are usually renewable on mutually agreed terms, and are cancellable. Rent for residential accommodation of employees include ₹ 6.89 crore (previous year ₹ 4.06 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):

- (i) The Company claims subsidy from Govt. of India at net present value calculated at indicative interest rates in accordance with the 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 certain assumptions that these would remain same over the projected period of each loan / project), the Company estimated the net excess amount of ₹ 35.31 crore and ₹ 229.43 crore (excluding an amount of ₹ 17.65 crore recoverable from Irrigation Department of Government of Maharashtra) as at 31.03.2011 for IX and X plan respectively under AG&SP schemes and there is no shortfall. 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. Any excess / shortfall in the interest subsidy fund will be refunded or adjusted / charged off at the completion of the respective scheme.



The amount of ₹ 451.87 crore (Previous year ₹ 663.49 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 31.03.2011	As on 31.03.10
Opening balance of Interest Subsidy Fund	663.49	908.94
Add : - Received during the period	--	--
: - Interest credited during the period	56.22	80.44
Less : Interest subsidy passed on to borrowers	117.84	169.36
Refunded to MoP:		
(a) Estimated net excess against IX Plan	150.00	150.00
(b) Due to non- commissioning of Project in time	--	6.53
<b>Closing balance of interest subsidy fund</b>	<b>451.87</b>	<b>663.49</b>

16. (i) The Company has been designated as the Nodal Agency for operationalisation and associated service for implementation of the Re-structured Accelerated Power Development and Reforms Programme (R – APDRP) during XI plan by the MoP, Gol under it's overall guidance.

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 as well as IT based customer care centers. Part – B includes regular distribution strengthening projects. Gol provides 100% loan for Part A and up to 25% (up to 90% for special category States) loan for Part – B. Balance funds for Part – B projects can be raised by the utilities from PFC / REC / multi-lateral institutions and / or own resources. The loans under Part – A alongwith interest thereon is convertible into grant as per R – APDRP guidelines. Similarly, upto 50% (up to 90% for special category states) of the loan against Part –B project would be convertible in to grant as per R – APDRP guidelines. Enabling activities of the programme is covered under Part – C.

The loans under R – APDRP are routed through the Company for disbursement to the eligible utilities. The amount so disbursed but not converted in to grants as per R – APDRP guidelines will be repaid along with interest to the Gol on receipt from the borrowers.

The details are furnished below :

(₹ in crore)

Particulars	Amount recoverable from borrowers & payable to GOI		R – APDRP Fund		Amount payable to GOI (Interest earned on Fixed Deposit)	
	As at 31.03.2011	As at 31.03.10	As at 31.03.2011	As at 31.03.10	As at 31.03.2011	As at 31.03.10
Opening balance	1,646.09	325.10	0.00	0.00	0.11	0.00
Additions during the year	2256.79	1,320.99	2256.79	1,320.99	6.29	0.11
Disbursements / changes during the year	--	--	2256.79	1,320.99	--	--
<b>Total</b>	<b>3902.88</b>	<b>1646.09</b>	<b>0.00</b>	<b>0.00</b>	<b>6.40</b>	<b>0.11</b>
Interest accrued but not due	413.01	109.70	--	--	0.48	--
<b>Closing balance</b>	<b>4,315.89</b>	<b>1,755.79</b>	<b>0.00</b>	<b>0.00</b>	<b>6.88</b>	<b>0.11</b>

- ii) Pending finalization of norms for payment of nodal agency fee, etc. the accounting policy therefore was held in abeyance in 2009-10 and fee etc. had not been accounted for in 2009-10. On finalization of norms by MoP, Gol, vide Office Memorandum No. 14 / 03 / 2008 – APDRP dated 20th August, 2010, the Company has recognised in the books of accounts, during the year

ended 31.03.2011, nodal agency fee income ₹ 89.62 crore (previous year NIL) in respect of sanctions and disbursements done in 2008-09, 2009-10 and 2010-11.

- (iii) During the year ended 31.03.2011, the Company has recognized ₹ 39.20 crore as amount reimbursed / reimbursable from the Ministry of Power, Govt. of India, towards the actual expenditure incurred in FY 2008-09, 2009-10 and in 2010-11 on various activities for operationalising the programme.
- (iv) As on 31.03.2011, the total amount of nodal agency fees and reimbursement of expenditure recognised by PFC has been as under:-

(₹ in crore)

	During 2010-11	Cumulative up-to 31.03.2011
Nodal agency fees	89.62	89.62
Reimbursement of expenditure	39.20	39.20
<b>Total</b>	<b>128.82</b>	<b>128.82</b>

As per Office Memorandum No. 14 / 03 / 2008 – APDRP dated 20th August, 2010 of the MoP, Gol, the total amount receivable against the nodal agency fee plus the reimbursement of actual expenditure will not exceed ₹ 850 crore or 1.7 % of the likely outlay under Part A & B of R – APDRP, whichever is less.

17. The net deferred tax liabilities of ₹ 82.97 crore (previous year ₹ 46.95 crore) have been computed as per Accounting Standard 22 Accounting for Taxes on Income.

The breakup of deferred tax liabilities is given below: -

(₹ in crore)

Description	As on 31.03.2011	As on 31.03.2010
(a) Deferred Tax Asset (+)		
(i) Provision for expenses not deductible under Income Tax Act	18.02	7.06
(b) Deferred Tax Liabilities (-)		
(ii) Depreciation	-0.44	-0.12
(iii) Lease income on new leases	-99.69	-53.36
(iv) Amortization	-0.86	-0.53
Net Deferred Tax liabilities (-)/Assets (+)	-82.97	-46.95

18. 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 31.03.2011	Previous year 31.03.2010
Net Profit after tax used as numerator (₹ in crore)	2619.58	2,357.25
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)	22.82	20.54
Face value per share (Rupees)	10	10

19. The Company has no outstanding liability towards Micro, Small and Medium enterprises.
20. The value of lease hold land aggregating to ₹ 37.87 crore (previous year ₹ 38.33 crore) comprises 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 of ₹ 2.01 crore (previous year ₹ 2.47 crore) and capitalization of ground rent of ₹ 4.03 crore (previous year ₹ 4.03 crore) up to the date of completion of building. The Land and Development Office have executed the perpetual lease deed on 23.03.2011. The registration of the perpetual lease deed is under process.
- Leasehold land is not amortized, as it is a perpetual lease.

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

S. No.	Exchange Rates	31.03.2011	31.03.2010
1	USD / INR	45.1400	45.5800
2	JPY / INR	0.5484	0.4900
3	EURO / INR	63.9900	61.3100

In-case of specific provision in the loan agreement for a rate other than SBI TT selling rate, the rate has been taken as prescribed in the respective loan agreement.

22. 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 Gol. 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 employees and the dependent family members are provided medical facilities in empanelled hospitals. They can also avail of 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 & their 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 a 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	0.92 (0.80)	0.26 ( 0.24)	1.73 (1.29)
Interest cost on benefit obligation	0.84 (0.59)	0.49 (0.27)	0.96 (0.54)
Expected return on plan assets	-0.69 (-0.53)	0.00 (0.00)	0.00 (0.00)
Net actuarial (gain) / loss recognised in the year	0.65 (1.90)	0.17 ( 2.58)	0.65 (5.53)
Expenses recognised in Profit & Loss Account	*1.72 (2.76)	0.92 (3.09)	*3.34 (7.36)

(\* Includes ₹0.10 crore (previous year ₹0.08 crore) and ₹ 0.15 crore (previous year ₹0.11 crore) for gratuity and leave, respectively allocated to subsidiary companies.

ii) The amount recognized in the Balance Sheet

(₹ in crore)

	<b>Gratuity</b>	<b>PRMS</b>	<b>Leave</b>
Present value of obligation as at 31.03.2011 (i)	12.69 (11.18)	7.13 (6.44)	15.47 (12.84)
Fair value of plan assets at 31.03.2011 (ii)	10.57 (8.42)	0.00 (0.00)	0.00 (0.00)
Difference (ii) – (i)	-2.12 (-2.76)	-7.13 (-6.44)	-15.47 (-12.84)
Net asset / (liability) recognized in the Balance Sheet	-1.72 (-2.76)	-7.13 (-6.44)	-15.47 (-12.84)

iii) Changes in the present value of the defined benefit obligations

(₹ in crore)

	<b>Gratuity</b>	<b>PRMS</b>	<b>Leave</b>
Present value of obligation as at 01.04.2010	11.18 (7.96)	6.44 (3.66)	12.84 (7.15)
Interest cost	0.84 (0.59)	0.49 (0.27)	0.96 (0.54)
Current service cost	0.92 (0.80)	0.26 (0.24)	1.73 (1.29)
Benefits paid	-1.04 (-0.07)	-0.23 (-0.31)	-0.71 (-1.67)
Net actuarial (gain)/loss on obligation	0.79 (1.90)	0.17 (2.58)	0.65 (5.53)
Present value of the defined benefit obligation as at 31.03.2011	12.69 (11.18)	7.13 (6.44)	15.47 (12.84)

iv) Changes in the fair value of plan assets

(₹ in crore)

	<b>Gratuity</b>	<b>PRMS</b>	<b>Leave</b>
Fair value of plan assets as at 01.04.2010	*7.92 (7.96)	0.00 (0.00)	0.00 (0.00)
Expected return on plan assets	0.69 (0.53)	0.00 (0.00)	0.00 (0.00)
Contributions by employer	2.86 (0.00)	0.00 (0.00)	0.00 (0.00)
Benefit paid	-1.04 (-0.07)	0.00 (0.00)	0.00 (0.00)
Actuarial gain / (loss)	0.14 (0.00)	0.00 (0.00)	0.00 (0.00)
Fair value of plan assets as at 31.03.2011	*10.57 (8.42)	0.00 (0.00)	0.00 (0.00)

\* It has been revised from ₹ 8.42 crore to ₹ 7.92 crore during the current financial year, after finalisation and audit of accounts of Gratuity Trust for the financial year 2009-10.

v) One percent increase / decrease in the inflation rate would impact liability for medical cost of PRMS, as under:-

Cost increase by 1%	₹ 0.14 crore
Cost decrease by 1%	₹ 0.11 crore

vi) During the year, the Company has provided liability towards contribution to the Gratuity Trust of ₹ 1.79 crore, to PRMS of ₹ 0.92 crore, to leave ₹ 3.34 crore and to pension ₹ 2.28 crore. (previous year towards contribution to the Gratuity Trust of ₹ 2.76 crore, to PRMS of ₹ 3.09 crore, to leave ₹ 7.36 crore and to pension ₹ 1.78 crore).

#### E. OTHER EMPLOYEE BENEFITS:-

During the year, provision of ₹ - 0.03 crore (previous Year ₹ 0.04 crore) has been made for Economic Rehabilitation Scheme for Employees and provision of ₹ 0.65 crores has been made for Long Service Award for Employees (Previous year ₹ 0.01 crore reversed) 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 31.03.2011 are as follows:-

(₹ in crore)

SL	Particulars	2010-11	2009-10
i)	State Government Securities	3.83	1.37
ii)	Central Government Securities	2.50	2.18
iii)	Corporate bonds / debentures	4.24	4.87
	<b>Total</b>	<b>10.57</b>	<b>8.42</b>

#### 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	8.77 %
Future salary increase	5.00 %

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

23. Details of provision as required in Accounting Standard – 29.

(₹ in crore)

Particulars	Financial year 2010-11	Financial year 2009-10
<b>Post Retirement Medical Scheme</b>		
Opening Balance	6.44	3.66
Addition during the year	0.92	3.09
Amount paid / utilized during the year	0.23	0.31
Closing Balance	7.13	6.44
<b>Gratuity</b>		
Opening Balance	2.76	3.02
Addition during the year \$	1.79	2.76
Amount paid / utilized during the year	2.83	3.02
Closing Balance	1.72	2.76
\$ Addition for the FY 2010-11 includes ₹ 0.07 crore related to FY 2009-10		

<b>Pension*</b>		
Opening Balance	1.78	0.00
Addition during the year	2.28	1.78
Amount paid / utilized during the year	0.00	0.00
Closing Balance	4.06	1.78
<b>Leave Encashment</b>		
Opening Balance	12.84	7.15
Addition during the year	3.34	7.36
Amount paid / utilized during the year	0.71	1.67
Closing Balance	15.47	12.84
<b>Wage Revision</b>		
Opening Balance	6.20	21.89
Addition during the year	0.71	1.57
Amount paid / utilized during the year	6.91	17.26
Closing Balance	0.00	6.20
<b>Economic Rehabilitation Scheme for Employee</b>		
Opening Balance	1.31	1.29
Addition during the year	-0.03	0.04
Amount paid / utilized during the year	0.02	0.02
Closing Balance	1.26	1.31
<b>Bonus / Incentive / Base line Compensation</b>		
Opening Balance	16.33	9.76
Addition during the year	17.78	14.32
Amount paid / utilized during the year	9.59	7.75
Closing Balance	24.52	16.33
<b>Leave Travel Concession</b>		
Opening Balance	0.00	2.34
Addition during the year	0.00	0.15
Amount paid / utilized during the year	0.00	2.49
Closing Balance	0.00	0.00
<b>Baggage Allowances</b>		
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
<b>Service Award</b>		
Opening Balance	2.10	2.11
Addition during the year	0.65	-0.01
Amount paid / utilized during the year	0.00	0.00
Closing Balance	2.75	2.10

<b>Income Tax</b>		
Opening Balance	1,337.29	1,489.88
Addition during the year	898.99	800.55
Amount refunded / adjusted	21.15	953.14
Closing Balance	2,215.13	1,337.29
<b>Fringe Benefit Tax</b>		
Opening Balance	0.80	2.90
Addition during the year	0.00	0.00
Amount adjusted during the year	0.00	2.10
Closing Balance	0.80	0.80
<b>Proposed Final Dividend</b>		
Opening Balance	172.17	154.95
Addition during the year **	197.99	172.17
Amount paid / utilized during the year	172.17	154.95
Closing Balance	197.99	172.17
<b>Proposed Corporate Dividend Tax</b>		
Opening Balance	29.26	26.33
Addition during the year	32.12	29.26
Amount paid / utilized during the year	29.26	26.33
Closing Balance	32.12	29.26

\* Pension: In view of the guidelines of the Department of Public Enterprise (DPE) for providing superannuation benefits with effect from 01.01.07, the Company is in the process of finalizing pension scheme for its employees. Pending finalisation of the scheme, the Company has made a provision of ₹ 2.28 crore during the period (previous year ₹ 1.78 crore for the period from 01.01.2007 to 31.03.2010).

\*\* The Company paid an interim dividend of ₹ 3.50 per equity share of ₹ 10 each amounting to ₹ 401.72 crore on 22.01.2011 on the then paid up equity share capital of ₹ 1147.77 crore. The Company has issued 17,21,65,005 number of equity shares in May 2011 resulting in an increase of ₹172.16 crore in paid up equity share capital. The Board of Directors recommended a final dividend of ₹ 1.50 per equity shares of ₹ 10 each amounting to ₹ 197.99 crore on the post issue paid up equity share capital of ₹ 1319.93 crore subject to shareholders' approval in the Annual General Meeting. Total dividend for the financial year 2010-11 is ₹ 5.00 (interim dividend of ₹ 3.50 and final dividend of ₹ 1.50) per equity share of ₹ 10 each on the pre issue share capital of ₹ 1147.77 crore and ₹ 1.50 (final dividend) on the additional share capital of ₹ 172.16 crore issued in May 2011.

24. (i) During the year, the Company has sent letters seeking confirmation of balances as on 31.12.2010 to the borrowers. However, confirmations in few cases were yet to be received.
- (ii) Some of the designated bank accounts opened for making interest payment to bondholders / debenture holders have outstanding balance of ₹ 0.50 crore are subject to reconciliation / confirmation.

25. The Capital Funds, Risk Weighted Assets and Capital Risk Adjusted Ratio (CRAR) of the Company are given hereunder:-

<b>Items</b>		<b>current year (*)</b>	<b>Previous year</b>
i)	Capital Fund - a. Tier I (₹ in crore)	14,197.62	12,418.72
	b. Tier II (₹ in crore)	984.88	842.07
ii)	Risk weighted assets (₹ in crore)	96,669.24	72,880.84
iii)	CRAR	15.71%	18.20%
iv)	CRAR – Tier I Capital	14.69%	17.04%
v)	CRAR – Tier II Capital	1.02%	1.16%

(\*) Reserve Bank Of India (RBI), vide their letter No. DNBS.CO. ZMD- N/ M-67 / 55.16.009 / 2010-2011 dated 28.02.2011, has advised the Company to assign a risk weight of 20% to State Government guaranteed loans, which have not remained in default.

Reserve for bad and doubtful debts u/s 36 (i) (vii) (c) of Income Tax Act, 1961 is considered as part of Tier II Capital, as advised by RBI, vide their letter No. DNBS.CO.PD.No. 6774 / 03-10-01 / 2009 – 10 dated 17.06.2010.

26. The Company has no exposure to real estate sector as on 31.03.2011.
27. The Company does not have more than one reportable segment in terms of Accounting Standard No. 17 on Segment Reporting.
28. Previous year's figures have been re-grouped / re-arranged, wherever practicable, to make them comparable with the current period.
29. Figures have been rounded off to the nearest crore of rupees with two decimals.
30. 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 17 form an integral part of Balance Sheet and Profit & Loss Account.

For and on behalf of the Board of Directors

**(J.S. AMITABH)**  
**Company Secretary**

**(R NAGARAJAN)**  
**Director (Finance)**

**(SATNAM SINGH)**  
**Chairman & Managing Director**

Signed in terms of our report of even date

For Mehra Goel & CO.  
Chartered Accountants  
Firm Regd. No.-0517N

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

**(R.K.Mehra)**  
Partner  
**Membership No.6102**

**(G K GUPTA)**  
Partner  
**Membership No.81085**

**Place: Delhi**

**Date: 20.06.201**



**POWER FINANCE CORPORATION LIMITED**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011**

PARTICULARS	Year ended 31.03.2011	(₹ in crore) Year ended 31.03.2010
<b>I. Cash Flow from Operating Activities :-</b>		
<b>Net Profit before Tax and Extraordinary items</b>	<b>3544.14</b>	<b>3013.20</b>
<b>ADD: Adjustments for</b>		
Loss on Sale of Assets	0.06	0.02
Depreciation / Amortisation	5.05	3.81
Amortisation of Zero Coupon Bonds	22.52	20.83
Foreign Exchange Loss/Gain	(2.47)	(248.27)
Diminution in value of investments	(0.06)	(1.52)
Provision for Contingencies	31.79	(0.57)
Dividend / Interest and profit on sale of investment	(3.49)	(5.50)
Provision for interest under IT Act	0.22	0.28
Provision for Retirement Benefits / Other Welfare Expenses/Wage revision	10.68	16.74
<b>Operating profit before working Capital Changes:</b>	<b>3608.44</b>	<b>2799.02</b>
<b>Increase / Decrease :</b>		
Loans Disbursed (Net)	(19755.37)	(15496.04)
Other Current Assets	(349.11)	(252.19)
Loans & Advances	(139.03)	100.14
Current Liabilities and provisions	901.54	216.44
<b>Cash flow before extraordinary items</b>	<b>(15733.53)</b>	<b>(12632.63)</b>
Extraordinary items	0.00	0.00
<b>Cash Inflow / Outflow from operations before Tax</b>	<b>(15733.53)</b>	<b>(12632.63)</b>
Income Tax paid	(865.72)	(811.34)
<b>Net Cash flow from Operating Activities</b>	<b>(16599.25)</b>	<b>(13443.97)</b>
<b>II. Cash Flow From Investing Activities :</b>		
Sale / decrease of Fixed Assets	0.64	0.05
Purchase of Fixed Assets	(7.42)	(1.51)
Increase / decrease in Capital Works in Progress	(0.55)	(1.73)
Investments in Subsidiaries	0.00	(0.05)
Dividend / Interest and profit on sale of investment	3.49	5.50
Other Investments	(22.39)	5.95
<b>Net Cash Used in Investing Activities</b>	<b>(26.23)</b>	<b>8.21</b>
<b>III. Cash Flow From Financial Activities :</b>		
Issue of Bonds	14023.96	12283.30
Short Term Loans (Net)	3400.00	(750.00)
Loan Against Fixed Deposits (Net)	565.92	1675.12
Raising of Long Term Loans	7855.00	8004.50
Repayment of Long Term Loans	(5870.00)	(4473.00)
Redemption of Bonds	(3710.91)	(1981.86)
Foreign Currency Loans (Net)	2214.60	486.88
Interest Subsidy Fund	(211.62)	(245.45)
Unclaimed Bonds (Net)	(16.31)	21.87

Payment of Final Dividend (including Corporate Dividend Tax) of Previous year	(200.76)	(181.28)
Payment of Interim Dividend (including Corporate Dividend Tax) of Current year	<u>(468.44)</u>	<u>(402.85)</u>
<b>Net Cash in-flow from Financing Activities</b>	17581.44	14437.23
Net Increase / Decrease in Cash & Cash Equivalents	955.96	1001.47
Add : Cash & Cash Equivalents at beginning of the period	<u>1394.30</u>	<u>392.83</u>
<b>Cash &amp; Cash Equivalents at the end of the period</b>	<b><u>2350.26</u></b>	<b><u>1394.30</u></b>

**Details of Cash & Cash Equivalents at the end of the period:**

Cheques in hand, Imprest with Postal authority & Balances with Banks	248.21	3.88
Fixed Deposits with Scheduled Banks	<u>2102.05</u>	<u>1390.42</u>
	<b><u>2350.26</u></b>	<b><u>1394.30</u></b>

For and on behalf of the Board of Directors

**J S AMITABH**  
Company Secretary

**R NAGARAJAN**  
Director (Finance)

**SATNAM SINGH**  
Chairman and Managing Director

Signed in terms of our report of even date

**For Mehra Goel & Co.**  
Chartered Accountants  
Firm Regd. No - 0517N

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

**( R K MEHRA )**  
PARTNER  
**Membership No - 6102**

**( G K GUPTA )**  
PARTNER  
**Membership No - 81085**

Place : New Delhi  
Date : 20.06.2011

**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 :  State Code :

Balance Sheet Date :     
Date Month Year

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

Public Issue	<input type="text" value="Nil"/>	Right Issue	<input type="text" value="Nil"/>
Bonus Issue	<input type="text" value="Nil"/>	Private Placement	<input type="text" value="Nil"/>

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

Total Liabilities  Total Assets

**Sources of Funds**

Paid-up Capital	<input type="text" value="1147.77"/>	Reserve & Surplus	<input type="text" value="14034.72"/>
Loan Funds	<input type="text" value="85598.57"/>	Deferred Tax Liability	<input type="text" value="82.97"/>
Interest Subsidy Fund from GOI	<input type="text" value="451.87"/>	Current Liabilities & Provisions	<input type="text" value="3318.34"/>

**Application of Funds**

Net Fixed Assets	<input type="text" value="76.71"/>	Investments	<input type="text" value="53.88"/>
Current Assets	<input type="text" value="4932.71"/>	Loans	<input type="text" value="99570.74"/>
Accumulated Loss	<input type="text" value="Nil"/>	Misc. Expenditure	<input type="text" value="0.20"/>

**IV. Performance of Company (Amount ₹ in Crore)**

Turnover	<input type="text" value="10160.56"/>	Total Expenditure	<input type="text" value="6616.42"/>
Profit/Loss Before Tax	<input type="text" value="(+ 3544.14)"/>	Profit/Loss After Tax	<input type="text" value="(+ 2619.58)"/>
Earning per share in ₹	<input type="text" value="22.82"/>	Dividend Rate % *	<input type="text" value="50.00%"/>

\* Refer Note No. 23 \*\* of Schedule 17-Notes on Account

**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.

## AUDITORS' REPORT

To  
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 2011, 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, without qualifying our report attention is drawn to the Note no. 13(ii) in Schedule 17 regarding Accounting for Derivatives.
5. 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 .
  - (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.
6. 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.17, 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 2011 and
  - (b) In case of Profit & Loss Account, of the Profit of the Company for the year ended on that date.
  - (c) In case of Cash Flow Statement, of the cash flows for the year ended on that date.

**For Raj Har Gopal & Co.**

Chartered Accountants  
Firm's Regn. No. : 002074N

**G.K.Gupta**

Partner  
Membership No.: 081085

**For Mehra Goel & Co.**

Chartered Accountants  
Firm's Regn No. : 0517N

**R.K.Mehra**

Partner  
Membership No.: 6102

Place of Signature: New Delhi  
Date: 20.06.2011

## 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. In our opinion, the frequency of physical verification is reasonable having regard to the size of the Company and nature of its assets. As explained to us, 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 ended 31.03.2011 and the Going Concern status of the Company is not affected.
2. As the Company has not purchased / sold goods during the year ended 31.03.2011 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 to/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 ended 31.03.2011 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 informations 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.
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 and on the basis of our examination of the records of the company, we report that:
  - (a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, 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 2011, 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 year ended 31.03.2011 and has not incurred any cash losses during the period covered by our audit and 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. According to the information and explanations given to us, 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 are of the opinion that no funds raised on short-term basis that have 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. The company has during the year raised 4,70,722 number of long term infrastructure bonds of ₹ 5,000/- each aggregating ₹ 235.36 Crore by public offer secured against the immovable property and receivables.
20. The company has during the year raised money by public issue of long term Infrastructure Bonds which were allotted on 31.03.2011. The company has disclosed in the Prospectus the proposed utilization of money raised.
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 Raj Har Gopal & Co.**

Chartered Accountants  
Firm's Regn No. : 002074N

**For Mehra Goel & Co.**

Chartered Accountants  
Firm's Regn No. : 0517N

Place of signature: New Delhi  
Date: 20.06.2011

**G.K.Gupta**

Partner  
**Membership No.: 081085**

**R.K.Mehra**

Partner  
**Membership No.: 6102**

**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, 2011**

The preparation of financial statements of Power Finance Corporation Limited, New Delhi for the year ended 31 March, 2011 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 20th June 2011.

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 2011. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditors' report under section 619 (4) of the Companies Act, 1956.

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

**Sd/-**

**(M. K. Biswas)**

**Principal Director of Commercial Audit & Ex-officio Member Audit Board – III**

**Place : New Delhi**

**Dated : 28.07.2011**

**POWER FINANCE CORPORATION LIMITED**  
**CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2011**

Description	Schedule Number	As at 31.03.2011		(₹ in crore) As at 31.03.2010	
<b>I. SOURCES OF FUNDS</b>					
<b>(1) Share Holder's Funds</b>					
(a) Share Capital	1	1147.77		1147.77	
(b) Reserves & Surplus	2	14093.04	15240.81	12143.80	13291.57
<b>(2) Loans Funds</b>					
Secured Loans	3		235.36		0.00
Unsecured Loans			85363.21		67108.41
<b>(3) Interest Subsidy Fund from GOI</b>					
			451.87		663.49
<b>(4) Deferred Tax Liability (Net of Asset)</b>					
			82.90		46.93
<b>Total</b>			<u>101374.15</u>		<u>81110.40</u>
<b>II. APPLICATION OF FUNDS</b>					
<b>(1) Fixed Assets</b>					
(a) Gross Block	4	99.15		93.30	
Less : Depreciation		24.57		20.47	
Net Block			74.58		72.83
(b) Capital Works in Progress			2.28		1.73
<b>(2) Investments</b>					
	5		26.63		30.02
<b>(3) Loans</b>					
	6		99570.74		79855.76
<b>(5) Current Assets, Loans &amp; Advances</b>					
(a) Cash & Bank Balances	7	2444.19		1460.39	
(b) Other Current Assets		1943.64		1599.14	
(c) Loans & Advances		663.18		504.86	
		5051.01		3564.39	
<b>Less : Current Liabilities &amp; Provisions</b>					
(a) Current Liabilities	8	3040.47		2167.23	
(b) Provisions		310.82		247.10	
		3351.29		2414.33	
<b>(6) Net Current Assets</b>					
			1699.72		1150.06
<b>(5) MISCELLANEOUS EXPENDITURE</b>					
(to the extent not written off)					
Miscellaneous expenses			0.20		0.00
<b>Total</b>			<u>101374.15</u>		<u>81110.40</u>

ACCOUNTING POLICIES 16  
NOTES ON ACCOUNTS 17  
Schedules 1 to 17 form integral part of Accounts.

For and on behalf of the Board of Directors

**J.S. AMITABH**  
Company Secretary

**R NAGARAJAN**  
Director (Finance)  
For Mehra Goel & Co.  
Chartered Accountants  
Firm Regd. No - 0517N

**SATNAM SINGH**  
Chairman and Managing Director  
Signed in terms of our report of even date  
For RAJ HAR GOPAL & Co.  
Chartered Accountants  
Firm Regd. No - 002074N

Place : New Delhi  
Date : 20.06.2011

**( R K MEHRA )**  
PARTNER  
Membership No - 6102

**( G K GUPTA )**  
PARTNER  
Membership No - 81085



**POWER FINANCE CORPORATION LIMITED**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011**

Description	Schedule Number	(₹ in crore)	
		Year ended 31.03.2011	Year ended 31.03.2010
<b>INCOME</b>			
Operating Income	9	10174.95	8043.20
Other Income	10	39.15	78.51
<b>Total</b>		<b>10214.10</b>	<b>8121.71</b>
<b>EXPENSES</b>			
Interest and other charges	11	6426.46	4915.39
Bonds Issue Expenses	12	63.05	43.79
Personnel & Administration Expenses	13	102.11	114.93
Depreciation	4	4.31	3.40
Amortisation of Intangible Assets	4	0.77	0.43
Provision for Contingencies		31.79	-0.57
Provision for decline in value of investments		-0.06	-1.52
Preliminary Expenses written off		0.00	0.34
<b>Total</b>		<b>6628.43</b>	<b>5076.19</b>
<b>Profit for the year</b>		<b>3585.67</b>	<b>3045.52</b>
Prior Period adjustments	14	-0.08	0.10
<b>Profit before tax</b>		<b>3585.59</b>	<b>3045.62</b>
Less(-)/Add(+): Provision for taxation			
- Current Year :-			
- Tax		-912.94	-811.66
- Earlier Years :-			
- Tax		10.45	135.79
Less/Add: Deferred tax liability(-)/Asset(+)			
- Current Year		-35.98	8.55
<b>Profit after tax available for appropriations</b>	15	<b>2647.12</b>	<b>2378.30</b>
<b>Basic / Diluted Earning Per Share of ₹10/- each - Amount in ₹ (Refer Note No. 18 of Schedule-17, Notes on Accounts)</b>		<b>23.06</b>	<b>20.72</b>
<b>Accounting Policies</b>	16		
<b>Notes on Accounts</b>	17		
<b>Schedules 1 to 17 form integral part of Accounts</b>			

For and on behalf of the Board of Directors

**J S AMITABH**  
Company Secretary

**R NAGARAJAN**  
Director (Finance)

**SATNAM SINGH**  
Chairman and Managing Director

Signed in terms of our report of even date

For Mehra Goel & Co.  
Chartered Accountants  
Firm Regd. No - 0517N

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

**Place : New Delhi**  
**Date : 20.06.2011.**

**( R K MEHRA )**  
PARTNER  
**Membership No - 6102**

**( G K GUPTA )**  
PARTNER  
**Membership No - 81085**

## SCHEDULE - 1 SHARE CAPITAL

Description	(₹ in crore)	
	As at 31.03.2011	As at 31.03.2010
<b>Authorised :</b>		
200,00,00,000 Equity shares of ₹10/- each (Previous year 200,00,00,000 shares of ₹10/- each)	<b>2000.00</b>	2000.00
<b>Issued, subscribed and paid up :</b>		
114,77,66,700 Equity shares of ₹10/- each fully paid-up (Previous year 114,77,66,700 shares of ₹10/- each fully paid)	<b>1147.77</b>	1147.77
<b>TOTAL</b>	<b>1147.77</b>	1147.77

## SCHEDULE - 2 RESERVES & SURPLUS

Description	(₹ in crore)		
		As at 31.03.2011	As at 31.03.2010
Reserve for Bad & doubtful debts u/s 36(1)(vii)(c) of Income-Tax Act, 1961	842.07		718.15
Add : Transfer from Profit & Loss Account	142.47		123.92
Add : Transfer from Surplus in Profit & Loss Account *	0.34	<b>984.88</b>	0.00
Special Reserve created u/s 36(1)(viii) of Income Tax Act, 1961 upto Financial Year 1996-97		<b>599.85</b>	599.85
Special Reserve created and maintained u/s 36(1)(viii) of Income Tax Act, 1961 from Financial Year 1997-98	4574.64		4006.03
Add : Transfer from Profit & Loss Account	634.32		568.61
Add : Transfer from Surplus in Profit & Loss Account *	0.27		
Add : Transfer from Surplus in Profit & Loss Account ***	7.92		
Less : Transfer from Surplus in Profit & Loss Account ****	12.83	<b>5204.32</b>	0.00
Securities Premium Account		<b>851.10</b>	851.10
General Reserve	2031.97		1795.97
Add : Transfer from Profit & Loss Account	262.00	<b>2293.97</b>	236.00
Debt Redemption Reserve			
Opening balance	0.00		
Add : Transfers from Profit & Loss Account	0.06	<b>0.06</b>	0.00
Profit and Loss Account	3244.17		2398.68
Add : Transfer from Profit & Loss Account	909.72		845.49
Add : Adjustments during the current year **	0.67		
Add : Transfers from Special Reserve under Income Tax Act, 1961 ****	12.83		0.00
Less : Transfers to Reserve for Bad & doubtful debts and Special Reserve under Income Tax Act, 1961 *	0.61		0.00
Less : Transfers to Reserve for Bad & doubtful debts and Special Reserve under Income Tax Act, 1961 ***	7.92	<b>4158.86</b>	0.00
<b>TOTAL #</b>		<b>14093.04</b>	12143.80

\* Transferred to match the deduction claimed as per the Income tax return for the Assessment Year 2010-11.

\*\* On account of reversal of excess corporate dividend tax provided for during the FY 2009-10.

\*\*\* Additional special reserve created for AY 2009-10 to match with our claim as per revised return .

\*\*\*\* Surplus special reserve has been reversed due to pre payment of loans before five years .

# Additions during the year includes ₹ 0.59 crore net (Previous year ₹ -0.56 crore) share of Jointly controlled entities.

**SCHEDULE - 3**  
**LOAN FUNDS**

Description	As at		₹ in crore)	
	31.03.2011		As at	31.03.2010
<b>A Secured</b>				
<b>I. Bonds</b>				
a) Infrastructure Bonds (Refer Note 1)		<b>235.36</b>		0.00
<b>Sub Total A</b>		<b>235.36</b>		<b>0.00</b>
<b>B Unsecured</b>				
<b>I. Bonds</b>				
a) Bonds Guaranteed by the Government of India (Refer Note No. 2)	<b>22.00</b>		42.00	
b) Other Bonds (Refer Note Nos. 3 to 13)	<b>55879.64</b>		45759.43	
c) Foreign Currency Notes (Refer Note Nos. 15)	<b>812.52</b>	<b>56714.16</b>	820.44	46621.87
<b>II. Loans</b>				
<b>a) Long Term Loans</b>				
<b>(Refer Note No. 16)</b>				
(i) Foreign Currency Loans from Foreign banks / Institutions (Guaranteed by Govt. of India)	<b>331.54</b>		389.04	
(ii) Syndicated Foreign Currency Loans from banks / Institutions	<b>3637.91</b>		1367.40	
(iii) Foreign Currency Loans (FCNR(B) from banks)	<b>180.56</b>		181.98	
(iv) Rupee Term Loans (From Banks)	<b>17078.00</b>			
(v) Rupee Term Loans (From Financial Institutions)	<b>1130.00</b>	<b>22358.01</b>	1430.00	18161.42
<b>b) Short Term Loans</b>				
(i) RTL- from Banks	<b>2100.00</b>		0.00	
(i) Commercial Paper	<b>1950.00</b>		650.00	
(ii) Working Capital Demand Loan/OD/CC/ Loan Against FD/Line of Credit	<b>2241.04</b>	<b>6291.04</b>	1675.12	2325.12
<b>20486.54</b>		<b>28649.05</b>		
<b>Sub Total B</b>		<b>85363.21</b>		<b>67108.41</b>
<b>Total (A+B)</b>		<b>85598.57</b>		<b>67108.41</b>

**Notes**

The details of Infrastructure Bonds outstanding as at 31.03.2011 are as follows:

Bond Series	Date of allotment	Amount (₹ in crore)	Redemption details
Infrastructure Bonds Series-1	31.03.2011	66.84	They are redeemable at par, one date, being the date falling ten years from the Date of allotment and / or are redeemable at par, one date, being the date falling five years and one day from the Date of Allotment on exercising the put option by the bondholders.

Infrastructure Bonds Series-2	31.03.2011	139.67	They are redeemable at par with cumulative interest and interest on application interest compounded annually, one date, being the date falling ten years from the date of allotment and / or are redeemable at par with cumulative interest and interest on application interest compounded annually, one date, being the date falling five years and one day from the date of allotment on exercising the put option by the bondholders.
Infrastructure Bonds Series-3	31.03.2011	6.13	They are redeemable at par, one date, being the date falling fifteen years from the date of allotment and / or are redeemable at par, one date, being the date falling seven years and one day from the date of allotment on exercising the put option by the bondholders.
Infrastructure Bonds Series-4	31.03.2011	22.72	They are redeemable at par with cumulative interest and interest on application interest compounded annually, one date, being the date falling fifteen years from the date of allotment and / or are redeemable at par with cumulative interest and interest on application interest compounded annually, one date, being the date falling seven years and one day from the date of allotment on exercising the put option by the bondholders.

2. The details of Government guaranteed bonds outstanding as at 31.03.2011 are as follows:

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

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 ₹ 1,00,00,000 each comprising 7 detachable and separately transferable principal parts - I and VII parts of ₹ 15,00,000/- each and II to VI parts of ₹ 14,00,000/- each. The separate principal parts are designated as A,B,C,D,E,F and G. Parts A,B,C, D, E & F 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 & 23.11.2010 respectively. The separate principal parts designated as F and G will be redeemed at par as follows:

PART	DATE OF REDEMPTION	AMOUNT (₹ IN CRORE)
G	23.11.2011	53.10

4. 9.25% Taxable non-cumulative Unsecured redeemable Bonds 2012- XI Series of ₹774.97 crore have been allotted on 20.02.2002. They are redeemable at par on the expiry of 10 years from the date of allotment 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-cumulative Unsecured redeemable Bonds 2017 - XIII Series of ₹ 125.00 crore and ₹ 65.00 crore have been allotted on 16.5.2002 and 24.5.2002 respectively. They are redeemable at par on the expiry of 15 years from the date of allotment.
6. 8.21% Taxable non-cumulative Unsecured redeemable Bonds 2017 - XVII Series of ₹ 250.00 crore have been allotted on 03.10.2002. They 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. An amount of ₹25.00 crore each amounting to ₹75 crore was redeemed on 03.10.2008 , 03.10.2009 and 03.10.2010 respectively. The date and the amount of the bonds to be redeemed are as follows :-

Date of Redemption	Amount (₹ in crore)
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-cumulative Unsecured redeemable Bonds 2017 - XVIII Series of ₹ 250.00 crore have been allotted on 13.11.2002. They 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. An amount of ₹ 25.00 crore each amounting to ₹ 75 crore was redeemed on 13.11.2008, 13.11.2009 & 13.11.2010 respectively. The date and the amount of the bonds to be redeemed are as follows :-

Date of Redemption	Amount (₹ in crore)
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 ₹ 300.56 crore (previous year ₹ 278.04 crore) are redeemable at face value of ₹ 750.00 crore on 30.12.2022 [(net of Unamortised Interest of ₹ 449.44 crore ( previous year ₹ 471.96 crore )].
9. 6.80% Taxable non cummulative unsecured redeemable Bonds 2011 - XXI - A Series of ₹ 301.00 crore have been allotted on 02.11.2004. They are redeemable at par on expiry of 7 years from the date of allotment 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.
10. 7.00% Taxable non cummulative unsecured redeemable Bonds 2014 - XXI - B Series of ₹ 168.80 crore have been allotted on 02.11.2004. They are redeemable at par on expiry of 10 years from the date of allotment 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.
11. 7.00% Taxable non cummulative unsecured redeemable Bonds 2011 - XXII Series of ₹ 1040.70 crore have been allotted on 24.12.2004. They are redeemable at par on expiry of 7 years from the date of allotment 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.
12. 7.00% Taxable non cummulative unsecured redeemable Bonds 2012 - XXIII Series of ₹ 349.90 crore have been allotted on 05.07.2005. They are redeemable at par on expiry of 7 years from the date of allotment 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 ₹ 147.20 crore has been exercised by the bondholders on 05.07.2010.
13. The details of unsecured Taxable (Non cumulative) Bonds series XXIV to LXXI are as follows :

Bond Series	Coupon Rate	Date of Redemption	Amount (₹ in crore)
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 - 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 - B Series	9.03%	15.02.2013	319.00
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
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
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	1 year INCMTBMK + 135 bps	20.11.2012	175.00
LX - B Series	1 year 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
LXV - Series	8.70%	14.05.2015	1337.50
	8.70%	14.05.2020	162.50
	1 year INCMTBMK + 98 bps	14.05.2020	1175.00
	1 year INCMTBMK + 63.5 bps	14.05.2025	250.00
	8.70%	14.05.2025	1087.50

14. As at 31.03.2011, Bonds of ₹3.40 crore (previous year ₹3.42 crore) are held by PFC Ltd. Employees Provident Fund Trust and Bonds of ₹0.70 crore (previous year ₹0.70 crore) are held by PFC Ltd. Gratuity Trust.
15. Foreign currency 6.61 % Senior Notes (USPP - I) of USD 180 million amounting to ₹812.52 crore (previous year ₹820.44 crore) are redeemable at par on 05.09.2017.
16. Long term loans due for repayment within one year are ₹ 3513.50 crore (previous year ₹5256.62 crore).

**SCHEDULE - 4  
FIXED ASSETS**

Description	GROSS BLOCK			DEPRECIATION			NET BLOCK				
	Opening Balance as at 01.04.2010	Additions/ Adjustments	Deductions/ Adjustments	Closing Balance as at 31.03.2011	Opening Balance as at 01.04.2010	For the Period 01.04.2010 to 31.03.2011	Charged to Prior period Adjustments	Withdrawn / Written back	Closing Balance as at 31.03.2011	As at 31.03.2011	As at 31.03.2010
<b>I. TANGIBLE ASSETS :</b>											
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	0.46	37.87	0.00	0.00	0.00	0.00	0.00	37.87	38.33
Buildings	24.14	0.00	0.00	24.14	4.34	0.99	0.00	0.00	5.33	18.81	19.80
EDP Equipments	7.39	4.91	0.93	11.37	6.08	1.80	0.01	0.82	7.07	4.30	1.32
Office and other equipments	11.21	0.48	0.09	11.60	5.19	0.90	0.00	0.05	6.04	5.56	6.02
Furniture & Fixtures	7.05	0.23	0.06	7.22	3.89	0.61	0.00	0.04	4.46	2.76	3.16
Vehicles	0.18	0.00	0.05	0.13	0.15	0.01	0.00	0.05	0.11	0.02	0.03
<b>Total #</b>	90.89	5.62	1.59	94.92	19.65	4.31	0.01	0.96	23.01	71.91	71.24
Previous Year	95.37	1.16	5.63	90.90	21.80	3.40	0.00	5.55	19.65	71.25	73.57
<b>II. Intangible Assets :</b>											
Purchased Software (Useful Life - 5 years)											
	2.41	1.92	0.10	4.23	0.82	0.77	0.00	0.03	1.56	2.67	1.59
<b>Previous Year</b>	2.00	0.41	0.00	2.41	0.39	0.43	0.00	0.00	0.82	1.59	1.61
<b>Capital Works</b>											
<b>III. in Progress - Intangible Assets **</b>	1.73	0.55	0.00	2.28	0.00	0.00	0.00	0.00	0.00	2.28	1.73
<b>Previous Year</b>	0	1.73	0.00	1.73	0	0.00	0.00	0.00	0.00	1.73	0.00

\*\* Software applications- purchased and under implementation.

# Additions to Gross Block during the year includes ₹ 0.09 crore (Previous year 0.01 crore) share of Jointly controlled entities.  
Note : The building has been capitalised on the basis of estimated value of work done as Final bills are not yet settled.



## SCHEDULE - 5 INVESTMENTS

Description	As at		As at	
	31.03.2011		31.03.2010	
<b>A Long Term Investments (Trade - Unless otherwise specified)</b>				
<b>- Valued at Cost</b>				
1,20,00,000 (previous Year 1,20,00,000) Equity Shares of ₹10/- each fully paid up of PTC Ltd. (Quoted)		12.00		12.00
17,50,000 (previous Year 17,50,000) Equity Shares (Face value of ₹10/- each) of Power Exchange India Ltd. (Unquoted - Non Trade)		1.75		1.75
4,15,000 (previous Year 5,15,000) Equity Shares of ₹10/- each fully paid up of Subsidiaries/Associates (Unquoted - Non Trade) *		0.42		0.52
8,330 (previous Year 8,330) 4% Bonds of ₹100/- each of IMP Power Ltd. (Unquoted - Non Trade)		0.08		0.08
<b>- Valued at Cost (Less diminution, if any, other than temporary)</b>				
87,33,788 (previous Year 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)	8.73		12.08	
Less : Provision for Diminution	0.18	8.55	0.24	11.84
<b>- Valued at Cost (NPAs)</b>				
Nil (previous Year 50,000) Equity Shares of ₹10/- each fully paid up of Subsidiaries (Unquoted - Non Trade)	0.00		0.05	
Less : Provision for Contingencies	0.00	0.00	0.05	0.00
<b>B. Current Investments - Valued scrip wise at Lower of Cost or Market Price (Trade - Unless otherwise specified)</b>				
Equity Shares (Quoted) **	3.83		3.83	
Less : Provision for Diminution	0.00	3.83	0.00	3.83
<b>TOTAL</b>		<b>26.63</b>		<b>30.02</b>
**				
5,39,349 (Previous year 5,39,349) Equity Shares (Face value of ₹10/- each) of PGCIL purchased at a cost of ₹52		2.80		2.80
97,952 (Previous year 97,952 ) Equity Shares (Face value of ₹10/- each) of REC Ltd. purchased at a cost of ₹105		1.03		1.03
		<b>3.83</b>		<b>3.83</b>

\* Includes ₹ 0.02 crore (previous year ₹ 0.02 crore) Investment in Associate Company.

Particulars	Book Adjusted Value	Market Value
<b>Aggregate of Quoted Investments</b>	<b>15.83</b>	108.06
(Previous year)	<b>(15.83)</b>	(142.69)
<b>Aggregate of Unquoted Investments</b>	<b>10.80</b>	
(Previous year)	<b>(14.19)</b>	
<b>TOTAL</b>	<b>26.63</b>	<b>108.06</b>
(Previous year)	<b>(30.02)</b>	(142.69)

## SCHEDULE - 6 LOANS

(₹ in crore)

Description	As at 31.03.2011		As at 31.03.2010	
<b>I. Secured - (Considered Good)</b>				
Rupee Term Loans to State Electricity Boards, State Power Corporations, Central Public Sector Undertakings and State Governments	57995.39		47082.90	
Rupee Term Loans to Independent Power Producers	3999.46		1552.05	
Foreign Currency Loans to Independent Power Producers	324.30		406.11	
Buyer's Line of Credit	11.41		19.94	
Lease Financing to Borrowers	131.37		300.52	
Rupee Loans to Equipment Manufacturers	2.50		3.76	
Working Capital Loans to State Electricity Boards and State Power Corporations	500.00			
Incomes Accrued & due on Loans	8.54		1.93	
		<b>62972.97</b>		49367.21
<b>II. Secured - Others</b>				
RTL to Independent Power Producers - Projects under implementation	700.00		0.00	
Less: Provision for contingencies	2.80	697.20	0.00	0.00
RTLs to Independent Power Producers - NPAs	8.92		8.92	
Less: Provision for Contingencies	8.92	0.00	2.68	6.24
Lease financing to Borrowers - NPA	217.49		0.00	
Less: Provision for contingencies	22.89	194.60	0.00	0.00
<b>III. Un Secured - (Considered Good)</b>				
Rupee Term Loans to State Electricity Boards, State Power Corporations, Central Public Sector Undertakings and State Governments	32572.26		25480.00	
Rupee Term Loans to Independent Power Producers	628.63		1955.47	
Working Capital Loans to State Electricity Boards and State Power Corporations	1605.77		2948.99	
Foreign Currency Loans to State Electricity Boards and State Power Corporations	72.31		93.65	
Buyer's Line of Credit	0.00		4.18	
RTLs to Equipment Manufacturers	827.00			
Incomes Accrued & due on Loans	0.00		0.02	
		<b>35705.97</b>		30482.31
<b>IV. Un Secured - Others</b>				
Rupee Term Loans to State Power Corporations - NPAs	4.24		4.24	
Less : Provision for Contingencies	4.24	0.00	4.24	0.00
<b>TOTAL</b>		<b>99570.74</b>		<b>79855.76</b>

**SCHEDULE - 7**  
**CURRENT ASSETS, LOANS & ADVANCES**

(₹ in crore)  
As at  
31.03.2010

Description	As at 31.03.2011		As at 31.03.2010	
<b>I CURRENT ASSETS</b>				
<b>(A) CASH AND BANK BALANCES</b>				
a) (i) Cheques in hand	0.38		1.27	
(ii) Imprest with postal authority	0.01	0.39	0.01	1.28
b) In Current Accounts with :-				
i) Reserve Bank of India	0.05		0.05	
ii) Scheduled Banks	249.77	249.82	9.12	9.17
c) Fixed Deposits with Scheduled Banks		2193.98		1449.94
		2444.19		1460.39
<b>(B) OTHER CURRENT ASSETS</b>				
a) Interest accrued but not due on Loan Assets		1860.28		1543.23
b) Other charges accrued but not due on Loan Assets		60.98		38.96
c) Interest accrued but not due on Employee advances		5.26		5.47
d) Interest Accrued but not due on Deposits and Investments		15.78		6.24
e) Sundry Debtors				
More than 6 months		1.05		2.81
Others		0.29		2.43
		1943.64		1599.14
<b>II LOANS &amp; ADVANCES</b>				
<b>Loans *</b>				
a) to Employees (Secured)	11.76		8.98	
b) to Employees (Unsecured)	15.97	27.73	8.64	17.62
<b>Advances (Unsecured considered good)</b>				
Advances recoverable in cash or in kind or for value to be received				
a) to Subsidiaries (including interest recoverable there on)	133.98		65.92	
b) to Employees	0.59		0.40	
c) Prepaid Expenses	2.19		1.54	
d) Prepaid financial charges on Commercial Paper	35.45		5.15	
e) Others	337.20		241.45	
f) Advance Income Tax and Tax Deducted at Source (net)	120.83		170.05	
g) Advance Fringe Benefit Tax	1.73		1.30	
h) Security Deposits	3.48	635.45	1.43	487.24

**Advances (Unsecured - Others)**

a) Others - NPAs	1.03			1.17		
Less : Provision for Contingencies	1.03	0.00	663.18	1.17	0.00	504.86
<b>TOTAL #</b>			<b>5051.01</b>			<b>3564.39</b>

# Includes ₹ 29.61 crore (Previous year ₹ 7.42 crore) share of Jointly Controlled Entities.

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

Description	Balance as at 31.03.2011	Maximum during 2010-11	Balance as at 31.03.2010	Maximum during 2009-10
Directors	0.16	0.22	0.22	0.29
Officers	4.50	5.80	2.73	3.54

## SCHEDULE - 8 CURRENT LIABILITIES & PROVISIONS

Description	As at		(₹ in crore)	
	31.03.2011		As at 31.03.2010	
<b>I. CURRENT LIABILITIES</b>				
Creditors for Expenses	0.93		1.25	
Unclaimed/Unpaid Bonds *	6.52		22.83	
Unclaimed Interest on Bonds **	3.65		4.04	
Unclaimed Dividend	0.60		0.55	
Interest Accrued but not due :				
On Bonds	2305.69		1594.67	
On Loans	117.88	2423.57	121.82	1716.49
Interest Differential Fund - KFW	49.01		47.60	
Advance received from Subsidiaries	247.79		211.43	
Amount payable to GoI under R-APDRP	6.88		0.11	
Other liabilities ***	301.52	3040.47	162.93	2167.23
<b>II. PROVISIONS</b>				
Taxation - Income Tax (net)	47.47		11.39	
Taxation - Fringe Benefit Tax	0.80		0.80	
Proposed Wage Revision	0.00		6.20	
Leave Encashment	15.47		12.84	
Economic Rehabilitation of Employees	1.26		1.31	
Staff Welfare Expenses	9.93		8.59	
Gratuity	5.78		4.54	
Proposed Final Dividend	197.99		172.17	
Proposed Corporate Dividend Tax	32.12	310.82	29.26	247.10
<b>TOTAL #</b>		<b>3351.29</b>		<b>2414.33</b>

\* Includes an amount of ₹ 0.52 crore (previous year ₹ 0.52 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 ₹ 167.37 crore from banks (previous year ₹ 28.35 crore).

# includes ₹ 2.55 crore (previous Year ₹ 0.48 crore) share of Jointly Controlled Entities.

## SCHEDULE - 9 OPERATING INCOME

Description	Year ended		(₹ in crore)	
	31.03.2011		Year ended 31.03.2010	
Interest on Loans	9760.51		7852.26	
Interest restructuring/ Prepayment Premium	27.85		14.53	
Upfront fees on Loans	41.72		22.06	
Service charges on Loans	0.07		0.11	
Management, Agency & Guarantee Fees	96.77		48.62	
Commitment charges on Loans	3.04		4.54	
Less : Commitment charges on Loans waived	0.08	2.96	0.00	4.54
Interest on Deposits	93.18		48.81	
Lease income	15.81		14.90	
Nodal Agency Fees under R-APDRP	89.62		-17.33	
Advisory Fees - UMPPs	0.00		13.60	
Income from Consultancy Assignments/ Other Services	46.46		41.10	
<b>TOTAL #</b>		<b>10174.95</b>		<b>8043.20</b>

# includes ₹ 0.39 crore (previous Year ₹ Nil) share of Jointly Controlled Entities.

## SCHEDULE - 10 OTHER INCOME

Description	(₹ in crore)	
	Year ended 31.03.2011	Year ended 31.03.2010
Interest on Income Tax Refund	24.49	54.43
Miscellaneous Income *	9.83	10.68
Excess Liabilities written back	1.34	7.90
Dividend / Interest Income on Long term Investments	1.56	1.59
Dividend / Interest Income on Current Investments	0.15	0.12
Profit on sale of Long term Investments	1.78	0.53
Profit on sale of Current Investments	0.00	3.26
<b>TOTAL #</b>	<b>39.15</b>	<b>78.51</b>

\* Includes TDS of ₹0.28 crore (previous year ₹0.65 crore).

# Includes ₹ 1.18 crore (Previous year ₹ 0.03 crore) share of Jointly Controlled Entities.

## SCHEDULE - 11 INTEREST & OTHER CHARGES

Description	(₹ in crore)	
	Year ended 31.03.2011	Year ended 31.03.2010
<b>I. Interest</b>		
On Bonds	4835.41	3700.99
On Loans	1417.53	1051.21
to GOI on Interest Subsidy Fund	56.22	80.70
Rebate for Timely Payment to Borrowers	157.05	127.36
Swap Premium ( Net )	-153.05	-42.31
	<b>6313.16</b>	4917.95
<b>II. Other Charges</b>		
Commitment & Agency Fees	0.67	0.49
Financial Charges on Commercial Paper	15.45	64.49
Guarantee, Listing & Trusteeship fees	1.71	1.98
Management Fees on Foreign Currency Loans	61.04	27.71
Bank / Other charges	0.12	0.03
Direct overheads for Consultancy Services	2.29	2.41
Translation / Actual Exchange Loss or Gain(-) on Foreign Currency Loans	26.38	-103.84
	<b>107.66</b>	-6.73
Interest paid on advances received from subsidiaries	7.07	4.99
Less : Interest received on advances given to subsidiaries	1.43	0.82
	<b>5.64</b>	4.17
<b>TOTAL</b>	<b>6426.46</b>	<b>4915.39</b>

## SCHEDULE - 12 BONDS ISSUE EXPENSES

Description	(₹ in crore)	
	Year ended 31.03.2011	Year ended 31.03.2010
Interest on Application Money	37.42	27.06
Credit Rating Fees	1.57	2.24
Other Issue Expenses	20.83	10.68
Stamp Duty Fees	3.23	3.81
<b>TOTAL</b>	<b>63.05</b>	<b>43.79</b>

## SCHEDULE - 13 PERSONNEL & ADMINISTRATION AND OTHER EXPENSES

Description	(₹ in crore)	
	Year ended 31.03.2011	Year ended 31.03.2010
Salaries, Wages and Bonus	52.62	56.19
Contribution to Provident and other funds	5.06	3.95
Staff Welfare	8.40	13.46
Office Rent	0.72	0.59
Rent for Residential accomodation of employees	6.89	4.06
Electricity & Water charges	1.29	1.33
Insurance	0.04	0.12
Repairs & Maintenance	2.46	2.81
Stationery & Printing	0.70	0.47
Travelling & Conveyance	6.00	5.14
Postage, Telegraph & Telephone	1.08	1.51
Professional & Consultancy charges	1.89	7.05
Miscellaneous	28.00	15.35
Loss on sale of assets	0.06	0.02
Auditors' remuneration	0.40	0.28
Expenditure relating to Consultancy Assignment	0.00	0.00
Service Tax	1.62	1.26
Rates & Taxes	0.77	1.33
Wealth Tax	0.00	0.01
<b>TOTAL #</b>	<b>118.00</b>	<b>114.93</b>
Less : Re-imbusement of expenditure incurred for operationalization of R-APDRP scheme **	15.89	0.00
<b>TOTAL</b>	<b>102.11</b>	<b>114.93</b>

\*\* The amount pertains re-imburements related to FYs 2008-09 and 2009-10 and the expenses of ₹ 7.35 crore relating to the ended 31.03.2011 have been adjusted against the respective heads.

# Includes ₹ 0.68 crore (Previous year ₹ 0.27 crore) share of Jointly Controlled Entities.

### Note:-

Description	(₹ in crore)	
	Year ended 31.03.2011	Year ended 31.03.2010
<b>1) Miscellaneous includes :</b>		
Books & Periodicals	0.04	0.04
Advertisement	6.30	4.88
Membership & Subscription	0.85	1.01
Entertainment	0.45	0.38
Conference & Meeting Expenses	1.33	1.36

Security Expenses	0.97	0.88
Training	0.43	0.37
EDP Expenses	1.52	0.66
Business Promotion / Related Expenses	0.10	0.14
Equipment Hire Charges	0.10	0.44
<b>2) Auditors' Remuneration includes :</b>		
Audit fees	0.14	0.14
Tax Audit fees	0.04	0.04
Other certification services	0.25	0.10
Reimbursement of Expenses	0.01	0.00
<b>3) Payments made in r/o CMD, Directors and CEO:</b>		
Salaries, Wages & Bonus	1.23	1.47
Contribution to Provident and other welfare funds	0.07	0.06
Other Perquisite payment	0.51	0.56
Inland travelling	0.41	0.27
Foreign travelling	0.49	0.35

#### SCHEDULE - 14 PRIOR PERIOD ADJUSTMENT

Description	Year ended		(₹ in crore)	
	31.03.2011		Year ended 31.03.2010	
<b>Prior Period Income :</b>				
Interest & Other charges		0.13		-0.20
<b>Prior Period Expenses :</b>				
Depreciation	-0.03		0.00	
Interest & Other charges	0.19		-0.40	
Personnel & Administration Expenses	0.05	0.21	0.10	-0.30
<b>Prior Period Adjustments (Net)</b>		<b>-0.08</b>		<b>0.10</b>

#### SCHEDULE - 15 APPROPRIATIONS

Description	Year ended		(₹ in crore)	
	31.03.2011		Year ended 31.03.2010	
Transfer towards Reserve for Bad & Doubtful Debts u/s 36 (1) (vii) (c) of Income Tax Act, 1961		142.47		123.92
Transfer to Special Reserve created and maintained u/s 36(1)(viii) of Income Tax Act, 1961		634.32		568.61
Dividend & Corporate Dividend Tax :				
Interim Dividend Paid		401.72		344.33
Proposed Final Dividend		197.99		172.17
Corporate Dividend Tax paid on Interim Dividend		66.72		58.52
Proposed Corporate Dividend Tax		32.12		29.26
General Reserve		262.00		236.00
Debenture Redemption Reserve		0.06		0.00
Balance carried to Balance Sheet		909.72		845.49
<b>TOTAL #</b>		<b>2647.12</b>		<b>2378.30</b>

# Includes ₹0.59 crore net (Previous year ₹- 0.56 crore) share of Jointly Controlled Entities.



## SCHEDULE - 16

### 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 by adding together the book values of 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 in Subsidiaries and Associates which are not consolidated, are accounted for as per Accounting Standard (AS) 13 – Accounting for Investments, as per policy no. 6.3 infra.**

#### 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 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** 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.

**2.18** 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.

**2.19** 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 ₹5,000/- are charged to natural heads of account.

**2.7. (i)** Nodal Agency Fees under Restructured Accelerated Power Development and Reforms Programme (R-APDRP) is accounted for @1% of the sanctioned project cost in three steps- 0.40% on sanction of the project, 0.30% on disbursement of the funds and remaining 0.30% after completion of the sanctioned project (for Part-A) and verification of AT&C loss of the project areas (for Part-B).

(ii) The actual expenditure incurred for operationalising the R-APDRP are reimbursable from Ministry of Power, Government of India and accounted for in the period so incurred.

### **3. MISCELLANEOUS 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** 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 for on straight line method at the rates prescribed under the 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 ₹5,000/- 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 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 no longer exists.

## 7 PROVISIONS/WRITE OFF AGAINST LOANS AND ADVANCES

### PRUDENTIAL NORMS

7.1 PFC being a Government owned Non Banking Financial Company (NBFC) is exempt from the RBI directions relating to Prudential Norms. The Company, however, has formulated its own set of Prudential Norms with effect from 1.4.2003, which has been revised from time to time.

In respect of private sector utilities, the Company is applying RBI exposure norms, as advised by RBI, vide letter of December, 2008. Further, RBI exempted PFC from its prudential exposure norms in respect of lending to State / Central entities in power sector till March'2012, vide its letter dated 18.03.2010.

RBI has accorded the status of Infrastructure Finance company (IFC) to PFC, vide its letter dated 28.07.2010. Accordingly, PFC is maintaining CRAR as applicable to IFC.

7.2 As per prudential norms approved by the Board of Directors and the 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 the Central / State Government guarantee or by the 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 the 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, whichever is earlier | : | Loss asset         |

7.4 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 the state / central government or by the 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.

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) 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.
- (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 / borrowing.

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 FUND**

10.1 Interest subsidy for eligible borrowers received from the 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 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**

11.1 Loans received from the 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 project loan / scheme (generation) to state sector borrower (category A) as per the policy of the Company.
- 12.4 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.
- 12.6 The company incurs expenditure for development work in the UMPPs. The expenditure incurred is shown as amount recoverable from the respective subsidiaries set up for development of UMPPs. Provisioning / write off is considered to the extent not recoverable when an UMPP is abandoned by the Ministry of Power, Government of India.

### **13 EMPLOYEE BENEFITS**

#### **13.1 Provident Fund, Gratuity and post retirement benefits**

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 Standard – 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.

Deferred tax charge or credit and corresponding deferred tax liabilities or assets are recognized using 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 there is a reasonable certainty that sufficient future taxable income will be available against which such Deferred Tax Assets can be realized.

Offsetting deferred tax assets against deferred tax liability has been done to the extent the enterprise has legally enforceable right to set off assets against liabilities representing current tax being levied by the same governing taxation laws.

- 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 the Accounting Standard Board of the 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. 17 NOTES ON ACCOUNTS

- The Company is a government company engaged in extending financial assistance to power sector.
- The consolidated financial statements represent consolidation of accounts of the company (Power Finance Corporation Limited), its subsidiary company, joint venture entities and associate company as detailed below:-

Name of the subsidiary company /joint venture entities and associate company	Country of incorporation	Proportion of shareholdings as on		Status of accounts & accounting period
		31.03.2011	31.03.2010	
<b><u>Subsidiary Company</u></b>				
PFC Consulting Limited	India	100%	100%	Audited Accounts from 01.04.2010 to 31.03.2011
<b><u>Joint Venture Entities</u></b>				
National Power Exchange Limited	India	16.66%	16.66%	Audited Accounts from 01.04.2010 to 31.03.2011
Energy Efficiency Services Limited	India	25%	25%	Audited Accounts from 01.04.2010 to 31.03.2011
<b><u>Associate Company</u></b>				
Power Equity Capital Advisors Private Limited.	India	30%	30%	Audited Accounts from 01.04.2010 to 31.03.2011

- Power Finance Corporation Green Energy Ltd. (PFCGEL) has been incorporated as a wholly owned subsidiary of the Company to extend finance and financial services to promote green (renewable and non-conventional sources of) energy with authorized share capital of ₹ 1200.00 crores and subscribed share capital of ₹ 0.05 crores. The certificate of commencement of business is awaited. The subsidiary's financial statement is not consolidated, as the first financial year of the subsidiary has been decided by its Board of directors to be for the period from 30.03.2011 to 31.03.2012.
- 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 :-

Sl No.	Name of the Company	Proportion of Shareholding as on	
		31.03.2011	31.03.2010
	<b>Subsidiary Companies:</b>		
1.	Coastal Maharashtra Mega Power Limited	100%	100%
2.	Orissa Integrated Power Limited	100%	100%
3.	Coastal Karnataka Power Limited	100%	100%
4.	Coastal Tamil Nadu Power Limited	100%	100%
5.	Chhattisgarh Surguja Power Ltd. (previously known as Akaltara Power Limited)	100%	100%
6.	Sakhigopal Integrated Power Limited	100%	100%
7.	Ghogarpalli Integrated Power Limited	100%	100%
8.	Tatiya Andhra Mega Power Limited	100%	100%

The above subsidiary companies were incorporated as special purpose vehicle (SPVs) under the mandate from Government of India (GOI) for development of ultra mega power projects (UMPPs) and independent transmission projects (ITPs) with the intention to hand over them to successful bidder on completion of the bidding process. The Financial Statements of these subsidiaries are attached as required under Section 212 of the Companies Act, 1956 .

The name of Bokaro-Kodarma Maithan Transmission Company Limited has been struck off by the Registrar of Companies in the month of January 2011. Accordingly, a provision of ₹ 0.05 crore made against equity investment in the company has been reversed.

2.2 The Company promoted and acquired the shares at face value in the subsidiary companies. Therefore, goodwill or capital reserve did not arise.

3.1 Contingent liabilities:

(i) Default guarantees issued by the Company in foreign currency :

(a) EURO 0.355 million equivalents to ₹ 2.27 crore (previous year EURO 0.710 million equivalents to ₹ 4.35 crore).

(b) US \$ 14.34 million equivalent to ₹ 64.75 crore (previous year US \$ 17.745 million equivalent to ₹ 80.88 crore).

(ii) Default guarantee issued by the Company in Indian Rupee: ₹ 400 crore (previous year ₹ 400.00 crore).

(iii) Bank guarantee issued by the Company in Indian Rupee: ₹ 50.04 crore (previous year Rs 0.04 crore).

(iv) The additional demand raised by Income Tax Department of ₹ 9.24 crore, Rs 0.57crs , ₹ 0.03 crore and ₹ 4.48 crs. for Assessment Years 2005-06, 2006-07, 2007-08 and 2008-09 respectively are being contested. The management does not consider it necessary to make any provision, as the probability of outflow of resources is negligible.

(v) Claims against the Company not acknowledged as debts are ₹ 7.80 crore (previous year ₹ 7.80 crore).

(vi) Outstanding disbursement commitments to the borrowers by way of Letter of Comfort issued against loans sanctioned, ₹ 5,758.02 crore as at 31.03.2011 (previous year ₹ 3,414.21 crore).

(vii) Other contingent liabilities of ₹ 0.01 crore (previous year Nil) in case of jointly controlled entity.

4. Estimated amount of contract remaining to be executed on account of capital contracts, not provided for, is ₹ 3.70 crore (previous year ₹ 12.98 crore). Share of capital commitment in jointly controlled entities is ₹ Nil (previous year ₹ Nil).

5. Additional demands raised by the Income Tax Department (net of relief granted by Appellate Authorities) amounting to ₹ 22.58 crore for Assessment Year 2001-02 to 2008-09 were paid, provided for and are being contested.

6. A project under implementation having principal outstanding of ₹ 700.00 crore (previous year ₹ 325.00 crore) has been considered as standard asset in terms of RBI circular No. DBS.FID.No.C – 11 / 01.02.00 / 2001-02 dated 01.02.2002 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), RBI letter no. DBOD, BP.No.7675 / 21.04.048 / 2008-09 dated 11.11.2008 (which inter-alia advised that the date of commencement of commercial operation (DCCO) be treated as 31.03.2009), RBI circular no. DBOD. BP. BC. 85 / 21.04.048 / 2009 -10 dated 31.03.2010 and RBI letter no. DBOD. No. BP. No. 11505 / 21.04.048 / 2010-11 dated- 21.01.2011. (which inter-alia enables that the said asset can be retained as standard asset, if the DCCO is re-fixed within the period of 3 years from the commercial operation of 31.03.2009 provided the change in DCCO is due to reasons beyond control of the promoter and subject to compliance of certain provisions).

Accordingly, in terms of the RBI circular no. DBOD. No. BP. BC. 85 / 21.04.048 / 2009 -10 dated 31.03.2010, the Company has made a provision of ₹ 2.80 crore at the rate of 0.40% of the outstanding amount of ₹ 700 crore during the year. However,

the Company recognizes interest on this loan on receipt basis in terms of the accounting policy and as per prudential norms approved by the MoP.

The Company has approved and finalized amendments to the Financial Realignment Plan (FRP). As per FRP, the Project Company is to issue Zero Coupon Bonds (ZCB) (towards interest outstanding for the period from 01.10.2001 to 31.10.2005) valuing ₹ 103.87 crore. During the FY 2010-11, an amount of ₹ 120.81 crore (including the dues of previous year of ₹ 23.12 crore and the guarantee fee of ₹ 4.60 crore for the current year) became due on the loan as per FRP, out of which ₹ 74.74 crore were received and accounted for as per the accounting policy. The balance of ₹ 46.07 crore being interest and guarantee fee due up to 31.03.2011 and ₹103.87 crore against ZCB have not been recognized, as per the accounting policy.

7. During the year, one borrower had made premature repayment of loan of ₹ 497.92 crore with payment of ₹ 10.99 crore towards prepayment premium. As per the terms and conditions of the loans / prepayment policy of the company, the demand for balance prepayment premium of ₹ 10.79 crores was sent to the borrower, which they have disputed and have not paid. Hence the same has not been accounted for.
8. Interest Subsidy of ₹ 17.65 crore under Accelerated Generation & Supply Programme (AG&SP) along with interest upto 31st March, 2011 amounting to ₹26.78 crore (previous year ₹ 24.67 crore), became recoverable in respect of one project, as the project was not completed till 31.03.2007 and the subsidy was withdrawn by the MoP. The amount of ₹ 26.78 crore (previous year ₹24.67 crore) is payable to the MoP on receipt from the borrower.
9. The company creates Debenture Redemption Reserve (DRR) upto 50% of the value of bonds / debentures issued through public issue, during the maturity period of such bonds / debentures. Accordingly, during the year the company has created DRR amounting to ₹ 0.06 crore (previous year Nil) on account of public issue of long term infrastructure bonds.

The Company is not required to create Debenture redemption reserve in case of privately placed debentures as per circular No. 6 / 3 / 2001 – CL.V dated 18.04.2002 of the Government of India, Ministry of Law, Justice Company Affairs, Department of Company Affairs. .

The Company is not required to maintain reserve fund under section 45 – I C of the Reserve Bank of India Act, 1934 by transferring 20 percent of its net profits, as it is exempted by RBI, vide RBI letter dated 24.01.2000.

#### 10.1 Related party disclosures:

Key managerial personnel:

<b>Name of the key managerial personnel</b>	
Shri Satnam Singh, CMD	(with effect from 01.08.2008)
Shri M K Goel, Director	(with effect from 27.07.2007)
Shri Rajeev Sharma, Director	(with effect from 09.03.2009)
Shri R. Nagarajan, Director	(with effect from 31.07.2009)
<b>Subsidiary company</b>	
Shri N D Tyagi, CEO of PFC Consulting Limited.	
<b>Joint Ventures entities</b>	
Shri R. S. Sharma, Chairman of Energy Efficiency Services Limited	
Shri I. J. Kapoor, Chairman of National Power Exchange Limited	

Managerial remuneration:

(₹ in crore)

	<b>Chairman &amp; Managing Director</b>		<b>Other Directors and CEO</b>	
	<b>For year ended 31.03.2011</b>	<b>For the year ended 31.03.10</b>	<b>For the year ended 31.03.2011</b>	<b>For the year ended 31.03.10</b>
Salaries and allowances	0.23	0.27	1.00	0.50
Contribution to provident fund and other welfare fund	0.02	0.02	0.05	0.04
Other perquisites / payments	0.13	0.18	0.38	0.38
<b>Total</b>	<b>0.38</b>	<b>0.47</b>	<b>1.43</b>	<b>1.62</b>

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 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 31.03.2011	Amount as on 31.03.2010	Maximum during the period	Maximum During the previous year
Coastal Maharashtra Mega Power Limited	4.88	4.28	4.95	4.28
Orissa Integrated Power Limited	58.40	13.67	58.40	13.67
Coastal Karnataka Power Limited	2.08	1.83	2.11	1.83
Coastal Tamil Nadu Power Ltd.	18.74	11.17	18.74	11.17
Chhattisgarh Surguja Power Ltd.	41.05	33.08	41.05	33.08
Sakhigopal Integrated Power Limited	0.65	0.24	0.65	0.24
Ghogarpalli Integrated Power Limited	0.53	0.24	0.53	0.24
Tatiya Andhra Mega Power Limited	5.40	0.88	5.40	0.88
Power Finance Corporation Green Energy Ltd.	2.25	0.00	2.25	0.00
Bhopal Dhule Transmission Company Limited and Jabalpur Transmission Company Limited (wholly owned subsidiary of PFC Consulting Ltd)	0.00	0.53	0.00	0.53
<b>Total</b>	<b>133.98</b>	<b>65.92</b>	<b>134.08</b>	<b>65.92</b>

10.3 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 31.03.2011	Amount as on 31.03.2010	Maximum during the period	Maximum During the previous year
Coastal Maharashtra Mega Power Limited	45.65	42.96	45.65	42.96
Orissa Integrated Power Limited	52.47	48.05	52.47	48.05
Coastal Tamil Nadu Power Ltd.	50.02	46.88	50.02	46.88
Chhattisgarh Surguja Power Ltd.	46.13	41.96	46.13	41.96
Sakhigopal Integrated Power Limited	17.74	5.15	17.74	5.15
Ghogarpalli Integrated Power Limited	16.52	0.00	16.52	0.00
Tatiya Andhra Mega Power Limited	19.26	0.00	19.26	0.00
Bhopal Dhule Transmission Company Limited and Jabalpur Transmission Company Limited (wholly owned subsidiary of PFC Consulting Ltd)	0.00	26.43	0.00	26.43
<b>Total</b>	<b>247.79</b>	<b>211.43</b>	<b>249.78</b>	<b>211.43</b>

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

The Company has outstanding investment of ₹ 8.73 crore (previous year ₹ 12.08 crore) in units of Small is Beautiful Fund. The face value of the Fund is ₹ 10 per unit. The NAV as on 31.03.2010 was ₹ 9.80 per unit and as on 31.03.2011 is ₹ 10.08 per unit. As investment in Small is Beautiful Fund is long term investment, the fluctuation in NAV in the current scenario is considered as temporary.

Investment in equity (unquoted) in Power Exchange India Limited:-

(ii) Power Exchange India Ltd. (PXIL) has been promoted by National Stock Exchange (NSE) and National Commodity and Derivatives Exchange Limited (NCDEX). The authorized capital has been enhanced from ₹ 50 crore to ₹ 100 crore in September 2010. The paid up capital of PXIL is ₹ 40.00 crore, as on 31.03.2011. The Company has subscribed ₹ 1.75 crore of the paid up capital of PXIL.

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 31.03.2011 is ₹ 49.01 crore (previous year ₹ 47.60 crore) after adjusting the translation loss of ₹ 15.74 crore (previous year ₹ 13.73 crore).

12. The Company borrows money in foreign currency to finance power projects. In the opinion of the Company, AS 16 – Borrowing costs is applicable where funds are borrowed for acquisition of qualifying asset. The Company does not have any qualifying asset as per AS 16 and hence the foreign exchange gain / loss have been recognized in the Profit & Loss A/c as per AS 11 - The Effects of Changes in Foreign Exchange Rates.

13. (i) Foreign currency liabilities not hedged by a derivative instrument or otherwise:-

Currencies	Amount (in millions)	
	31.03.2011	31.03.2010
USD	381.76	427.43
EURO	26.66	27.63
JPY	42,551.04	1,590.51

(ii) The company enters into derivative contracts for mitigating exchange rate risk in foreign currency liabilities and interest rate risk in foreign currency and rupee liabilities. Paragraphs 36 and 39 of the AS 11 states that in respect of forward exchange contracts not intended for trading or speculative purpose, the forward premium / discount be amortised over the life of such contracts and the forward exchange contracts intended for trading or speculative purpose be marked to market. The derivatives entered into by the company are in the nature of hedging and not in the nature of speculative or trading. The derivatives in the nature of forwards are dealt with in accordance with AS 11.

The Institute of Chartered Accountants of India (ICAI) had issued an announcement dated 29th March, 2008 regarding accounting for derivatives which gives companies an option either to account for losses, if any, on derivatives based on mark to market valuation or to adopt the principles enunciated in the Accounting Standard (AS) 30 on 'Financial Instruments: Recognition and Measurements'. The Company has not adopted AS 30, nor accounted for mark to market losses for other derivatives outstanding as at 31st March 2011, as the ICAI, vide their announcement dated 11th February 2011, have stated, inter-alia, that AS - 30 is not presently mandatory and that it is not expected to continue in its present form, and hence the announcement prior to the date of 11th February, 2011, in the management's view, does not hold good.

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 and the value of unearned financial income are been given in the table below:

The future lease rentals are given below:-

(₹ in crore)

Particulars	As on 31.03.2011	As on 31.03.10
Total of future minimum lease payments (Gross Investments)	541.19	205.01
Present value of lease payments	355.96	160.63
Unearned finance income	185.23	44.38
<b>Maturity profile of total of future minimum lease payments (Gross Investment)</b>		
Not later than one year	77.99	45.07
Later than one year and not later than 5 years	246.56	156.99
Later than five years	216.64	2.95
<b>Total</b>	<b>541.19</b>	<b>205.01</b>
<b>Break up of Present Value of Lease Payments</b>		
Not later than one year	43.28	29.26
Later than one year and not later than 5 years	155.19	128.49
Later than five years	157.49	2.88
<b>Total</b>	<b>355.96</b>	<b>160.63</b>

(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 ₹ 46.01 crore as on 31.03.2011. The lease rent is to be recovered within a period of 15 Years, starting from 19.07.2004, 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 ₹ 48.33 crore as on 31.03.2011. The lease rent is to be recovered within a period of 20 years, starting from 18.05.2004, 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 ₹ 65.60 crore as on 31.03.2011. The lease rent is to be recovered within a period of 19 years 11 months, starting from 09.06.2005, which comprises of 10 years as a primary period and maximum of 9 years and 11 months as a secondary period.
- (v) The Company had sanctioned an amount of ₹228.94 crore in the year 2008 as finance lease for financing wind turbine generator. The gross investment stood at ₹ 381.25 crore as on 31.03.2011. The lease rent is to be recovered within a period of 20 years, starting from 31.10.2010, which comprises of 12 years as a primary period and maximum of 8 years as a secondary period.

**b) OPERATING LEASE:**

The Company's operating leases consists:-

Premises for offices and for residential use of employees are lease arrangements, and are usually renewable on mutually agreed terms, and are cancellable. Rent for residential accommodation of employees include ₹ 6.89 crore (previous year ₹ 4.06 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):

- (i) The Company claims subsidy from Govt. of India at net present value calculated at indicative interest rates in accordance with the 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 certain assumptions that these would remain same over the projected period of each loan / project), the Company estimated the net excess amount of ₹ 35.31 crore and ₹ 229.43 crore (excluding an amount of ₹ 17.65 crore recoverable from Irrigation Department of Government of Maharashtra) as at 31.03.2011 for IX and X plan respectively under AG&SP schemes and there is no shortfall. 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. Any excess / shortfall in the interest subsidy fund will be refunded or adjusted / charged off at the completion of the respective scheme.
- (ii) The amount of ₹ 451.87 crore (Previous year ₹ 663.49 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 31.03.2011	As on 31.03.2010
Opening balance of Interest Subsidy Fund	663.49	908.94
Add : - Received during the period	--	--
: - Interest credited during the period	56.22	80.44
Less : Interest subsidy passed on to borrowers	117.84	169.36
Refunded to MoP		
(a) Estimated net excess against IX Plan	150.00	150.00
(b) Due to non- commissioning of Project in time	--	6.53
<b>Closing balance of interest subsidy fund</b>	<b>451.87</b>	<b>663.49</b>

16. (i) The Company has been designated as the Nodal Agency for operationalisation and associated service for implementation of the Re-structured Accelerated Power Development and Reforms Programme (R – APDRP) during XI plan by the , MoP, Gol under it's overall guidance. 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 as well as IT based customer care centers. Part – B includes regular distribution strengthening projects. Gol provides 100% loan for Part A and up to 25% (up to 90% for special category States) loan for Part – B. Balance funds for Part – B projects can be raised by the utilities from PFC / REC / multi-lateral institutions and / or own resources. The loans under Part – A alongwith interest thereon is convertible into grant as per R – APDRP guidelines. Similarly, upto 50% (up to 90% for special category states) of the loan against Part –B project would be convertible in to grant as per R – APDRP guidelines. Enabling activities of the programe is covered under Part – C.

The loans under R – APDRP are routed through the Company for disbursement to the eligible utilities. The amount so disbursed but not converted in to grants as per R – APDRP guidelines will be repaid along with interest to the Gol on receipt from the borrowers.

The details are furnished below :

(₹ in crore)

Particulars	Amount recoverable from borrowers & payable to GOI		R – APDRP Fund		Amount payable to GOI (Interest earned on Fixed Deposit)	
	As at 31.03.2011	As at 31.03.2010	As at 31.03.2011	As at 31.03.2010	As at 31.03.2011	As at 31.03.2010
Opening balance	1,646.09	325.10	0.00	0.00	0.11	0.00
Additions during the year	2256.79	1,320.99	2256.79	1,320.99	6.29	0.11
Disbursements / changes during the year			2256.79	1,320.99		
<b>Total</b>	<b>3902.88</b>	<b>1646.09</b>	<b>0.00</b>	<b>0.00</b>	<b>6.40</b>	<b>0.11</b>
Interest accrued but not due	413.01	109.70			0.48	
<b>Closing balance</b>	<b>4,315.89</b>	<b>1,755.79</b>	<b>0.00</b>	<b>0.00</b>	<b>6.88</b>	<b>0.11</b>

- (ii) Pending finalization of norms for payment of nodal agency fee, etc. the accounting policy therefore was held in abeyance in 2009-10 and fee etc. had not been accounted for in 2009-10. On finalization of norms by MoP, Gol, vide Office Memorandum No. 14 / 03 / 2008 – APDRP dated 20<sup>th</sup> August, 2010, the Company has recognised in the books of accounts, during the year ended 31.03.2011, nodal agency fee income ₹ 89.62 crore (previous year NIL) in respect of sanctions and disbursements done in 2008-09, 2009-10 and 2010-11.
- (iii) During the year ended 31.03.2011, the Company has recognized ₹ 39.20 crore as amount reimbursed / reimbursable from the Ministry of Power, Govt. of India, towards the actual expenditure incurred in FY 2008-09, 2009-10 and in 2010-11 on various activities for operationalising the programme.
- (iv) As on 31.03.2011, the total amount of nodal agency fees and reimbursement of expenditure recognised by PFC has been as under:-

	During 2010-11	Cumulative up-to 31.03.2011
Nodal agency fees	89.62	89.62
Reimbursement of expenditure	39.20	39.20
<b>Total</b>	<b>128.82</b>	<b>128.82</b>

- (v) As per Office Memorandum No. 14 / 03 / 2008 – APDRP dated 20<sup>th</sup> August, 2010 of the MoP, Gol, the total amount receivable against the nodal agency fee plus the reimbursement of actual expenditure will not exceed ₹ 850 crore or 1.7 % of the likely outlay under Part A & B of R – APDRP, whichever is less.

17. The net deferred tax liabilities of ₹ 82.90 crore (previous year ₹ 46.93 crore) have been computed as per Accounting Standard 22 Accounting for Taxes on Income.

The breakup of deferred tax liabilities is given below: -

(₹ in crore)

Description	As on 31.03.2011	As on 31.03.2010
(a) Deferred Tax Asset (+)		
(i) Provision for expenses not deductible under Income Tax Act	18.02	7.06
(ii) Preliminary Expenses written off and brought forward losses	0.07	0.02
(b) Deferred Tax Liabilities (-)		
(ii) Depreciation	-0.44	-0.12
(iii) Lease income on new leases	-99.69	-53.36
(iv) Amortization	-0.86	-0.53
Net Deferred Tax liabilities (-)/Assets (+)	-82.90	-46.93

18. 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 31.03.2011	Previous year 31.03.2010
Net Profit after tax used as numerator (₹ in crore)	2647.12	2,357.25
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)	23.06	20.54
Face value per share (Rupees)	10	10

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

20. The value of lease hold land aggregating to ₹ 37.87 crore (previous year ₹ 38.33 crore) comprises 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 of ₹ 2.01 crore (previous year ₹ 2.47 crore) and capitalization of ground rent of ₹ 4.03 crore (previous year ₹ 4.03 crore) up to the date of completion of building. The Land and Development Office have executed the perpetual lease deed on 23.03.2011. The registration of the perpetual lease deed is under process.

Leasehold land is not amortized, as it is a perpetual lease.

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

S. No.	Exchange Rates	31.03.2011	31.03.2010
1	USD / INR	45.1400	45.5800
2	JPY / INR	0.5484	0.4900
3	EURO / INR	63.9900	61.3100

In-case of specific provision in the loan agreement for a rate other than SBI TT selling rate, the rate has been taken as prescribed in the respective loan agreement.

22. 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 Gol. 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 employees and the dependent family members are provided medical facilities in empanelled hospitals. They can also avail of 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 & their 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 a 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	0.92 (0.80)	0.26 (0.24)	1.73 (1.29)
Interest cost on benefit obligation	0.84 (0.59)	0.49 (0.27)	0.96 (0.54)
Expected return on plan assets	-0.69 (-0.53)	0.00 (0.00)	0.00 (0.00)
Net actuarial (gain) / loss recognised in the year	0.65 (1.90)	0.17 (2.58)	0.65 (5.53)
Expenses recognised in Profit & Loss Account	*1.72 (2.76)	0.92 (3.09)	*3.34 (7.36)

(\*) Includes ₹0.10 crore (previous year ₹0.08 crore) and ₹0.15 crore (previous year ₹0.11 crore) for gratuity and leave, respectively allocated to subsidiary companies.

### ii) The amount recognized in the Balance Sheet

(₹ in crore)

	Gratuity	PRMS	Leave
Present value of obligation as at 31.03.2011 (i)	12.69 (11.18)	7.13 (6.44)	15.47 (12.84)
Fair value of plan assets at 31.03.2011 (ii)	10.57 (8.42)	0.00 (0.00)	0.00 (0.00)

Difference (ii) – (i)	-2.12 (-2.76)	-7.13 (-6.44)	-15.47 (-12.84)
Net asset / (liability) recognized in the Balance Sheet	-1.72 (-2.76)	-7.13 (-6.44)	-15.47 (-12.84)

iii) Changes in the present value of the defined benefit obligations

(₹ in crore)

	Gratuity	PRMS	Leave
Present value of obligation as at 01.04.2010	11.18 (7.96)	6.44 (3.66)	12.84 (7.15)
Interest cost	0.84 (0.59)	0.49 (0.27)	0.96 (0.54)
Current service cost	0.92 (0.80)	0.26 (0.24)	1.73 (1.29)
Benefits paid	-1.04 (-0.07)	-0.23 (-0.31)	-0.71 (-1.67)
Net actuarial (gain)/loss on obligation	0.79 (1.90)	0.17 (2.58)	0.65 (5.53)
Present value of the defined benefit obligation as at 31.03.2011	12.69 (11.18)	7.13 (6.44)	15.47 (12.84)

iv) Changes in the fair value of plan assets

(₹ in crore)

	Gratuity	PRMS	Leave
Fair value of plan assets as at 01.04.2010	*7.92 (7.96)	0.00 (0.00)	0.00 (0.00)
Expected return on plan assets	0.69 (0.53)	0.00 (0.00)	0.00 (0.00)
Contributions by employer	2.86 (0.00)	0.00 (0.00)	0.00 (0.00)
Benefit paid	-1.04 (-0.07)	0.00 (0.00)	0.00 (0.00)
Actuarial gain / (loss)	0.14 (0.00)	0.00 (0.00)	0.00 (0.00)
Fair value of plan assets as at 31.03.2011	*10.57 (8.42)	0.00 (0.00)	0.00 (0.00)

\* it has been revised from ₹ 8.42 crore to ₹ 7.92 crore during the current financial year, after finalisation and audit of accounts of Gratuity Trust for the financial year 2009-10.

v) One percent increase / decrease in the inflation rate would impact liability for medical cost of PRMS, as under:-

Cost increase by 1%	₹ 0.14 crore
Cost decrease by 1%	₹ 0.11 crore

vi) During the year, the Company has provided liability towards contribution to the Gratuity Trust of ₹ 1.79 crore, to PRMS of ₹ 0.92 crore, to leave ₹ 3.34 crore and to pension ₹ 2.28 crore. (previous year towards contribution to the Gratuity Trust of ₹ 2.76 crore, to PRMS of ₹ 3.09 crore, to leave ₹ 7.36 crore and to pension ₹ 1.78 crore).

**E. OTHER EMPLOYEE BENEFITS:-**

During the year, provision of ₹ - 0.03 crore (previous Year ₹ 0.04 crore) has been made for Economic Rehabilitation Scheme for

Employees and provision of ₹ 0.65 crores has been made for Long Service Award for Employees (Previous year ₹ 0.01 crore reversed) 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 31.03.2011 are as follows:-

(₹ in crore)

SL	Particulars	2010-11	2009-10
i)	State Government Securities	3.83	1.37
ii)	Central Government Securities	2.50	2.18
iii)	Corporate bonds / debentures	4.24	4.87
	<b>Total</b>	<b>10.57</b>	<b>8.42</b>

#### 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	8.77 %
Future salary increase	5.00 %

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

23. Details of provision as required in Accounting Standard – 29.

(₹ in crore)

Particulars	Financial year 2010-11	Financial year 2009-10
<b>Post Retirement Medical Scheme</b>		
Opening Balance	6.44	3.66
Addition during the year	0.92	3.09
Amount paid / utilized during the year	0.23	0.31
Closing Balance	7.13	6.44
<b>Gratuity</b>		
Opening Balance	2.76	3.02
Addition during the year \$	1.79	2.76
Amount paid / utilized during the year	2.83	3.02
Closing Balance	1.72	2.76
\$ Addition for the FY 2010-11 includes ₹ 0.07 crore related to FY 2009-10		
<b>Pension*</b>		
Opening Balance	1.78	0.00
Addition during the year	2.28	1.78
Amount paid / utilized during the year	0.00	0.00
Closing Balance	4.06	1.78
<b>Leave Encashment</b>		
Opening Balance	12.84	7.15
Addition during the year	3.34	7.36
Amount paid / utilized during the year	0.71	1.67
Closing Balance	15.47	12.84
<b>Wage Revision</b>		
Opening Balance	6.20	21.89
Addition during the year	0.71	1.57
Amount paid / utilized during the year	6.91	17.26
Closing Balance	0.00	6.20



<b>Economic Rehabilitation Scheme for Employee</b>		
Opening Balance	1.31	1.29
Addition during the year	-0.03	0.04
Amount paid / utilized during the year	0.02	0.02
Closing Balance	1.26	1.31
<b>Bonus / Incentive / Base line Compensation</b>		
Opening Balance	16.33	9.76
Addition during the year	17.78	14.32
Amount paid / utilized during the year	9.59	7.75
Closing Balance	24.52	16.33
<b>Leave Travel Concession</b>		
Opening Balance	0.00	2.34
Addition during the year	0.00	0.15
Amount paid / utilized during the year	0.00	2.49
Closing Balance	0.00	0.00
<b>Baggage Allowances</b>		
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
<b>Service Award</b>		
Opening Balance	2.10	2.11
Addition during the year	0.65	-0.01
Amount paid / utilized during the year	0.00	0.00
Closing Balance	2.75	2.10
<b>Income Tax</b>		
Opening Balance	1,337.29	1,489.88
Addition during the year	898.99	800.55
Amount refunded / adjusted	21.15	953.14
Closing Balance	2,215.13	1,337.29
<b>Fringe Benefit Tax</b>		
Opening Balance	0.80	2.90
Addition during the year	0.00	0.00
Amount adjusted during the year	0.00	2.10
Closing Balance	0.80	0.80
<b>Proposed Final Dividend</b>		
Opening Balance	172.17	154.95
Addition during the year **	197.99	172.17
Amount paid / utilized during the year	172.17	154.95
Closing Balance	197.99	172.17
<b>Proposed Corporate Dividend Tax</b>		
Opening Balance	29.26	26.33
Addition during the year	32.12	29.26
Amount paid / utilized during the year	29.26	26.33
Closing Balance	32.12	29.26

\* **Pension:** In view of the guidelines of the Department of Public Enterprise (DPE) for providing superannuation benefits with effect from 01.01.07, the Company is in the process of finalizing pension scheme for its employees. Pending finalisation of the scheme, the Company has made a provision of ₹ 2.28 crore during the period (previous year ₹ 1.78 crore for the period from 01.01.2007 to 31.03.2010).

\*\* The Company paid an interim dividend of ₹ 3.50 per equity share of ₹ 10 each amounting to ₹ 401.72 crore on 22.01.2011 on the then paid up equity share capital of ₹ 1147.77 crore. The Company has issued 17,21,65,005 number of equity shares in May 2011 resulting in an increase of ₹172.16 crore in paid up equity share capital. The Board of Directors recommended a final dividend of ₹ 1.50 per equity shares of ₹ 10 each amounting to ₹ 197.99 crore on the post issue paid up equity share capital of ₹ 1319.93 crore subject to shareholders' approval in the Annual General Meeting. Total dividend for the financial year 2010-11 is ₹ 5.00 (interim dividend of ₹ 3.50 and final dividend of ₹ 1.50) per equity share of ₹ 10 each on the pre issue share capital of ₹ 1147.77 crore and ₹ 1.50 (final dividend) on the additional share capital of ₹ 172.16 crore issued in May 2011.

24. (i) During the year, the Company has sent letters seeking confirmation of balances as on 31.12.2010 to the borrowers. However, confirmations in few cases were yet to be received.
- (ii) Some of the designated bank accounts opened for making interest payment to bondholders / debenture holders have outstanding balance of ₹ 0.50 crore are subject to reconciliation / confirmation.
25. The Company and its subsidiary, associates and joint venture entities have no exposure to real estate sector as on 31.03.2011.
26. The Company and its subsidiary do not have more than one reportable segment in terms of Accounting Standard No. 17 on Segment Reporting.
27. The disclosure requirement in respect of subsidiary / associate companies and Joint Venture entities have been disclosed to the extent available from their audited accounts.
28. Previous year's figures have been re-grouped / re-arranged, wherever practicable, to make them comparable with the current period.
29. Figures have been rounded off to the nearest crore of rupees with two decimals.

Schedules 1 to 17 form an integral part of Balance Sheet and Profit & Loss Account.

For and on behalf of the Board of Directors

**(J.S. AMITABH)**  
Company Secretary

**(R NAGARAJAN)**  
Director (Finance)

**(SATNAM SINGH)**  
Chairman & Managing Director

Signed in terms of our report of even date

For Mehra Goel & CO.  
Chartered Accountants  
Firm Regd. No.-0517N

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

(R.K.Mehra)  
Partner  
Membership No.6102

(G K GUPTA)  
Partner  
Membership No.81085

**Place: Delhi**

**Date: 20.06.2011**

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 ST MARCH, 2011**

(₹ in crore)

PARTICULARS	Year ended 31.03.2011	Year ended 31.03.2010
<b>I. Cash Flow from Operating Activities :-</b>		
<b>Net Profit before Tax and Extraordinary items</b>	<b>3585.59</b>	3046.23
<b>ADD: Adjustments for</b>		
Loss on Sale of Assets	0.06	0.02
Depreciation / Amortisation	5.08	3.82
Amortisation of Zero Coupon Bonds	22.52	20.83
Foreign Exchange Loss/Gain	(2.47)	(248.27)
Diminution in value of investments	(0.06)	(1.52)
Provision for Contingencies	31.79	(0.57)
Dividend / Interest and profit on sale of investment	(6.32)	(5.50)
Provision for interest under IT Act	0.22	0.00
Provision for Retirement Benefits/Other Welfare Expenses/ Wage revision	10.68	16.74
Interest paid	0.27	0.00
Preliminary expenses written off	0.00	(0.26)
<b>Operating profit before working Capital Changes:</b>	<b>3647.36</b>	2831.52
<b>Increase/Decrease :</b>		
Loans Disbursed (Net)	(19755.37)	(15496.04)
Other Current Assets	(350.71)	(255.66)
Loans & Advances	(138.18)	99.31
Current Liabilities and provisions	901.05	240.99
<b>Cash flow before extraordinary items</b>	<b>(15695.85)</b>	(12579.88)
Extraordinary items	0.00	0.00
<b>Cash Inflow/Outflow from operations before Tax</b>	<b>(15695.85)</b>	(12579.88)
Income Tax & Fringe Benefit Tax Paid	(879.60)	(825.33)
<b>Net Cash flow from Operating Activities</b>	<b>(16575.45)</b>	(13405.21)
<b>II. Cash Flow From Investing Activities :</b>		
Sale of Fixed Assets	0.64	0.05
Purchase of Fixed Assets	(7.55)	(1.57)
Work in progress	(0.55)	(1.73)
Investments in Subsidiaries including interest thereon	0.10	(0.05)
Dividend / Interest and profit on sale of investment	7.18	5.50
Other Investments	(21.03)	6.58
<b>Net Cash Used in Investing Activities</b>	<b>(21.21)</b>	8.78
<b>III. Cash Flow From Financial Activities :</b>		
Issue of Bonds	14023.96	12283.30
Short Term Loans (Net)	3400.00	(750.00)

Loan Against Fixed Deposits (Net)	565.92	1675.12
Raising of Long Term Loans	7855.00	8004.50
Repayment of Long Term Loans	(5870.00)	(4473.00)
Redemption of Bonds	(3710.91)	(1981.86)
Foreign Currency Loans (Net)	2214.60	486.88
Interest paid	(0.98)	0.00
Interest Subsidy Fund from GOI (Net)	(211.62)	(245.45)
Unclaimed Bonds (Net)	(16.31)	21.87
Payment of Final Dividend (including Corporate Dividend Tax) of Previous year	(200.76)	(181.28)
Payment of Interim Dividend (including Corporate Dividend Tax) of Current year	(468.44)	(402.85)
<b>Net Cash in-flow from Financing Activities</b>	<b>17580.46</b>	<b>14437.23</b>
<b>Net Increase/Decrease in Cash &amp; Cash Equivalents</b>	<b>983.80</b>	<b>1040.80</b>
Add : Cash & Cash Equivalents at beginning of the period	1460.39	419.59
<b>Cash &amp; Cash Equivalents at the end of the period #</b>	<b>2444.19</b>	<b>1460.39</b>
<b>Details of Cash &amp; Cash Equivalents at the end of the period:</b>		
Cheques in hand, Imprest with Postal authority & Balances with Banks	250.21	10.45
Fixed Deposits with Scheduled Banks	2193.98	1449.94
	<b>2444.19</b>	<b>1460.39</b>

# Includes ₹ 28.78 crore (Previous year ₹6.78 crore) share of Jointly Controlled Entity.

For and on behalf of the Board of Directors

**J.S.AMITABH**  
Company Secretary

**R NAGARAJAN**  
Director (Finance )

**SATNAM SINGH**  
Chairman and Managing Director

Signed in terms of our report of even date  
For Mehra Goel & Co.  
Chartered Accountants  
Firm Regd. No - 0517N

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

Place : New Delhi  
Date : 20.06.2011

**( R K MEHRA )**  
PARTNER  
Membership No - 6102

**( G K GUPTA )**  
PARTNER  
Membership No - 81085

**AUDITORS' REPORT ON YEARLY CONSOLIDATED FINANCIAL STATEMENTS OF POWER FINANCE CORPORATION LTD, ITS SUBSIDIARY, JOINT VENTURES AND ASSOCIATE.**

To,

**The Board of Directors of Power Finance Corporation Ltd.**

1. We have audited the attached consolidated Balance Sheet of Power Finance Corporation Ltd. (the company) and its subsidiary, associate and joint ventures (The PFC Group) as at 31<sup>st</sup> March 2011 and also Consolidated Profit & Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management and have been prepared by the management on the basis of separate financial statements. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.
3. In respect of financial statements of the subsidiary, joint ventures and associate, we did not carry out the audit. 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 reports of the other auditors. These Financial statements do not include the results of one wholly owned subsidiary company 'PFC Green Energy Ltd. as the company was incorporated on 30.03.2011 and decided to close its first financial year on 31.03.2012. The details of Total Assets, Total Revenues and Net Cash Flow in respect of the subsidiary, joint ventures and associate to the extent to which they are reflected in consolidated financial statements are given below.

Audited by other Auditors.

(₹ in crores)

Company	Total Assets	Total Revenues	Net Cash Flow
PFC Consulting Limited (100% wholly owned subsidiary)	88.76	52.60	6.47
National Power Exchange Limited (Joint Venture)	1.77	0.07	(0.34)
Energy Efficiency Private Limited (Joint Venture)	27.98	1.50	20.35

Company	Net Carrying Cost of Investment	Share of Profit/(Loss)
Power Equity Capital Advisers Private Limited (Associate)	0.02	0.00

4. We report that the Consolidated Financial Statement have been prepared by the Company's management in accordance with the requirement of Accounting Standard (AS)-21 "Consolidated Financial Statements", Accounting Standard (AS)-23 " Accounting for investments in Associates in Consolidated Financial Statements", Accounting Standard (AS)-27 "Financial reporting of interest in joint venture" of the Companies (Accounting Standard), Rules 2006.
5. Without qualifying our report attention is drawn to the Note no. 13(ii) in Schedule 17 regarding Accounting for Derivatives.
6. We report that on the basis of the information and explanations given to us and on due consideration of the separate audit reports on individual audited Financial Statements of the PFC Group, to the extent received as stated above, we are of the opinion that the said Consolidated Financial Statements give a true and fair view in confirmation with accounting principles generally accepted in India:

- (i) In case of Consolidated Balance Sheet, of the Statement of Affairs of the PFC group as at 31st March, 2011.
- (ii) In case of Consolidated Profit and Loss Account of the profit for the year ended on that date, and
- (iii) In case of Consolidated Cash Flow Statement, of the Cash Flow for the year ended on that date.

**For Raj Har Gopal & Co.**

Chartered Accountants

Firm's Regn. No. : 002074N

**For Mehra Goel & Co.**

Chartered Accountants

Firm's Regn. No. : 0517N

Place of Signature: New Delhi

Date: 20.06.2011

**G.K.Gupta**

Partner

Membership No.: 081085

**R.K.Mehra**

Partner

Membership No.: 6102

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	PFC Consulting Limited	Chhattisgarh Surguja Power Ltd.	Coastal Karnataka Power Ltd.	Coastal Maharashtra Mega Power Ltd.	Orrisa Integrated Power Ltd.	Coastal Tamil Nadu Power Ltd.	Sakhigopal Integrated Power Company Ltd.	Ghogarpalli Integrated Power Company Ltd.	Tatiya Andhra Mega Power Ltd.	PFC Green Energy Limited
1.	The Financial Year of the Subsidiary Company ended on.	31st March, 2011	31st March, 2011	31st March, 2011	31st March, 2011	31st March, 2011	31st March, 2011	31st March, 2011	31st March, 2011	31st March, 2011	31st March, 2012
2.	Date from which it became Subsidiary Company.	25th March, 2008	10th February, 2006	10th February, 2006	1st March, 2006	24th August, 2006	9th January, 2007	9th February, 2010	9th February, 2010	9th February, 2010	30th March, 2011
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. b) Extent of interest of Holding Company at the end of the financial year of the Subsidiary Companies.	50000 Equity shares of ₹ 10 each	50000 Equity shares of ₹ 10 each	50000 Equity shares of ₹ 10 each	50000 Equity shares of ₹ 10 each	50000 Equity shares of ₹ 10 each	50000 Equity shares of ₹ 10 each	50000 Equity shares of ₹ 10 each	50000 Equity shares of ₹ 10 each	50000 Equity shares of ₹ 10 each	50000 Equity shares of ₹ 10 each*
4.	The net aggregate amount of the Subsidiary Company's Profit / (Loss) so far as it concerns the members of the Holding Company.	₹ 58.33 cr.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
	a) Dealt within the Holding Company's Accounts:	₹ 58.33 cr.									
	i) For the Financial year ended 31st March 2011.										
	ii) For the previous financial year(s) of the Subsidiary Companies since it became the Holding Company's Subsidiary.										
	b) Not dealt within the Holding Company's Accounts:										
	i) For the Financial year ended 31st March 2011										
	ii) For the previous financial year(s) of the Subsidiary Companies since it became the Holding Company's Subsidiary.										

\* Holding as on March 31, 2011

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, 2011, have been attached





## **SUBSIDIARIES**

PFC CONSULTING LIMITED

CHHATTISGARH SURGUJA POWER LIMITED  
(Formerly Known as Akaltara Power Ltd.)

COASTAL KARNATAKA POWER LIMITED

COASTAL MAHARASHTRA POWER LIMITED

ORISSA INTEGRATED POWER LIMITED

COASTAL TAMIL NADU POWER LIMITED

SAKHIGOPAL INTEGRATED POWER COMPANY LIMITED

GHOARPALLI INTEGRATED POWER COMPANY LIMITED

TATIYA ADNHRA MEGA POWER LIMITED

## PFC CONSULTING LIMITED

(A Wholly Owned Subsidiary of Power Finance Corporation Limited)

### DIRECTORS' REPORT 2010-2011

To

The Members,

The Directors of your Company have pleasure in presenting the 3<sup>rd</sup> Annual Report on the performance of your Company for the financial year 2010-11 together with Audited Statements of Accounts and Auditors Report thereon for the year ended 31<sup>st</sup> March, 2011.

### FINANCIAL HIGHLIGHTS

(Figures in ₹ Lakh)

Sl. No.	Particulars	2010-11	2009-10	% Change
1.	Total Income	5,259.74	4,526.91	16.19↑
2.	Total Expenditure	1,201.00	1,223.50	(1.84)↑
3.	Profit Before Tax and Prior Period Items	4,058.74	3,303.41	22.87↑
4.	Prior Period Items	(1.31)	(2.61)	----
5.	Profit Before Tax	4,057.43	3,300.80	22.92↑
6.	Provision for Tax			
-	Current Tax	1,361.57	1,138.49	----
-	Deferred Tax	0.27	0.27	----
7.	Profit After Tax	2,695.59	2,162.04	24.68↑
8.	Balance brought forward	3,137.48	975.44	----
9.	Profit carried to Balance Sheet	5,833.07	3,137.48	----

### FINANCIAL PERFORMANCE

#### i) Revenue

During the financial year under review, the total income of the Company has increased from ₹ 4,526.91 Lakh to ₹ 5259.74 Lakh showing an increase of 16.19%. Operating Income for the year increased by 12.07% from ₹ 4110.36 Lakh in financial year 2009-10 to ₹ 4606.57 Lakh in financial year 2010-11. During the year, the Company has also earned other income of ₹ 653.16 Lakh which includes interest on deposit of surplus funds with banks amounting to ₹ 270.16 Lakh and miscellaneous income of ₹ 383.00 Lakh.

#### ii) Expenses

During the financial year 2010-11, the Company incurred total expenditure of ₹ 1201.00 Lakh as against the total expenditure of ₹ 1223.50 Lakh, incurred last year. Total expenditure for the current year accounted 22.83% of the total income earned by the Company during the year.

#### iii) Profit

During the financial year 2010-11, your Company earned Profit before Tax of ₹ 4,057.43 Lakh as compared to ₹ 3300.80 Lakh for the financial year 2009-10 registering an increase of 22.92%. The Profit after Tax also grew from ₹ 2162.04 Lakh to ₹ 2695.59 Lakh showing an increase of 24.68%.

#### iv) Dividend

To conserve the resources for the business of the Company, your Directors have decided not to declare any dividend for the financial year 2010-11 and to carry forward the profits to the Reserves and Surplus of the Company.

#### v) Share Capital

The paid-up share capital of the Company is ₹ 5,00,000/- (₹ Five Lakh only) comprising of 50,000 equity shares of ₹ 10/- each. The entire paid up share capital of the Company is 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 operational highlights are:

- Jabalpur Transmission Company Ltd. and Bhopal Dhule Transmission Company Ltd., the two ITP SPVs transferred to M/s Sterlite Transmission Projects Private Limited, the successful bidder after completion of bid process in March 2011.
- Expression of Interest (EoI) Conference for NMDC assignment held at Hyderabad in May 2011.
- Request for Proposal (RfP) Bids for 70 MW TPP linked to Gurha (West) Mines in Distt. Bikaner, Rajasthan received in June 2011.
- Request for Qualification (RfQ) issued for 250 MW Giral Thermal Power Project (TPP) assignment for Rajasthan Rajya Vidyut Prasaran Nigam Limited (RRVPLN) in September 2010.
- Draft Standard Bidding Document for 'Case 1' under "Guidelines for Determination of Tariff by Bidding Process for Procurement of Power by Distribution Licensees", incorporating the suggestions sent to Ministry of Power in July 2010. Revised Standard Bidding Document for 'Case 1' issued by Ministry of Power in July 2010.
- RfQ issued for Sundargarh UMPP in Orissa, in June 2010.
- PFCCL received first of its kind assignment of tariff based competitive bidding for Gas based TPP from RRVPLN in August 2011.
- PFCCL received a new assignment for providing consultancy services for Power Supply Arrangement for 3 MTPA integrated Steel Plant being set up by NMDC at Jagdalpur in March 2011.
- PFCCL received a new assignment for providing consultancy services to Mahanadi Coalfields Limited (MCL) for Selection of Joint Venture Partner for setting up a Thermal Power Plant linked to Basundhara Coal Fields through Tariff based Competitive Bidding in June 2011.
- PFCCL appointed as 'Bid Process Coordinator' by MoP, Gol, to undertake work on two new Independent Transmission Projects viz. (i) Transmission System associated with IPPs of Nagapattinam/Cuddalore Area- Package A (Nagapattinam Pooling Station-Salem 765kV D/c line, Salem-Madhugiri 765kV S/c line) and (ii) Transmission System associated with IPPs of Nagapattinam/Cuddalore Area- Package C (Madhugiri-Narendra 765kV D/c line, Kolhapur-Padghe 765kV D/c line (one ckt. via Pune)). Request for Qualification (RfQ) for Package A was issued in May 2011.

### ULTRA MEGA POWER PROJECTS (UMPPs)

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. Power Finance Corporation Ltd (PFC) has been appointed as the Nodal Agency for development of these projects. PFC has authorized PFC Consulting Ltd. to undertake the entire work of UMPPs.

The UMPPs are to be developed under 'Case 2' scenario of "Guidelines for Determination of Tariff by Bidding Process for Procurement of Power by Distribution Licensees" issued by MoP, Gol. These projects will have the advantage of economies of scale on account of large capacity at single location, reduction in emissions on account of Super Critical Technology and lower tariff on account of the above and tariff based international competitive bidding adopted for selection of developer.

Accordingly, PFC has set up SPVs for taking up the UMPPs. These UMPPs are located in the States of Madhya Pradesh, Gujarat, Andhra Pradesh, Jharkhand, Karnataka, Maharashtra, Orissa, Chhattisgarh and Tamil Nadu.

The SPVs will undertake the work of obtaining statutory clearances such as environment and forest clearance, airport authority clearance, coastal regulation zone clearance, defense clearance and necessary linkages such as water, fuel (in case of pit head projects) in the name of the respective SPVs. The SPV would also carry out the bid process for handing over of the SPV to Successful Bidder.

So far 16 UMPPs have been identified out of which 12 Special Purpose Vehicles (SPVs) have been incorporated. Out of these 16 UMPPs, Four (4) UMPPs have been transferred to Successful Bidders' and the work of remaining 12 UMPPs is in progress.

Request for Qualification (RfQ) for Chhattisgarh and Orissa UMPPs have been issued in March 2010 and June 2010 respectively.

#### UMPPs in Progress

Sl. No.	UMPP	Type
1.	Orissa Integrated Power Ltd., Sundergarh UMPP, Orissa	Pit Head
2.	Chhattisgarh Surguja Power Ltd., Chhattisgarh UMPP	Pit Head
3.	Sakhigopal Integrated Power Ltd., Orissa Additional UMPP 1	Pit Head
4.	Ghogarpalli Integrated Power Ltd., Orissa Additional UMPP 2	Pit Head
5.	Jharkhand 2nd UMPP	Pit Head
6.	Coastal Tamil Nadu Power Ltd., Cheyyur UMPP, Tamil Nadu	Imported Coal Based
7.	Tatiya Andhra Mega Power Ltd., Andhra Pradesh 2nd UMPP	Imported Coal Based
8.	Coastal Maharashtra Mega Power Ltd., Maharashtra UMPP	Imported Coal Based
9.	Coastal Karnataka Power Ltd., Karnataka UMPP	Imported Coal Based
10.	Gujarat 2nd UMPP	Imported Coal Based
11.	Tamil Nadu 2nd UMPP	Imported Coal Based
12.	Andhra Pradesh 3rd UMPP	Imported Coal Based

#### INDEPENDENT TRANSMISSION PROJECTS (ITPs)

During the year under review, your Company has successfully completed the bid process for the development of Independent Transmission projects viz. (i) System Strengthening common for WR & NR and (ii) System Strengthening for WR & two (2) SPVs namely Jabalpur Transmission Company Limited and Bhopal Dhule Transmission Company Limited were incorporated by the Company for the above projects respectively. These SPVs were transferred to successful bidder, M/s Sterlite Transmission Projects Private Limited on 31<sup>st</sup> March, 2011.

Ministry of Power has appointed your Company as 'Bid Process Coordinator' for the two new Independent Transmission Projects (ITPs) viz., (i) Transmission System associated with IPPs of Nagapattinam/Cuddalore Area- Package A (Nagapattinam Pooling Station-Salem 765kV D/c line, Salem-Madhugiri 765kV S/c line) and (ii) Transmission System associated with IPPs of Nagapattinam/Cuddalore Area- Package C (Madhugiri-Narendra 765kV D/c line, Kolhapur-Padghe 765kV D/c line (one ckt. via Pune)).

The activities for the Independent Transmission Project for Transmission System associated with IPPs of Nagapattinam/Cuddalore Area- Package A, has been initiated and the Company has incorporated an SPV namely Nagapattinam – Madhugiri Transmission Company Limited on 20<sup>th</sup> May, 2011. RfQ for the project was also issued on 28<sup>th</sup> May, 2011. The activities for the Independent Transmission Project for Transmission System associated with IPPs of Nagapattinam/Cuddalore Area- Package C is underway.

#### 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 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 where PFCCCL has

rendered its services including the profile of clients are as follows:

Clients	Nos.
States/ UTs	21
Total No. of Clients	38
State Utilities	17
Public Sector Undertakings	7
State Governments	4
Regulatory Commissions	3
Licensees/ IPPs	7

Till date, your Company has assisted 38 Clients spread across 21 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, Orissa and Delhi.

PFCCCL is handling significant consultancy assignments under Procurement of Power for Government of Punjab, Rajasthan & Jharkhand through '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.

PFCCCL has ventured into a related area of tariff based competitive bidding i.e. selection of Joint Venture Partner for setting up Thermal Power Plants through tariff based competitive bidding for NMDC and MCL.

PFCCCL has also been awarded assignments for Reform & Restructuring of the State Electricity Boards (SEBs) in the States of Jharkhand, Kerala and Meghalaya.

#### SUBSIDIARIES

##### Incorporation of Subsidiary

Nagapattinam-Madhugiri Transmission Company Ltd. has been incorporated as wholly owned subsidiary of the Company on 20<sup>th</sup> May, 2011 for the development of the Transmission System Associated with IPPs of Nagapattinam/Cuddalore Area – Package A. The project includes Nagapattinam Pooling Station – Salem 765 kV D/C line, Salem – Madhugiri 765 kV S/C line. Request for Qualification (RfQ) for the project was issued on 28<sup>th</sup> May, 2011 and the last date for submission of RfQ responses is 12<sup>th</sup> July, 2011.

##### Transfer of Subsidiaries

Your Company has transferred its two wholly owned subsidiaries incorporated for development of Independent Transmission Projects, namely Jabalpur Transmission Company Limited and Bhopal Dhule Transmission Company Limited, to the successful bidder i.e. M/s Sterlite Transmission Projects private Limited on 31<sup>st</sup> March, 2011.

#### HUMAN RESOURCES DEVELOPMENT

The management lays increasing emphasis on Human Resources Development. The employees being the main asset of the Company were continuously trained to keep pace with the fast changing environment by continuously assessing their training needs. During the period under review, 15 executives with experience in diverse areas and fields have joined the Company. An induction program for these executives was conducted by PFCCCL to familiarize them with the various activities of the Company and the power sector.

#### AUDITOR'S REPORT

M/s. Lalit Gupta & Associates, Chartered Accountants, were appointed as Statutory Auditors of the Company for the financial year 2010-2011 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

As the Company's operations do not involve any manufacturing or processing activities, the particulars as per the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, regarding conservation of energy

and technology absorption, are not applicable. 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. Till 31<sup>st</sup> March, 2011 the remuneration to the employees working for the Company was paid by PFC and the same was being charged to the Company. However, w.e.f. 1<sup>st</sup> April, 2011 all payments related to the employees working for the Company are being made directly by the Company.

The details of employees who were in receipt of gross remuneration in excess of ₹ 24 Lakh per annum or ₹ 2 Lakh per month and above, is given in Annexure - A.

#### **DIRECTORS**

Presently the Board of Directors of the Company comprises of the following:

1. Shri Satnam Singh : Chairman / Chairman & Managing Director, 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 R. Nagarajan, 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 vide their letter dated 8<sup>th</sup> July, 2011 mentioned that they have decided not to review the report of the Statutory Auditors on the accounts of the Company for the year ended 31<sup>st</sup> March, 2011 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 Annexure-B.

#### **DIRECTORS' RESPONSIBILITY STATEMENT**

- As required under Section 217(2AA) of the Companies Act, 1956, your Directors confirm that:
- In the preparation of Annual Accounts for the financial year 2010-11, the applicable accounting standards had been followed along with proper explanation relating to material departure.

- 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 the affairs of the Company at the end of the financial year 2010-11 and of the profits 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 provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- The Directors had prepared the annual accounts 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

**(Satnam Singh)**  
Chairman

**Place: New Delhi**

**Date: 17.08.2011**

**PARTICULARS OF EMPLOYEES PURSUANT TO SECTION 217(2A) OF  
THE COMPANIES ACT, 1956**

Name	Designation and Nature of Duties	Remuneration (In ₹)	Qualification	Date of Commencement of Employment	Exp.(yrs)	Age as on 31.03.2011	Previous Employment held	Remarks
Sh. N D TYAGI	Chief Executive Officer	34,08,665.00	B.E.	29-Jan-90	21	55 Yr.	BHEL	-
Sh. DINESH VIJ	Executive Director	31,89,967.00	M.TECH.	14-Feb-90	21	51 Yr.	BHEL	-
Sh. S. MULCHANDANI	Executive Vice President	27,63,995.00	CA	14-Jul-88	23	50 yr.	IFFCO	-
Sh. ASHWANI SHARMA	Executive Vice President	39,66,889.00	B.SC.(ENGG.)	8-Nov-06	5	59 yr.	NTPC LTD.	On deputation from NTPC
Sh. YOGESH JUNEJA	Executive Vice President	30,03,662.00	B.SC.(ENGG.), MBA	1-Sep-05	6	50 yr.	Power Grid Corporation Limited	-
Sh. RIZWANUR RAHMAN	Senior Vice President	26,42,211.00	MBA	3-Jul-93	18	48 yr.	Govt. of NCT of Delhi- LSG Department	-
Sh. MANOJ KUMAR RANA	Vice President	24,96,290.00	B.TECH, MBA	13-Jan-97	14	40 yr.	Oriental Bank of Commerce	-

**Note:**

1. Persons named above are employees of Power Finance Corporation Limited and working for the Company.
2. None of the employees listed above is related to any director of the Company.
3. The amount shown above is inclusive of all the payments made to them during the Financial Year 2010-2011.
4. Years of experience of each employee are the years of service 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 2011 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 standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material 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-3 above we report that;
  - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the 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 2011.
    - ii) In case of Profit & Loss Account, of the profit of the Company for the year ended 31st March 2011.and
    - iii) In case of Cash Flow Statement, of the cash flow for the year ended on that date.

#### For LALIT GUPTA & ASSOCIATES

(Chartered Accountants)  
Firm Registration No.004540N  
(Sanjay Kumar Aggarwal)  
Partner  
M. No. 095581

PLACE : NEW DELHI

DATE : 16.06.2011

## ANNEXURE TO AUDITOR'S 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 are physically verified by the management during the year. In our opinion, the frequency of verification of the fixed assets is reasonable, having regard to the size of the company and nature of the assets.
  - c) No material discrepancies were noticed on such verification as compared to book records.
  - 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 301 of 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.
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 58A, 58AA 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, 2011 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

**PFC CONSULTING LIMITED**  
(A Wholly Owned Subsidiary of Power Finance Corporation Limited)  
**BALANCE SHEET AS AT 31st MARCH, 2011**

- 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 :16.06.2011**

**(Sanjay Kumar Aggarwal)**  
**Partner**  
**M.No.095581**

Description	Schedule No.	Amount in ₹	
		As at 31.03.2011	As at 31.03.2010
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds:</b>			
Share Capital	1	5,00,000	5,00,000
Reserves & Surplus	2	58,33,06,087	31,37,47,272
Deferred Tax Liability		39,859	12,818
<b>Total</b>		<b>58,38,45,946</b>	31,42,60,090
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets:</b>			
Gross Block	3	12,45,457	8,57,796
Less: Depreciation		4,71,995	2,27,866
Net Block		7,73,462	6,29,930
<b>Investments</b>	4	-	10,00,000
<b>Current Assets, Loans &amp; Advances</b>			
Cash and Bank Balances		65,15,07,617	58,68,15,723
Sundry Debtors		1,05,40,233	6,11,30,799
Other Current Assets		7,47,56,770	2,12,95,645
Loans and Advances		15,01,87,407	13,71,46,981
		88,69,92,027	80,63,89,148
<b>Less: Current Liabilities &amp; Provisions</b>	6		
Current Liabilities		16,77,62,421	37,99,10,413
Provisions		13,61,57,122	11,38,48,575
		30,39,19,543	49,37,58,988
<b>Net Current Assets</b>		<b>58,30,72,484</b>	31,26,30,160
<b>Total</b>		<b>58,38,45,946</b>	31,42,60,090
<b>Significant Accounting Policies</b>	13		
<b>Notes on Accounts</b>	14		
<b>Schedules referred above form an integral part of Balance Sheet</b>			

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**  
**(Firm Registration No:004540N)**  
**(SANJAY KUMAR AGGARWAL)**  
**Partner**  
**M. No. 095581**

**Place: - New Delhi**  
**Date: -16-06-2011**

**PFC CONSULTING LIMITED**  
(A Wholly Owned Subsidiary of Power Finance Corporation Limited)  
**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON 31st MARCH, 2011**

Description	Schedule No.	Year Ended 31.03.2011	Amount in ₹	
			Year Ended 31.03.2011	Year Ended 31.03.2010
<b>INCOME</b>				
Income from Consultancy Services		<b>46,06,57,323</b>	41,10,35,729	
Other Income	<b>7</b>	<b>6,53,16,289</b>	4,16,54,796	
<b>Total</b>		<b>52,59,73,612</b>	45,26,90,525	
<b>EXPENSES</b>				
Direct Expenses for Consultancy Services	<b>8</b>	<b>2,29,27,787</b>	2,40,58,055	
Establishment Expenses	<b>9</b>	<b>5,67,60,609</b>	5,84,54,772	
Administration Expenses	<b>10</b>	<b>3,74,39,741</b>	3,23,31,709	
Financial Expenses	<b>11</b>	<b>27,27,379</b>	73,67,088	
Depreciation		<b>2,44,129</b>	1,38,372	
<b>Total</b>		<b>12,00,99,645</b>	12,23,49,996	
Profit Before Tax & Prior Period Items		<b>40,58,73,967</b>	330,340,529	
Prior Period Items [Net]	<b>12</b>	<b>(130,989)</b>	(261,273)	
Profit Before Tax		<b>40,57,42,978</b>	33,00,79,256	
Less: - Provision for Tax				
-Current Tax		<b>13,61,57,122</b>	11,38,48,576	
-Deferred Tax		<b>27,041</b>	27,418	
Profit After Tax		<b>26,95,58,816</b>	21,62,03,262	
Add: - Balance brought forward		<b>31,37,47,272</b>	9,75,44,010	
<b>Balance carried to Balance Sheet Basic &amp; Diluted Earning per share of ₹10 each</b>		<b>58,33,06,087</b>	31,37,47,272	5,391 4,324
<b>Significant Accounting Policies</b>	<b>13</b>			
<b>Notes on Accounts</b>	<b>14</b>			

Schedules referred above form an integral part of Profit & Loss Account

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**  
**(Firm Registration No:004540N)**  
**(SANJAY KUMAR AGGARWAL)**  
**Partner**  
**M. No. 095581**

**Place: - New Delhi**  
**Date: -16-06-2011**

**SCHEDULES '3'-  
FIXED ASSETS**

Description	GROSS BLOCK				DEPRECIATION BLOCK			NET BLOCK		
	Opening Balance as at 01.04.2010	Addition During the year	Sales/ Adjustment during the year	Closing Balance as at 31.03.2011	Opening Balance as at 01.04.2010	Dep. during the year	Disposed/ Written off during the year	Closing Balance as at 31.03.2011	As at 31.03.2011	As at 31.03.2010
Furniture & Fixtures	2,35,461	41,490	-	2,76,951	83,704	31,562	-	1,15,266	1,61,685	1,51,757
EDP Equipments	5,68,975	286,181	-	8,55,156	1,30,426	2,06,986	-	3,37,412	5,17,744	4,38,549
Other Office Equipments	53,360	59,990	-	1,13,350	13,736	5,581	-	19,317	94,033	39,624
<b>Total</b>	<b>8,57,796</b>	<b>3,87,661</b>	<b>-</b>	<b>12,45,457</b>	<b>2,27,866</b>	<b>2,44,129</b>	<b>-</b>	<b>4,71,995</b>	<b>7,73,462</b>	<b>6,29,930</b>
Previous Year	3,86,209	4,71,587	-	8,57,796	89,494	1,38,372	-	2,27,866	6,29,930	2,96,715



**SCHEDULE '4'  
INVESTMENTS**

Description	Amount in ₹	
	As at 31.03.2011	As at 31.03.2010
Investment in Shares (Long Term, Unquoted and Non Trade) Bhopal Dhule Transmission Company Ltd., Subsidiary Company 50,000 Equity Shares of ₹ 10 each fully paid up	-	5,00,000
Jabalpur Transmission Power Company Ltd., Subsidiary Company 50,000 Equity Shares of ₹ 10 each fully paid up	-	5,00,000
<b>Total</b>	<b>-</b>	<b>10,00,000</b>

**SCHEDULE '5'  
CURRENT ASSETS, LOANS AND ADVANCES**

Description	Amount in ₹	
	As at 31.03.2011	As at 31.03.2010
<b>(A) CASH &amp; BANK BALANCES</b>		
Bank Balance with Scheduled Banks		
(i) In Current Accounts	6,07,617	24,79,683
(ii) In Deposit Accounts	65,09,00,000	58,43,36,040
<b>Total (A)</b>	<b>65,15,07,617</b>	<b>58,68,15,723</b>
<b>(B) SUNDRY DEBTORS</b>		
(Unsecured, Considered Good)		
-Outstanding for more than six months	1,05,40,233	1,82,40,933
-Others	-	4,28,89,866
<b>Total (B)</b>	<b>1,05,40,233</b>	<b>6,11,30,799</b>
<b>(C) OTHER CURRENT ASSETS</b>		
Amount Receivable From Clients	7,19,62,950	99,19,200
Interest accrued but not due on term deposits	27,93,820	1,13,76,445
<b>Total (C)</b>	<b>7,47,56,770</b>	<b>2,12,95,645</b>
<b>(D) LOANS &amp; ADVANCES</b>		
(Unsecured, Considered Good)		
(i) Advance Income Tax and Tax Deducted at Source	13,94,22,231	12,22,26,201
(ii) Income Tax & FBT Refundable	44,44,875	70,498
(iii) CENVAT Credit Receivable	7,33,037	10,49,651
(iv) Advances to Consultants/ Others	42,04,700	42,04,700
(v) Recoverable from Others/Utilities	13,82,564	42,98,248
(vi) Recoverable from Subsidiary Companies	-	52,97,683
<b>Total (D)</b>	<b>15,01,87,407</b>	<b>13,71,46,981</b>
<b>Grand Total (A+B+C+D)</b>	<b>88,69,92,027</b>	<b>80,63,89,148</b>

**SCHEDULE '6'  
CURRENT LIABILITIES AND PROVISIONS**

Description	Amount in ₹	
	As at 31.03.2011	As at 31.03.2010
<b>(A) CURRENT LIABILITIES</b>		
(a) Sundry Creditors for Services		
-Micro and Small Enterprises	-	-
-Others	72,81,223	1,16,88,278
(b) Earnest Money Deposits	1,58,000	21,00,000
(c) Advances from Clients & Unaccrued Income	11,80,00,053	8,69,67,790
(d) Commitment Advance	-	25,71,00,000
(e) Interest Payable on Commitment Advance	-	71,91,394
(f) Other Liabilities	4,23,23,145	1,48,62,951
<b>Total (A)</b>	<b>16,77,62,421</b>	<b>37,99,10,413</b>
<b>(B) PROVISIONS</b>		
Income Tax	13,61,57,122	11,38,48,575
<b>Total (B)</b>	<b>13,61,57,122</b>	<b>11,38,48,575</b>
<b>Total (A+B)</b>	<b>30,39,19,543</b>	<b>49,37,58,988</b>

**SCHEDULE '7'  
OTHER INCOME**

Description	Amount in ₹	
	Year Ended 31.03.2011	Year Ended 31.03.2010
Interest Income (including accrued Interest) (Gross, TDS ₹ 27,71,887, Previous year ₹ 64,53,691)	2,70,15,689	3,34,64,796
Sale of RFQ/RFP	38,300,600	8,190,000
<b>Total</b>	<b>6,53,16,289</b>	<b>4,16,54,796</b>

**SCHEDULE '8'  
DIRECT EXPENSES FOR CONSULTANCY SERVICES**

Description	Amount in ₹	
	Year Ended 31.03.2011	Year Ended 31.03.2010
Consultancy Charges	1,91,88,264	2,00,43,567
Advertisement Expenses	19,65,929	29,50,162
Conference & Meeting Expenses	17,73,594	10,64,326
<b>Total</b>	<b>2,29,27,787</b>	<b>2,40,58,055</b>

**SCHEDULE '9'  
ESTABLISHMENT EXPENSES**

Description	Amount in ₹	
	Year Ended 31.03.2011	Year Ended 31.03.2010
Salary, Bonus, Allowances & Benefits	4,34,14,163	4,60,69,927
Contribution to Provident & Other Funds	19,43,854	26,08,639
Wages & Stipend	16,18,363	8,08,455
Staff Welfare	97,84,229	89,67,751
<b>Total</b>	<b>5,67,60,609</b>	<b>5,84,54,772</b>

**SCHEDULE '10'**  
**ADMINISTRATION EXPENSES**

Description	Year Ended 31.03.2011	Amount in ₹	
		Year Ended 31.03.2010	
Rent	17,58,321	17,01,377	
Advertisement Expenses - Recruitment	13,00,532	-	
Electricity and Water Charges	39,23,848	31,41,361	
Site Office Expenses	2,10,427	2,80,327	
Repairs & Maintenance	27,66,720	22,34,623	
Tour & Travelling	58,15,328	4,742,762	
Postage and Telegram	2,81,757	5,33,542	
Books & Periodicals	1,22,368	1,06,122	
Entertainment Expenses	2,83,758	1,93,720	
Festival Celebration Expenses	2,60,649	1,35,150	
Rates & Taxes	10,53,028	31,31,888	
Insurance	96,282	37,208	
Office Maintenance	20,08,184	23,14,834	
Depreciation Cost allocated by Holding Company	63,13,078	44,79,872	
Printing & Stationary	22,57,875	13,15,613	
Legal & Professional Expenses	6,91,300	3,38,116	
Security Expenses	23,12,497	20,54,698	
Telephone Expenses	34,78,699	34,76,855	
Vehicle Hiring and Running Expenses	9,75,447	5,74,643	
Equipment Hire Charges	9,80,126	10,35,158	
Audit Fees	1,95,000	1,95,000	
Training Expenses	16,617	3,08,840	
Fees & Subscription	3,37,900	-	
<b>Total</b>	<b>3,74,39,741</b>	<b>3,23,31,709</b>	

**SCHEDULE '11'**  
**FINANCIAL EXPENSES**

Description	Year Ended 31.03.2011	Amount in ₹	
		Year Ended 31.03.2010	
Interest on Commitment Advance	21,97,061	70,96,298	
Other Interest	4,93,840	2,40,500	
Bank Charges	36,478	30,290	
<b>Total</b>	<b>27,27,379</b>	<b>73,67,088</b>	

**SCHEDULE '12'**  
**PRIOR PERIOD ITEMS**

Description	Year Ended 31.03.2011	Amount in ₹	
		Year Ended 31.03.2010	
A-Income	2,00,225	-	
B-Expenditure			
Administration Expenses	3,31,214	2,61,273	
<b>Total (A - B)</b>	<b>(1,30,989)</b>	<b>(2,61,273)</b>	

**PFC CONSULTING LIMITED**

**Schedules Annexed to and forming part of accounts**

**For the year ended 31<sup>st</sup> March 2011**

**SCHEDULE '13'**

**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 ₹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 ₹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 classified 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 is accounted for on accrual basis, unless otherwise stated.

- 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.
- 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.
- 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.
- Consultancy fees calculated as above is net of Service Tax as payable under Finance Act 1994.
- Interest from investment is accounted for on accrual basis.
- 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.
- Interest on amount recoverable from subsidiaries is accounted for at the holding company's (PFC) rate of interest applicable for project loan/scheme (generation) to state sector borrower (category A) as applicable from time to time.
- The sale proceeds from Request for qualification (RFQ) document/ Request for proposal (RFP) document for ITPs are accounted for as income of the company on receipt of the same and RFQ/RFP documents developed for fellow subsidiaries (UMPPs) are provided to fellow subsidiaries at a price equivalent to sale proceeds of RFQ/RFP documents received by the fellow subsidiaries from the prospective bidders. The same is accounted for as income of the company on receipt from fellow subsidiaries.

#### 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

- 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.
- Pre-paid expenses and prior period expenses/income of items of ₹ 5,000/- and below are charged to natural heads of accounts.

#### 13. Provisions and Contingencies

- A provision is recognised 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.

- 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-'14'

#### NOTES ON ACCOUNTS

- "PFC Consulting Limited" (PFCL) 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.
- All the employees of the Company are from the Holding Company i.e. Power Finance Corporation Limited. All the expenses relating to employees are charged from Company by the Holding Company. All the liabilities including PF, ESI, gratuity, leave encashment, Bonus, Incentive etc. have been provided by the holding company and accounted for by the Company accordingly.
- 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	Year ended	Year ended
	31st March 2011	31st March 2010
	₹	₹
Bank Charges	31,041	11,484
Books & Periodicals	1,18,234	1,05,652
Canteen Expenses	22,77,586	18,30,762
Depreciation	63,13,078	44,79,872
EDP Stores & Consumables	1,28,295	2,72,628
Electricity & Water Charges	38,51,848	31,29,361
Entertainment	80,879	-
Equipment Hire Charges	9,80,126	10,35,158
House Tax	7,16,963	31,31,888
Insurance (Other than vehicles)	96,282	37,208
Office Maintenance	19,87,360	22,43,723
Postage & Telegram	2,81,007	5,33,542
Printing & Stationery	17,39,814	7,65,287
Repairs & Maintenance	22,38,063	22,11,109
Security Expenses	23,12,497	20,54,698
Telephone Expenses	25,87,502	27,31,100
<b>Total</b>	<b>2,57,40,575</b>	<b>2,45,73,472</b>

- 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.
- 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.
- During the year the Company has incurred expenditure for its Subsidiary Companies of Integrated Transmission Projects (ITPs) out of its own funds. The Company has charged interest on funds utilized for expenditures

for Subsidiaries Company at the interest rate as applicable in PFC for the Project Loan/Schemes (Generation) for Borrowers under category " State Sector Borrowers (Category 'A') as determined from time to time.

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 ₹ 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 ₹ 83,17,870/- (Previous Year ₹ 3,77,94,729/-) and has been accounted for accordingly.
8. All the sub-consultancy assignments awarded by Power Finance Corporation Ltd. (Holding Company) relating to all on going assignments have been transferred to the Company from the date of commencement of business i.e. 25.04.2008. 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	2010-2011		2009-2010	
	Total Amount ₹	Income Recognised ₹	Total Amount ₹	Income Recognised ₹
Billed Amount (Without S.Tax)	48,69,88,205	42,84,39,586	34,46,91,000	32,62,41,000
On-going assignments transferred from PFC w.e.f. 25.04.2008	-	83,17,870	-	3,77,94,729
Income Recognised against bills raised during Previous Years	-	2,38,99,867	-	4,70,00,000
<b>Total</b>	<b>48,69,88,205</b>	<b>46,06,57,323</b>	<b>34,46,91,000</b>	<b>41,10,35,729</b>

10. As per the information available with the company, there is no dues to micro, small & medium enterprises.
11. Auditors Remuneration:

Particulars	2010-2011			2009-2010		
	Fees	Service Tax	Total	Fees	Service Tax	Total
Statutory Audit Fee	1,50,000	15,450	1,65,450	1,50,000	15,450	1,65,450
Tax Audit Fee	45,000	4,635	49,635	45,000	4,635	49,635
Certification Fees	1,95,000	20,085	2,15,085	-	-	-

12. During the year, consequent to the selection of successful bidder i.e. (M/s Sterlite Transmission Projects Private Limited) as per the tariff based competitive bidding guidelines for transmission services and guidelines for encouraging competition in development of transmission projects dated 13/04/2006 (as amended from time to time) and as per issued bidding documents, the company has transferred its both the subsidiary companies namely Bhopal Dhule Transmission Company Limited and Jabalpur Transmission Company Limited to the successful bidder (M/s Sterlite Transmission Projects Private Limited) vide share purchase agreements dated 31/03/2011 and accordingly these Companies ceases to be subsidiaries of PFCCCL from 31.03.2011.
13. The Commitment Advance received from erstwhile subsidiary companies

namely Sakhigopal Integrated Power Company Limited (SIPCL) and Ghogarpalli Integrated Power Company Limited (GIPCL) amounting ₹ 25,71,00,000/- has been transferred to holding company (Power Finance Corporation Ltd.) as both these companies have been transferred during the financial year 2009-2010 to the holding company.

14. The amount unrecognized against the invoices raised has been accounted for as advance received from client where company has received payment against invoices and as unaccrued income where payment against invoices raised is yet to be received by the company. This is appearing in the balance sheet under current liabilities as "advance from client and unaccrued income". The corresponding amount which is yet to be received against unaccrued income (including service tax) has been shown in the balance sheet as "amount receivable from client" under the head other current assets.
15. 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 PFCCCL 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*
3.	Fellow Subsidiaries i.e. Subsidiary of Holding Company	Chhatisgarh Surguja Power Limited (Formerly Akaltara power Limited) Coastal Karnataka Power Limited Coastal Maharashtra Mega Power Limited Orissa Integrated Power Limited Coastal Tamil Nadu Power Limited Sakhigopal Integrated Power Company Limited Ghogarpalli Integrated Power Company Limited Tatiya Andhra Mega Power Limited

\*Ceased to be subsidiary of the company as on 31.3.2011

S. No.	Name of the Related Party	Nature of Relationship
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

S. No.	Particulars	Holding Company	Subsidiaries	Fellow Subsidiaries	Key Management Personnel	Total
1.	Consulting Income					
	Year Ended 31.03.2011	5,03,31,813*	31,66,46,735	-	-	36,69,78,548
	Year Ended 31.3.2010	8,03,00,000*	17,16,000	15,00,00,000	-	23,20,16,000

2.	Interest Expense					
	Year Ended 31.03.2011	-	-	21,97,061	-	21,97,061
	Year Ended 31.3.2010	-	53,12,721	17,83,577	-	70,96,298
3.	Remuneration Paid					
	CEO					
	Year Ended 31.03.2011	-	-	-	34,08,665	34,08,665
	Year Ended 31.3.2010	-	-	-	50,04,688	50,04,688
4.	Sale of Shares					
	Year Ended 31.03.2011	-	10,00,000	-	-	10,00,000
	Year Ended 31.3.2010	15,00,000	-	-	-	15,00,000
5.	Investment in Subsidiaries during the year					
	Year Ended 31.03.2011	-	-	-	-	-
	Year Ended 31.3.2010	-	15,00,000	-	-	15,00,000
6.	Interest Income					
	Year Ended 31.03.2011	-	18,88,180	-	-	18,88,180
	Year Ended 31.3.2010	-	-	-	-	-
7.	Closing Balances					
(i)	Investments					
	As at 31.03.2011	-	-	-	-	-
	As at 31.03.2010	-	10,00,000	-	-	10,00,000
(ii)	Amount Recoverable					
	As at 31.03.2011	-	-	-	-	-
	As at 31.03.2010	-	52,97,683	29,88,198	-	82,85,881
(iii)	Sundry Debtors					
	As at 31.03.2011	-	-	-	-	-
	As at 31.03.2010	1,89,04,839	-	-	-	1,89,04,839
(iv)	Commitment Advance received					
	As at 31.03.2011	-	-	-	-	-
	As at 31.03.2010	-	-	25,71,00,000	-	25,71,00,000
(v)	Interest Payable					
	As at 31.03.2011	-	-	-	-	-
	As at 31.03.2010	-	-	71,91,394	-	71,91,394

(b) Details of related parties transactions: -

16. 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 has been calculated as under: -

S.No.	Description	Amount ₹ 31.03.2011	Amount ₹ 31.3.2010
A	Deferred Tax Liability		
	Depreciation	42,703	17,287
	<b>Total (A)</b>	<b>42,703</b>	17,287
B	Deferred Tax Assets		
	Preliminary Expenses	2,844	4,469
	<b>Total (B)</b>	2,844	4,469
	<b>Net Deferred Tax Liability/ (Asset) (A-B)</b>	<b>39,859</b>	12,818

17. In terms of Accounting Standard 20 on "Earnings per Share" notified under the Companies Act 1956, Earning per share (Basic & Diluted) is worked out as follows: -

S. No.	Particulars	2010-2011	2009-2010
1.	Nominal Value of share (₹)	10	10
2.	Number of Equity shares (No.)	50,000	50,000
3.	Net Profit after tax (₹)	26,95,58,816	21,62,03,262
4.	Earning per share (₹)	5,391	4,324

18. Transactions in foreign currency (Income/ Expenses)-₹ NIL.
19. Figures have been rounded off to the nearest rupees unless otherwise stated.
20. Previous year's figure have been re-grouped/ re-arranged, wherever practicable, to make them comparable with the current year figures.
21. The company has sent letters for confirmation of balances of debtors/ creditors as per the books of accounts of the company for which some confirmations is yet to be received from the respective parties.
22. In the opinion of the management, the value of current assets, loans and advances on realization in the ordinary course of business, will not be less than the value at which these are stated in the Balance Sheet. As on 31.03.2011, there is no contingent liability.
23. Schedules 1 to 14 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**

**(Firm Registration No.00454N)**

**(SANJAY KUMAR AGGARWAL)**

**Partner**

**M. No. 095581**

**Place: - New Delhi  
Date: - 16.06.2011**

\*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.

PFC CONSULTING LIMITED

(A Wholly Owned Subsidiary of Power Finance Corporation Limited)

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2011

Description	Amount in ₹	
	Year Ended 31.03.2011	Year Ended 31.03.2010
<b>A. Cash Flow from Operating Activities:</b>		
Net profit before tax	40,57,42,978	33,00,79,256
Adjustments		
Add: Depreciation	2,44,129	1,38,372
Less: Interest Income	(2,70,15,689)	(3,34,64,796)
Add: Interest Expenses	26,90,901	73,36,798
Operating profit before working capital changes	38,16,62,319	30,40,89,630
<b>Adjustment For Increase/Decrease in:</b>		
Sundry Debtors	5,05,90,566	(1,48,68,416)
Other Current Assets	(6,20,43,750)	(99,19,200)
Loans & Advances	85,29,981	(82,67,448)
Current Liabilities & Provisions	(20,49,56,598)	17,27,97,183
<b>Cash Inflow/Outflow from operations before Tax</b>	<b>17,37,82,518</b>	<b>44,38,31,749</b>
Less: Taxes Paid	(13,54,18,982)	(13,96,83,312)
Net Cash Flow from Operating Activities (A)	3,83,63,536	30,41,48,437
<b>B. Cash Flow from Investing Activities:</b>		
Purchase of Fixed Assets	(3,87,661)	(4,71,587)
Interest Income	3,55,98,314	2,35,90,987
Investments in Shares of subsidiaries companies	-	(15,00,000)
Sale of Investments in Shares of subsidiaries companies	10,00,000	15,00,000
Net Cash Flow from Investing Activities (B)	3,62,10,653	2,31,19,400
<b>C. Cash Flow from Financing Activities:</b>		
Interest paid	(98,82,295)	(1,45,404)
Net Cash Flow from Financing Activities (C)	(98,82,295)	(1,45,404)
<b>Net Increase/Decrease in Cash and Cash Equivalents (A+B+C)</b>	<b>6,46,91,894</b>	<b>32,71,22,433</b>
Add: Cash and Cash Equivalents as on beginning	58,68,15,723	25,96,93,290
Cash and Cash Equivalents as on end	65,15,07,617	58,68,15,723
Cash in hand and balance with banks	65,15,07,617	58,68,15,723

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**  
**(Firm Registration No:004540N)**  
**(SANJAY KUMAR AGGARWAL)**  
**Partner**  
**M. No. 095581**

Place: - New Delhi  
Date: -16.06.2011

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	2011
	Date	Month	Year

II Capital raised using the year (Amount Rs in Thousands)

Public Issue	Right issue
-	-
Bonus Issue	Private Placement
-	-

III Position of Mobilisation and Deployment of Funds (Amount Rs in Thousands)

Total Liabilities	Total Assets
8,87,765	8,87,765

Sources of Funds

Paid up capital	Reserve and Surplus
500	5,83,306
Secured Loans	Unsecured Loans
-	-
Deferred Tax Liability	
40	

Application of Funds

Net Fixed Assets	Capital Work In Progress
773	-
Investment	Net Current Assets
-	5,83,072
Misc. Expenditure	Accumulated Losses
-	-
Deferred Tax Asset	
-	

IV Performance of Company (Amount Rs in Thousands)

Turnover (including other income)	Total Expenditure
5,25,974	1,20,231
Profit/ Loss before Tax	Profit/ Loss after Tax
4,05,743	2,69,559
Earning per Share	Dividend
5,391	-

V Generic Names of Three Principles 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 2011**

The preparation of financial statements of PFC Consulting Limited, New Delhi for the year ended 31 March 2011 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the Company. The statutory auditors appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 16 June 2011.

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 PFC Consulting Limited, New Delhi for the year ended 31 March 2011 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: 8<sup>th</sup> July 2011**

**(M.K. BISWAS)  
Principal Director of Commercial Audit &  
Ex-official Member Audit Board – III,  
New Delhi**

## CHHATTISGARH SURGUJA POWER LIMITED

(A Wholly owned subsidiary of Power Finance Corporation Limited)

### DIRECTORS' REPORT 2010-2011

To

The Members,

Your Directors have pleasure in presenting the 5<sup>th</sup> Annual Report on the performance of the Company for the financial year ending on 31<sup>st</sup> March, 2011 along with Audited Statement of Accounts and Auditor's Report thereon.

### OPERATIONAL ACTIVITIES

Government 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.

Your Company was incorporated on 10<sup>th</sup> February, 2006 as a Special Purpose Vehicle (SPV) for Chhattisgarh UMPP by Power Finance Corporation Limited (PFC) as its wholly owned subsidiary, which is the fifth UMPP in the series of UMPP. The site for the Project is located at village Salka/Khamaria of Udaypur Tehsil of District Surguja, Chhattisgarh.

The Power from the project would be procured by seven States namely Chhattisgarh (2000 MW), Maharashtra (1000 MW), Gujarat (425 MW), Madhya Pradesh (275 MW), Goa (200 MW), Dadra & Nagar Haveli (50 MW), Daman & Diu (50 MW).

The Section 4 notification under Land Acquisition Act 1894 has been issued for the land being acquired for the project. 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 the Company by Ministry of Coal. Water Resource Department, Government of Chhattisgarh has allocated 135 MCM water for the project. The water would be provided from Rehar River by constructing Hydro structures/ Anicuts / Checkdams. Rapid EIA Report for the Power Station is available.

Defence Clearance for the construction of project was received from Ministry of Defence, Delhi in August, 2010. Further with the assistance of District Administration, the site related geo-technical studies have commenced from mid November, 2010.

The Request for Qualification (RfQ) for the Project was issued on March 15, 2010 and the last date for submission of RfQ was initially 3<sup>rd</sup> May, 2010. On the advice of Ministry of Power, due to forest related issues concerning the coal block allotted for the project, the last date for submission of responses to RfQ has been extended seven times and is now 5<sup>th</sup> September, 2011.

R&R Policy duly incorporating the suggestions made by District Level R&R Committee has been submitted to the State for its approval.

### 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 ₹ 805.57 Lakh 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 financial year 2010-11.

### SHARE CAPITAL

The paid-up share capital of the Company is ₹5,00,000/- (₹ Five Lac only) comprising of 50,000 equity shares of ₹10/- each. The entire paid up share capital of the Company is held by Power Finance Corporation Limited and its nominees.

### COMMITMENT ADVANCE

Your company has received the entire commitment advance of ₹ 400,000,000/- (₹ Forty Crores only) from all the procurers.

### FIXED DEPOSITS

The Company has not accepted any fixed deposit during the year ending 31<sup>st</sup> March, 2011.

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

As the Company operations do not involve any manufacturing or processing activities, the particulars as per the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, regarding conservation of energy and technology absorption, are not applicable. During the year under review, there is no foreign exchange earning and outgo.

### AUDITOR'S REPORT

M/s. RSY & Associates, Chartered Accountants, were appointed as Statutory Auditors of the Company for the financial year 2010-2011 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.

### 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

During the year under review, Maharashtra State Electricity Distribution Co. Ltd. nominated Shri A. S. Chavan, Chief Engineer (Power Purchase) as the Director of the Company in place of Shri G. S. Trimukhe. Accordingly Shri A. S. Chavan has been appointed as Director of the Company w.e.f 24<sup>th</sup> December, 2010 in place of Shri G. S. Trimukhe.

Further, pursuant to the office order issued by Power Finance Corporation Limited (PFC), Holding Company, Shri D. N. Balapure has been appointed as Director of the Company in place of Shri Dinesh Vij w.e.f. 10<sup>th</sup> June, 2011.

In accordance with the provisions of Section(s) 255 & 256 of the Companies Act 1956, Shri Yogesh Juneja and Shri P.K.Vaishya shall retire by rotation at the ensuing Annual General Meeting of the Company and being eligible have offered themselves for re-appointment.

Consequent to the aforesaid changes, the Board of Directors of the Company comprises of the following:

1.	Shri Rajeev Sharma	: Chairman
2.	Shri N. D. Tyagi	: Director
3.	Shri D.N.Balapure	: Director
4.	Shri K. Sridhar	: Director
5.	Shri Yogesh Juneja	: Director
6.	Shri Umesh Agarwal	: Director (Rep. State of Chhattisgarh)
7.	Shri A.S.Chavan	: Director (Rep. State of Maharashtra)
8.	Shri P. K. Vaishya	: Director (Rep. State of Madhya Pradesh)

### COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL (C&G) OF INDIA

C&G vide their letter dated July 5, 2011 mentioned that they have decided not to review the report of the Statutory Auditors on the accounts of the Company for the year ended 31<sup>st</sup> March, 2011 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&G in this regard is placed at Annexure-I.

### DIRECTORS' RESPONSIBILITY STATEMENT

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

- In the preparation of Annual Accounts for the financial year 2010-11, the applicable accounting standards had been followed along with proper explanation relating to material departure.
- 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 the affairs of the Company at the end of the financial year 2010-11.

- The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- The Directors had prepared the annual accounts 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**

**Rajeev Sharma**  
Chairman

**Place: New Delhi**

**Date: 09.08.2011**

## AUDITOR'S REPORT

TO

### THE MEMBERS CHHATTISGARH SURGUJA POWER LIMITED

(Formerly known as Akaltara Power Limited)

1. We have audited the attached Balance Sheet of **Chhattisgarh Surguja Power Limited** as at **31st March 2011**, the 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 from any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) order, 2003 read with the companies (Auditor's Report) (Amendment) order, 2004 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in the paragraphs 4 and 5 of said order.
4. Further to our comments in the Annexure referred to in paragraph 3 above we report that:
  - (a) 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.
  - (b) In our opinion, proper books of accounts as required by law have been kept by the company, so far as appears from our examination of the books. Since some of the payments on behalf of the Company made by the Holding Company i.e. Power Finance Corporation Ltd., the original supports relating to these expenditures etc. are kept with the 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 Balance Sheet, Profit & Loss account and Cash flow statement dealt with this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the companies act, 1956.
  - (e) In pursuance to the notification No. GSR 829(E) dated 21.10.2003 issued by the Department of Company Affairs, clause (g) of sub-section (1) of section 274 of companies Act, 1956 pertaining to disqualification of Directors is not applicable to a Government Company.
  - (f) In our opinion and to the best of our knowledge and according to information and explanation given to us, the said financial statements, read together with the Notes on accounts given in Schedule 9 and Accounting Policies annexed thereto, give the information required by the Companies Act, 1956 in the manner so required & give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (i) In case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2011,
    - (ii) In case of the Profit & Loss Account, of Nil Profit / 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

**RSY & Associates.**  
**Chartered Accountants**  
**(Firm Registration No.:500021N)**  
**CA.Sanjeev Gandhi**  
**(Partner)**  
**Membership No.:91902**

**Place: New Delhi**  
**Dated: 10.06.2011**

## ANNEXURE TO AUDITOR'S REPORT OF CHHATTISGARH SURGUJA POWER LIMITED (Formerly known as Akaltara Power Limited) (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, provision of para 4(i) (a) of the Companies (Auditor's 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 (Auditor's 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 (Auditor's Report) Order, 2003 relating to disposal of any substantial part of fixed assets during the year are not applicable to Company as it does not have fixed assets.
2. As the company has not purchased/ sold goods during the year nor are there any stocks. Accordingly clauses 4(ii) (a), (b) and (c) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
3. As explained to us, the Company has not taken nor granted any loans, secured or unsecured from Companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly clauses 4(iii) (a), (b), (c) and (d) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
4. Having regards to the nature of company's business and based on our scrutiny of company's records and the information and explanation given to 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 explanation 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 regards to purchase of fixed assets.
5. 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.
6. According to the information and explanation given to us, the company has not accepted any deposits from public.
7. The company does not have paid up capital and reserves of Rs 50 lakhs as at the commencement of the financial year concerned, or have a average annual turnover exceeding five crore rupees for a year of three consecutive financial years immediately preceding the financial year concerned, the provision of para 4 (vii) of the Companies (Auditor's Report) Order, 2003 are not applicable to company.
8. The company does not have any business activities during the year, the provision of para 4 (viii) of the Companies (Auditor's Report) order, 2003 relating to maintaining of cost records under section 209 (l) (d) of the companies act is not applicable to the company.
9. (a) According to information and explanation given to us, the company is regular in depositing undisputed statutory dues including Provident Fund, Investors Education and Protection Fund Employees State Insurance, Income Tax, Wealth Tax, and other statutory dues with the appropriate Authorities through holding company i.e. PFC Ltd. According to information and explanation given to us, there are no undisputed statutory dues outstanding as at 31<sup>st</sup> March, 2011 for a period of more than six months from the date they become payable.
- (b) According to information and explanation given to us, there are no dues of Income Tax, Wealth Tax, which have not been deposited on account of any dispute.

10. In our opinion the Company has accumulated losses at the end of the current financial year. However it has not incurred any cash losses in the current financial year.
11. According to the records made available to us and information and explanations given by the management, the company has not taken any loan, from any financial institution or bank or debenture holder, hence clause (xi) of paragraph 4 of the Order is not applicable to the Company
12. In our opinion and according to information and explanation given to us, provision of para 4 (xii) of the Companies (Auditor's Report) Order, 2003 are not applicable to Company as it has not given any loans and advance on security of shares, Debentures and other securities.
13. In our opinion and according to information and explanation given to us, the Company is not a Chit Fund, Nidhi or Mutual benefit, Trust/Society. Accordingly, the provision of para 4(xiii) of the companies (Auditor's Report) Order, 2003 is not applicable to company.
14. According to information and explanation given to us, the Company is not dealing or trading in shares, Securities, debenture and other investment and hence the requirement of para 4(xiv) of the Companies (Auditor's Report) Order, 2003 is not applicable to Company.
15. According to information and explanation given to us, the Company has not given any guarantee in respect of loan taken by it from banks and financial institutions.
16. In our opinion and according to information and explanation given to us the Company has not obtained any term loan and hence the requirement of para 4 (xvi) of the Companies (Auditor's Report) Order, 2003 are not applicable to Company.
17. According to information and explanation given to us and on an overall examination of the Balance sheet and Cash Flow statement of the Company, we report that no funds raised on short-term basis have been utilized for long term investment purpose.
18. The Company has not made any preferential allotment of share to parties and companies covered in the register maintained under section 301 of the Companies Act 1956.
19. According to information and explanation given to us the company does not have any debentures and hence the requirement of para 4(xix) of the Companies (Auditor's Report) order, 2003 are not applicable to Company.
20. According to information and explanation given to us the company has not raised any money from public issues during the year.
21. 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 and on behalf of

**RSY & Associates.**

**Chartered Accountants**

**(Firm Registration No.:500021N)**

**CA.Sanjeev Gandhi**

**(Partner)**

**Membership No.:91902**

**Place: New Delhi**

**Dated: 10.06.2011**

CHHATTISGARH SURGUJA POWER LIMITED  
(Formerly known as Akaltara Power Limited)  
BALANCE SHEET AS AT 31ST MARCH, 2011

PARTICULARS	SCHEDULE	As at 31st March, 2011 ₹	As at 31st March 2010 ₹
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share Capital	1	5,00,000	5,00,000
<b>LOAN FUNDS</b>			
Unsecured Loans	2	40,00,00,000	40,00,00,000
<b>TOTAL</b>		<b>40,05,00,000</b>	<b>40,05,00,000</b>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
a) Gross Block	3	56,250	56,250
Less : Depreciation		27,382	8,137
Net Block		28,868	48,113
b) Capital Work in Progress	4	41,12,59,134	33,07,02,159
		<b>41,12,88,002</b>	<b>33,07,50,272</b>
<b>INVESTMENTS</b>			
	5	-	-
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>			
a) Cash & Bank Balances		198,350	98,900
b) Other Current Assets		1,43,61,713	1,09,32,564
c) Loans & Advances		4,05,82,083	8,28,27,694
		<b>5,51,42,146</b>	<b>9,38,59,158</b>
<b>Less : CURRENT LIABILITIES &amp; PROVISIONS</b>			
Current Liabilities	6	6,59,50,945	2,41,30,227
Provisions		-	-
		<b>6,59,50,945</b>	<b>2,41,30,227</b>
<b>NET CURRENT ASSETS</b>		<b>(1,08,08,799)</b>	<b>6,97,28,931</b>
<b>MISCELLANEOUS EXPENDITURE</b>			
(To the extent not written off or adjusted)			
Preliminary Expenses		-	-
Profit & Loss A/c		20,797	20,797
<b>TOTAL</b>		<b>40,05,00,000</b>	<b>40,05,00,000</b>
<b>EXPENDITURE DURING CONSTRUCTION PERIOD</b>	7		
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	8		
<b>NOTES TO ACCOUNTS</b>	9		

**SCHEDULES REFERRED ABOVE FORM AN INTEGRAL PART OF BALANCE SHEET**

For and on behalf of Board of Directors

(Damodar Balapure) (K.Sridhar) (Rajeev Sharma)  
Director Director Chairman

**SIGNED IN TERMS OF OUR REPORT OF EVEN DATE**

For & On Behalf of  
R S Y & Associates  
(Chartered Accountants)  
(Firm Reg. No. 500021N)  
Sanjeev Gandhi  
(Partner)  
M. No. 91902

Place: New Delhi  
Date : 10-06-2011

CHHATTISGARH SURGUJA POWER LIMITED  
(Formerly known as Akaltara Power Limited)  
PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011

PARTICULARS	SCHEDULE	Year ended 31st March, 2011 ₹	Year ended 31st March 2010 ₹
Income		NIL	NIL
Expenses		-	-
Prior Period Expenses (Preliminary Expenses written off)		-	20,797
		-	20,797
Net Profit/(Loss) for the year		-	(20,797)
Add: - Net Loss Brought Forward		20,797	-
Net Loss Carried to Balance Sheet		20,797	20,797
<b>Basic &amp; Diluted Earning per share of ₹ 10 each</b>		-	(0.42)
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	8		
<b>NOTES TO ACCOUNTS</b>	9		

**SCHEDULE REFERRED ABOVE FORM AN INTEGRAL PART OF PROFIT & LOSS ACCOUNT**

For and on behalf of Board of Directors

(Damodar Balapure) (K.Sridhar) (Rajeev Sharma)  
Director Director Chairman

**SIGNED IN TERMS OF OUR REPORT OF EVEN DATE**

For & On Behalf of  
R S Y & Associates  
(Chartered Accountants)  
(Firm Reg. No. 500021N)  
Sanjeev Gandhi  
(Partner)  
M. No. 91902

Place: New Delhi  
Date : 10.06.2011

**SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS**

**SCHEDULE '1'  
SHARE CAPITAL**

PARTICULARS	As at 31st March, 2011 ₹	As at 31st March 2010 ₹
<b>AUTHORISED</b>		
50,000 Equity Shares of ₹ 10/- each	5,00,000	5,00,000
(Previous year 50,000 Equity Shares of ₹ 10/- each)		
	<b>5,00,000</b>	<b>5,00,000</b>
<b>ISSUED, SUBSCRIBED &amp; PAID UP</b>		
50,000 Equity Shares of ₹ 10/- each Fully Paid up	5,00,000	5,00,000
(Previous year 50,000 Equity Shares of ₹ 10/- each) (Wholly owned by Power Finance Corporation Limited)		
Total	<b>5,00,000</b>	<b>5,00,000</b>
<b>SCHEDULE '2' UNSECURED LOANS</b>		
Commitment Advance received from Procurers	40,00,00,000	40,00,00,000
<b>Total</b>	<b>40,00,00,000</b>	<b>40,00,00,000</b>

**SCHEDULE - '3'**
**FIXED ASSETS**

Figures in ₹

Description	GROSS BLOCK				DEPRECIATION BLOCK				NET BLOCK	
	Opening Balance as at 01.04.2010	Addition During the year	Sales/ Adjustment during the year	As at 31.03.2011	Opening Balance as at 01.04.2010	Dep. during the year	Disposed/ Written off during the year	As at 31.03.2011	As at 31.03.2011	As at 31.03.2010
EDP Equipments	-	56,250	-	56,250	8,137	19,245	-	27,382	28,868	48,113
<b>Total</b>	-	<b>56,250</b>	-	<b>56,250</b>	<b>8,137</b>	<b>19,245</b>	-	<b>27,382</b>	<b>28,868</b>	<b>48,113</b>
Previous Year	-	56,250	-	56,250	-	8,137	-	8,137	48,113	-

**SCHEDULE '4'**
**CAPITAL WORK IN PROGRESS**

PARTICULARS	As at 31st March, 2011 ₹	As at 31st March 2010 ₹
Opening Balance	<b>10,11,36,547</b>	1,66,70,628
CWIP: Transferred from Expenditure During Construction Period (Schedule-7)	<b>8,05,56,975</b>	8,44,65,919
	<b>18,16,93,522</b>	10,11,36,547
Capital Advance for Land	<b>22,95,65,612</b>	22,95,65,612
<b>Total</b>	<b>41,12,59,134</b>	33,07,02,159

**SCHEDULE '5'**
**CURRENT ASSETS, LOANS & ADVANCES**

PARTICULARS	As at 31st March, 2011 ₹	As at 31st March 2010 ₹
<b>a. Cash and Bank Balances</b>		
Cash Balance	-	-
Balance with Scheduled Bank in Current Account (SBI)	<b>1,98,350</b>	98,900
Total (a)	<b>1,98,350</b>	98,900
<b>b. Other Current Assets</b>		
Interest receivable from PFC	<b>1,43,61,713</b>	1,09,32,564
Total (b)	<b>1,43,61,713</b>	1,09,32,564
<b>c. Loans &amp; Advances</b>		
(Unsecured, Considered Good)		
Power Finance Corporation Limited (Holding Company)	<b>3,80,23,123</b>	7,91,08,134
Advance for Consultancy Services/Studies	<b>25,58,960</b>	37,19,560
Total (c)	<b>4,05,82,083</b>	8,28,27,694
<b>TOTAL (a+b+c)</b>	<b>5,51,42,146</b>	9,38,59,158

**SCHEDULE '6'**
**CURRENT LIABILITIES AND PROVISIONS CURRENT LIABILITIES**

PARTICULARS	As at 31st March, 2011 ₹	As at 31st March 2010 ₹
Interest Accrued but not due	<b>5,69,70,697</b>	18,857,407
<b>Others</b>		
Sundry Creditors for Expenses	<b>50,40,019</b>	3,380,579
Audit Fees Payable	<b>62,044</b>	62,044
TDS Payable	<b>38,78,185</b>	1,830,197
<b>TOTAL</b>	<b>6,59,50,945</b>	<b>24,130,227</b>

**SCHEDULE '7'**
**EXPENDITURE DURING CONSTRUCTION PERIOD**

PARTICULARS	As at 31st March 2011 ₹	As at 31st March, 2010 ₹
<b>(a) Expenses</b>		
Manpower Charges	<b>1,43,93,511</b>	2,03,83,440
Study & Survey Expenses	<b>87,28,360</b>	4,30,57,432
Audit Fees	<b>68,938</b>	68,938
Legal & Professional charges	<b>1,01,718</b>	1,10,416
Consultancy Charges	<b>32,80,029</b>	17,78,838
Commitment Charges for Water Resources	-	33,75,000
Conference & Meetings	<b>3,67,877</b>	7,02,772
Advertisement Expenses	<b>1,30,50,701</b>	31,31,225
Cost of Document	<b>11,00,000</b>	-
Bank Charges		5,50,550
Interest Exp on utilised portion	<b>3,85,51,296</b>	86,79,231
Interest Exp on unutilised portion	<b>34,29,149</b>	96,83,724
Interest on TDS	-	517
Depreciation	<b>19,245</b>	8,137
Telephone Expenses	<b>74,784</b>	37,012
Tour & Travelling Expenses	<b>8,39,017</b>	16,13,383
Vehicle Hiring	<b>4,13,719</b>	4,03,689
Casual Wages	<b>5,11,653</b>	4,48,251
Printing & Stationery	<b>1,20,820</b>	1,24,442
Other Administration Expenses	<b>34,757</b>	5,42,646
<b>Total (a)</b>	<b>8,50,86,124</b>	<b>9,41,49,643</b>
<b>(b) Other Income</b>		
Interest income on unutilised portion (TDS ₹Nil, Previous year ₹Nil)	<b>34,29,149</b>	96,83,724
Sale of RFQ	<b>11,00,000</b>	-
<b>Total (b)</b>	<b>45,29,149</b>	<b>96,83,724</b>
<b>Balance (a-b) Carried to CWIP -Schedule-4</b>	<b>8,05,56,975</b>	<b>8,44,65,919</b>

## Schedule No. '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.

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 materialized.

2. **Recognition of Income / Expenditure:**

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/PFCL 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 ₹ 5,000/- are fully depreciated.

4. **Capital work In Progress:**

Expenditure incurred on Land/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**

Preliminary expenses are written off in the year in which such expenditure has been incurred, in compliance with the opinion of the Expert Advisory Committee (EAC) of The Institute of Chartered Accountants of India.

10. Contingent liabilities are not provided but are disclosed by way of notes on the basis of information available/ judgment of the management.

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

## 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 of 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 from Power Procuring States and deployed on Part Time basis.

The details of such Key Management Personnel as on 31.03.2011 are as follows:

S. No.	Name	Designation	Date of Appointment	Date of Cessation
1.	Shri C. Gangopadhyay	Director	17.12.2008	14.05.2010
2.	Shri K.Sridhar	Director	17.12.2008	Continuing
3.	Shri Dinesh Vij	Director	17.02.2010	Continuing
4.	Shri P.K.Vaishya *	Director	24.06.2009	Continuing
5.	Shri G.S.Trimukhe *	Director	24.06.2009	24.12.2010
6.	Shri Rajeev Sharma	Chairman	19.11.2009	Continuing
7.	Shri N.D.Tyagi	Director	17.02.2010	Continuing
8.	Shri Umesh K. Agrawal *	Director	17.02.2010	Continuing
9.	Shri Yogesh Juneja	Director	17.02.2010	Continuing
10.	Shri A.S.Chavhan *	Director	24.12.2010	Continuing

\* from Power Procuring States

3. Pursuant to the Financing Agreement between PFC and the Company, the entire expenditure on development of the Project being developed by the Company were 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. Original Supporting bills in respect of expenditure incurred by the PFC/PFCL are retained by them of which copies are available with the Company. PFC/PFCL is complying with all statutory provisions relating to the 'Deduction of tax at source etc. as applicable to these expenses.
5. All the work for the Company are executed by PFC Consulting Ltd (PFCL). Manpower Charges of ₹1,43,93,511/- (Previous Year ₹2,03,83,440/-) for man power cost of PFCL employees charged by PFCL on the basis of cost to company based on actual man days spent by the employees for the Company as per invoice raised by PFCL and include ₹ 10,11,589/- (Previous Year ₹13,58,896/-) of Sh. N.D. Tyagi (Director), ₹1,00,097/- (Previous Year ₹48,532/-) of Sh. Dinesh Vij (Director) and ₹36,15,634/- (Previous Year ₹26,20,728/-) of Sh. Yogesh Juneja (Director). 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. PFC is complying statutory provisions related to deduction of tax at source applicable to expenses allocated by it.
6. In view of decision of Ministry of Power, Government of India, the Company has received the entire Commitment Advance of ₹40,00,00,000/- (Previous Year ₹40,00,00,000/-) from the Power Procuring Utilities (Procurers), as contribution against allotment of specified share 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, however, 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 ₹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 appears as Loans and Advances (Assets) in the Balance Sheet.
8. 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 rate of interest charged on the utilized amount of funds is as applicable in PFC for the project loan/ schemes (Generation) for Borrower under Category "State Sector Borrowers (Category 'A') as determined from time to time and on unutilized portion of funds, the interest receivable/paid from PFC 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 ₹4,19,80,445/- (Previous Year ₹1,83,62,955/-) for the year comprised of interest of ₹ 34,29,149/- (Previous Year ₹96,83,724/-) on unutilized portion and ₹3,85,51,296/- (Previous Year ₹86,79,231/- ) on utilized portion including ₹1,73,364/- (Previous year ₹1,29,927/- payable to PFC on amount spent by them 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 ₹1,92,21,600/- (Previous year ₹1,85,69,600/-).
- ii) Contingent liabilities of the company and claims against the company not acknowledged by the company as certified by the management for the year is ₹ 196 Crore for land and ₹ 540 Crore for Hydro Structure. The company is also liable to pay compensation as per Rehabilitation and Resettlement policy on approval by the State Govt. of Chhattisgarh. The quantum of liability is not ascertainable presently until socio economic study are completed and approved by concerned Govt. Authorities. ( Refer note no.14)
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. The Company has agreed to pay a sum of ₹ 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 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, since the same will be charged in the year of transfer of the company to successful bidder only in the event of transfer of the company.
12. 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 ₹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.
13. An amount of ₹ 22.83 Crores has been paid to Chhattisgarh Government for 2331.84 acres of private land at the time of Section 4 processing as advance. The cost of the land has been revised by Chhattisgarh Government for arren, single crop and double crop land respectively. Hence the cost of land now estimated amounts to ₹196 Crores which is payable after completion of section 6 and receiving the demand for the same, hence, no liability has been provided.
14. Total 135 MCM water quantity is estimated for CSPL project. Total 8 no. of Hydrostructure will be constructed on river Raheer and its tributaries.

Estimated cost of construction of Hydro structures is ₹ 4 Crores / MCM totaling to ₹540 Crores. ₹ 2.70 Crores has already been paid as Survey charges at the rate of 0.5% of ₹ 540 Crores. Till now survey work is under progress, hence no liability provided. The company is also liable to pay compensation as per Rehabilitation and Resettlement policy on approval by the State Govt. of Chhattisgarh. The quantum of liability is not ascertainable presently until socio economic study are completed and approved by concerned Govt. authorities.

15. The company has received ₹ 11,00,000/- on account of sale of RFQ/RFP document. The RFQ amount so received is repaid to PFCCL as per approval of the company. The management certifies that the RFQ/RFP documents are prepared by PFCCL and sold on behalf of them.
16. In the opinion of the Board, on realization 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.
17. Since there are no employees in the company, the obligation as per Accounting Standard-15 (Revised) do not arises.
18. 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/ PFCCL 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 ₹ 7,91,08,134/-  
(Previous Year ₹ 38,07,73,410/-)

The related Party Transactions was done only with Holding Company (PFC), details are as follows:-

S.No.	Particulars	2010-11 (₹)	2009-10 (₹)
1.	Interest payable for the year	1,73,364/-	1,29,927/-
2.	Interest receivable for the year	34,29,149/-	96,83,724/-
3.	Man Power Charges (PFCCL)	1,43,93,511/-	2,03,83,440/-
4.	Closing Balances		
(a)	Interest Payable	15,24,711/-	13,51,347/-
(b)	Interest Receivable from PFC	1,43,61,713/-	1,09,32,564/-
(c)	Loans & Advance (Receivable)	3,80,23,123/-	7,91,08,134/-

19. Auditors Remuneration (including service tax )

Particulars	2010-11 (₹)	2009-10 (₹)
Statutory Audit Fees	68,938/-	68,938/-
Other Fees	41,363/-	NIL

20. In terms of Accounting Standard 20 on "Earnings per Share" notified under the Companies

Act 1956, Earning per share (Basic & Diluted) is worked out as follows: -

S No.	Particulars	2010-11	2009-10
1.	Nominal Value of share (₹)	10	10
2.	Number of Equity shares (No.)	50,000	50,000
3.	Net Profit /(Loss) after tax (₹)	Nil	(20,797)
4.	Earning per share (₹)	Nil	(0.42)

21. 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.

22. The company has sent letters to various parties included under the head Unsecured Loans (Commitment advance), interest payable and interest receivables etc. for confirmation of their balances as per the books of accounts of the company for which confirmations is yet to be received from the respective parties.
23. 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"
24. 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:
- Expenditure in foreign currency – Nil (Previous year-Nil)
  - Income in foreign exchange – Nil (Previous year-Nil)
25. 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 period.
26. Schedule 1 to 9 form an integral part of the financial statements and have been authenticated.

For and on behalf of Board of Director

<b>Damodar Balapure</b>	<b>K.Sridhar</b>	<b>Rajeev Sharma</b>
( Director)	( Director)	(Chairman)

**Signed in terms of our report of even date  
For R S Y & Associates.  
Chartered Accountants  
(Firm Reg.No. 500021N)  
Sanjeev Gandhi  
(Partner)  
M.No.91902**

**Place: New Delhi**

**Date: 10.06.2011**

**CHHATTISGARH SURGUJA POWER LIMITED  
CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH,2011**

<b>PARTICULARS</b>	<b>Year ended 31st March, 2011 ₹</b>	<b>Year ended 31st March 2010 ₹</b>
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit/(Loss) as per Profit & Loss A/c	-	(20,797)
Prior Period Expenses/ Preliminary expenses	-	20,797
Operating profit before working capital changes	-	-
<b>Adjustment For Increase/Decrease in:</b>		
Other Current Assets	<b>(34,29,149)</b>	(96,83,724)
Loans & Advances	<b>4,22,45,611</b>	20,47,52,275
Current Liabilities & Provisions	<b>4,18,20,718</b>	1,90,10,543
<b>TOTAL</b>	<b>8,06,37,180</b>	21,40,79,094
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Capital Work in Progress (Net of Depreciation)	<b>(8,05,37,730)</b>	(31,40,23,394)
Purchase of Fixed Assets	-	(56,250)
<b>TOTAL</b>	<b>(8,05,37,730)</b>	(31,40,79,644)
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Unsecured Loan	-	10,00,00,000
<b>TOTAL</b>	-	10,00,00,000
<b>NET INCREASE/(DECREASE) IN CASH FLOW(A+B+C)</b>	<b>99,450</b>	(550)
<b>CASH &amp; CASH EQUIVALENT AT THE BEGINNING OF THE YEAR</b>	<b>98,900</b>	99,450
<b>CASH &amp; CASH EQUIVALENT AT THE END OF THE YEAR</b>	<b>1,98,350</b>	98,900
Cash on hand and balance with banks	<b>1,98,350</b>	98,900
Other Cash and Cash Equivalents	-	-

For and on behalf of Board of Directors

<b>(Damodar Balapure)</b>	<b>( K.Sridhar)</b>	<b>(Rajeev Sharma)</b>
Director	Director	Chairman

**SIGNED IN TERMS OF OUR REPORT OF EVEN DATE  
For & On Behalf of  
R S Y & Associates  
(Chartered Accountants)  
(Firm Reg. No. 500021N)  
Sanjeev Gandhi  
(Partner)  
M. No. 91902**

**Place: New Delhi**

**Date : 10-06-2011**



**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**
**I Registration details**

<b>Registration No :</b>	<b>U40102DL2006GOI146111</b>		State Code: 55
<b>Balance Sheet Date :</b>	31	3	2011
	Date	Month	Year

**II Capital raised during the year (Amount in Rupees Thousands)**

Public Issue	Right issue
-	-
Bonus Issue	Private Placement
-	-

**III Position of Mobilisation and Deployment of Funds (Amount in Rupees Thousands)**

<b>Sources of Funds</b>	Total Liabilities	Total Assets
	4,66,451	4,66,451
	Paid up capital	Reserve and Surplus
	500	-
	Unsecured Loans	Current Liabilities
	4,00,000	65,951
<b>Application of Funds</b>	Net Fixed Assets	Capital Work In Progress
	29	4,11,259
	Investment	Current Assets
	-	55,142
	Misc. Expenditure	Accumulated Losses
	-	21

**IV Performance of Company (Amount in Rupees Thousands)**

Turnover	Total Expenditure
-	-
Profit/ Loss before Tax	Profit/ Loss after Tax
-	-
Earning per Share	Dividend
-	-

**V Generic Names of Three Principles 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 2011**

The preparation of financial statements of Chhattisgarh Surguja Power Limited, New Delhi for the year ended 31 March 2011 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 2011.

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 Chhattisgarh Surguja Power Limited, New Delhi for the year ended 31 March 2011 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**

(M.K. BISWAS)

**Principal Director of Commercial Audit & Ex-official Member Audit Board – III, New Delhi**

**Place: New Delhi  
Dated: 5<sup>th</sup> July 2011**

## COASTAL KARNATAKA POWER LIMITED

(A Wholly owned subsidiary of Power Finance Corporation Limited)

### Directors' Report 2010-2011

To

The Members,

Your Directors have pleasure in presenting the 5<sup>th</sup> Annual Report on the performance of the Company for the financial year ended on 31<sup>st</sup> March, 2011 along with Audited Statement of Accounts and Auditor's Report thereon.

### OPERATIONAL ACTIVITIES

Your Company has been incorporated on 10<sup>th</sup> February, 2006 as a wholly owned subsidiary of Power Finance Corporation Limited (PFC) for the development of Ultra Mega Power Project in the state of Karnataka.

Power from the project will be procured by five states namely Karnataka (1500MW), Maharashtra (1000MW), Tamil Nadu (1000MW), Rajasthan (300MW) and Kerala (200MW).

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.

The project development activities shall commence as soon as the site for the project is finalised.

### 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 ₹28.47 Lakh 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 1<sup>st</sup> April, 2010 to 31<sup>st</sup> March, 2011.

### SHARE CAPITAL

The paid-up share capital of the Company was ₹5,00,000/- (50,000 equity shares of ₹ 10/- each) as on 31<sup>st</sup> March, 2011. During the year, the entire share capital of the Company was held by PFC and its nominees.

### COMMITMENT ADVANCE

During the year under review, your Company has not received any Commitment Advance from the power procuring states.

### FIXED DEPOSITS

The Company has not accepted any fixed deposit during the period ending 31<sup>st</sup> March, 2011.

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

As the Company's operations do not involve any manufacturing or processing activities, the particulars as per the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, regarding conservation of energy and technology absorption, are not applicable. During the year under review, there is no foreign exchange earning and outgo.

### AUDITORS

M/s. Rajesh Kumar & Associates, Chartered Accountants, was appointed as Statutory Auditors of the Company for the financial year 2010-2011 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

Since the date of last Directors' Report, pursuant to the office order issued by Power Finance Corporation Limited (PFC), Holding Company, Shri R. Rahman has been appointed as Director of the Company in place of Shri Yogesh Juneja w.e.f. 8<sup>th</sup> June, 2011.

Consequent to the aforesaid change, the Board of Directors comprises of the following:

1.	Shri Rajeev Sharma	: Chairman
2.	Shri Dinesh Vij	: Director
3.	Shri A. K. Gupta	: Director
4.	Shri R. Rahman	: Director

In accordance with provisions of Companies Act, 1956 Shri Rajeev Sharma, Chairman shall retire by rotation at the ensuing Annual General Meeting of the Company and being eligible offers himself for re-appointment.

### COMMENTS OF COMPTROLLER AND AUDITOR GENERAL(C&AG) OF INDIA

C&AG vide their letter dated 15<sup>th</sup> July, 2011 mentioned that they have decided not to review the report of the Statutory Auditors on the accounts of the Company for the year ended 31<sup>st</sup> March, 2011 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 Annexure-I.

### DIRECTOR'S RESPONSIBILITY STATEMENT

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

- In the preparation of Annual Accounts for the financial year 2010-11, the applicable accounting standards had been followed along with proper explanation relating to material departure.
- 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 the affairs of the Company at the end of the financial year 2010-11.
- The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- The Directors had prepared the annual accounts 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 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

(Rajeev Sharma)

Chairman

Place: New Delhi

Date: 17.08.2011

## AUDITOR'S REPORT

TO

THE MEMBERS COASTAL KARNATAKA POWER LIMITED.

1. We have audited the attached Balance Sheet of **COASTAL KARNATAKA POWER LIMITED** as at **31st March 2011**, the 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 from any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) order, 2003 read with the companies (Auditor's Report) (Amendment) order, 2004 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in the paragraphs 4 and 5 of said order.
4. Further to our comments in the Annexure referred to in paragraph 3 above we report that:
  - (a) 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.
  - (b) In our opinion, proper books of accounts as required by law have been kept by the company, so far as appears from our examination of the books. Since some of the payments on behalf of the Company made by the Holding Company i.e. Power Finance Corporation Ltd., the original supports relating to these expenditures etc. are kept with the 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 Balance Sheet, Profit & Loss account and Cash flow statement dealt with this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the companies act, 1956.
  - (e) In pursuance to the notification No. GSR 829(E) dated 21.10.2003 issued by the Department of Company Affairs; clause (g) of sub-section (1) of section 274 of companies Act, 1956 pertaining to disqualification of Directors is not applicable to a Government Company.
  - (f) In our opinion and to the best of our knowledge and according to information and explanation given to us, the said financial statements, read together with the Notes on accounts given in Schedule 9 and Accounting Policies annexed thereto, give the information required by the Companies Act, 1956 in the manner so required & give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (i) In case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2011,
    - (ii) In case of the Profit & Loss Account, of Nil Profit / 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  
**RAJESH KUMAR & ASSOCIATES**  
 Chartered Accountants.  
 (Firm Registration No.:002619N)  
**CA.Rajesh Kumar**  
 (Partner)  
 Membership No. 81516

Place: New Delhi  
 Dated: 08.06.2011

## ANNEXURE TO AUDITOR'S REPORT OF COASTAL KARNATAKA POWER LIMITED

(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, provision of para 4(i) (a) of the Companies (Auditor's 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 (Auditor's 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 (Auditor's Report) Order, 2003 relating to disposal of any substantial part of fixed assets during the year are not applicable to Company as it does not have fixed assets.
2. As the company has not purchased/ sold goods during the year nor are there any stocks. Accordingly clauses 4(ii) (a), (b) and (c) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
3. As explained to us, the Company has not taken nor granted any loans, secured or unsecured from Companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly clauses 4(iii) (a), (b), (c) and (d) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
4. Having regards to the nature of company's business and based on our scrutiny of company's records and the information and explanation given to 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 explanation 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 regards to purchase of fixed assets.
5. 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.
6. According to the information and explanation given to us, the company has not accepted any deposits from public.
7. The company does not have paid up capital and reserves of Rs 50 lakhs as at the commencement of the financial year concerned, or have an average annual turnover exceeding five crore rupees for a year of three consecutive financial years immediately preceding the financial year concerned, the provision of para 4 (vii) of the Companies (Auditor's Report) Order, 2003 are not applicable to company.
8. The company does not have any business activities during the year, the provision of para 4 (viii) of the Companies (Auditor's Report) order, 2003 relating to maintaining of cost records under section 209 (1) (d) of the companies act is not applicable to the company.
9. (a) According to information and explanation given to us, the company is regular in depositing undisputed statutory dues including Provident Fund, Investors Education and Protection Fund Employees State Insurance, Income Tax, Wealth Tax, and other statutory dues with the appropriate Authorities through holding company i.e. PFC Ltd. According to information and explanation given to us, there are no undisputed statutory dues outstanding as at 31st March, 2011 for a period of more than six months from the date they become payable.
- (b) According to information and explanation given to us, there are no dues of Income Tax, Wealth Tax, which have not been deposited on account of any dispute.

10. In our opinion the Company has accumulated losses at the end of the current financial year. However it has not incurred any cash losses in the current financial year.
11. According to the records made available to us and information and explanations given by the management, the company has not taken any loan, from any financial institution or bank or debenture holder, hence clause (xi) of paragraph 4 of the Order is not applicable to the Company
12. In our opinion and according to information and explanation given to us, provision of para 4 (xii) of the Companies (Auditor's Report) Order, 2003 are not applicable to Company as it has not given any loans and advance on security of shares, Debentures and other securities.
13. In our opinion and according to information and explanation given to us, the Company is not a Chit Fund, Nidhi or Mutual benefit, Trust/Society. Accordingly, the provision of para 4(xiii) of the companies (Auditor's Report) Order, 2003 is not applicable to company.
14. According to information and explanation given to us, the Company is not dealing or trading in shares, Securities, debenture and other investment and hence the requirement of para 4(xiv) of the Companies (Auditor's Report) Order, 2003 is not applicable to Company.
15. According to information and explanation given to us, the Company has not given any guarantee in respect of loan taken by it from banks and financial institutions.
16. In our opinion and according to information and explanation given to us the Company has not obtained any term loan and hence the requirement of para 4 (xvi) of the Companies (Auditor's Report) Order, 2003 are not applicable to Company.
17. According to information and explanation given to us and on an overall examination of the Balance sheet and Cash Flow statement of the Company, we report that no funds raised on short-term basis have been utilized for long term investment purpose.
18. The Company has not made any preferential allotment of share to parties and companies covered in the register maintained under section 301 of the Companies Act 1956.
19. According to information and explanation given to us the company does not have any debentures and hence the requirement of para 4(xix) of the Companies (Auditor's Report) order, 2003 are not applicable to Company.
20. According to information and explanation given to us the company has not raised any money from public issues during the year.
21. 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 and on behalf of  
**RAJESH KUMAR & ASSOCIATES**  
**Chartered Accountants.**  
**(Firm Registration No.:002619N)**  
**CA.Rajesh Kumar**  
**(Partner)**  
**Membership No. 81516**

**Place: New Delhi**  
**Dated: 08.06.2011**

**COASTAL KARNATAKA POWER LIMITED**  
**BALANCE SHEET AS AT 31ST MARCH, 2011**

<b>PARTICULARS</b>	<b>SCHEDULE</b>	<b>As at 31st March, 2011</b>	<b>As at 31st March 2010</b>
		₹	₹
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share Capital	1	5,00,000	5,00,000
<b>LOAN FUNDS</b>			
Unsecured Loans	2	1,39,75,518	1,38,98,999
<b>TOTAL</b>		<b>1,44,75,518</b>	<b>1,43,98,999</b>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
a) Gross Block	3	-	-
Less : Depreciation		-	-
Net Block		-	-
b) Capital Work in Progress	4	2,12,60,390	1,84,12,944
		<b>2,12,60,390</b>	<b>1,84,12,944</b>
<b>INVESTMENTS</b>			
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>			
a) Cash & Bank Balances	5	97,750	4,98,350
b) Other Current Assets		-	-
c) Loans & Advances		-	-
		<b>97,750</b>	<b>4,98,350</b>
<b>Less : CURRENT LIABILITIES &amp; PROVISIONS</b>			
Current Liabilities	6	69,03,424	45,33,097
Provisions		-	-
		<b>69,03,424</b>	<b>45,33,097</b>
<b>NET CURRENT ASSETS</b>		<b>(68,05,674)</b>	<b>(40,34,747)</b>
<b>MISCELLANEOUS EXPENDITURE</b>			
(To the extent not written off or adjusted)			
Preliminary Expenses		-	-
Profit & Loss A/c		20,802	20,802
<b>TOTAL</b>		<b>1,44,75,518</b>	<b>1,43,98,999</b>
<b>EXPENDITURE DURING CONSTRUCTION PERIOD</b>	7		
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	8		
<b>NOTES TO ACCOUNTS</b>	9		
Schedule 1 to 9 form integral part of Balance Sheet			

For and on behalf of Board of Directors

**R.Rahman**                      **A.K.Gupta**                      **Rajeev Sharma**  
Director                              Director                              Chairman

**SIGNED IN TERMS OF OUR REPORT OF EVEN DATE**

**For & On Behalf of**  
**RAJESH KUMAR & ASSOCIATES**  
**(CHARTERED ACCOUNTANTS)**  
**(Firm Reg. No: 002619N)**  
**CA Rajesh Kumar**  
**(Partner)**  
**M No. : 81516**

**Place : New Delhi**  
**Date :08-06-2011**

**COASTAL KARNATAKA POWER LIMITED**  
**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011**

PARTICULARS	SCHEDULE	year ended	
		31st March, 2011	31st March 2010
		₹	₹
<b>Income</b>		NIL	NIL
<b>Expenses</b>		-	-
Prior Period Expenses(Preliminary Expenses written off)		-	20,802.00
		-	20,802.00
Net Profit/(Loss) for the year		-	(20,802.00)
Add: - Net Loss Brought Forward		20,802	-
<b>Net Loss Carried to Balance Sheet Basic &amp; Diluted Earning per share of ₹10 each SIGNIFICANT</b>		<b>20,802</b>	20,802
<b>ACCOUNTING POLICIES</b>	<b>8</b>		
<b>NOTES TO ACCOUNTS</b>	<b>9</b>		

Schedule 1 to 9 form integral part of Profit & Loss A/c

For and on behalf of Board of Directors

R.Rahman Director	A.K.Gupta Director	Rajeev Sharma Chairman
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**SIGNED IN TERMS OF OUR REPORT OF EVEN DATE**  
**For & On Behalf of**  
**RAJESH KUMAR & ASSOCIATES**  
**(CHARTERED ACCOUNTANTS)**  
**(Firm Reg. No: 002619N)**  
**CA Rajesh Kumar**  
**(Partner)**  
**M No. : 81516**

Place : New Delhi  
Date :08-06-2011

**COASTAL KARNATAKA POWER LIMITED**  
**SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS**

**SCHEDULE '1'**  
**SHARE CAPITAL**

PARTICULARS	As at 31st	As at 31st
	March, 2011	March 2010
	₹	₹
<b>AUTHORISED</b>		
50,000 Equity Shares of ₹ 10/- each	5,00,000	5,00,000
(Previous year 50,000 Equity Shares of ₹ 10/- each)	5,00,000	5,00,000
<b>ISSUED, SUBSCRIBED &amp; PAID UP</b>		
50,000 Equity Shares of ₹ 10/- each Fully Paid up	5,00,000	5,00,000
(Previous year 50,000 Equity Shares of ₹ 10/- each)		
(Wholly owned subsidiary by Power Finance Corporation)		
<b>Total</b>	<b>5,00,000</b>	5,00,000

**SCHEDULE '2'**  
**UNSECURED LOANS**

PARTICULARS	As at 31st	As at 31st
	March, 2011	March 2010
	₹	₹
Power Finance Corporation Ltd.	1,39,75,518	1,38,98,999
<b>Total</b>	<b>1,39,75,518</b>	1,38,98,999

**SCHEDULE '3'**  
**FIXED ASSETS**

PARTICULARS	GROSS BLOCK				DEPRECIATION BLOCK				FIGURES IN ₹	
	Opening	Additions/	Deductions/	Closing	Opening	Additions/	Deductions/	Closing	As at	As at
	Balance As at 01-04-2010	Adjustments during the year	Adjustments during the year	Balance As at 31.03.2011	Balance As at 01-04-2010	Adjustments during the year	Adjustments during the year	Balance As at 31.03.2011	31.03.2011	31.03.2010
	-	-	-	-	-	-	-	-	-	-
<b>TOTAL</b>	-	-	-	-	-	-	-	-	-	-
PREVIOUS YEAR	-	-	-	-	-	-	-	-	-	-

**SCHEDULE '4'**  
**CAPITAL WORK IN PROGRESS**

PARTICULARS	As at 31st	As at 31st
	March, 2011	March, 2010
	₹	₹
Opening Balance	1,84,12,944	1,46,71,029
CWIP: Transferred from Expenditure During Construction Period (Schedule-7)	28,47,446	37,41,915
<b>Total</b>	<b>2,12,60,390</b>	1,84,12,944

**SCHEDULE '5'**  
**CURRENT ASSETS, LOANS & ADVANCES**

PARTICULARS	As at 31st	As at 31st
	March, 2011	March, 2010
	₹	₹
<b>a. Cash and Bank Balances</b>		
Cash Balance	-	-
Balance with Scheduled Bank in Current Accounts (SBI)	97,750	4,98,350
Total (a)	97,750	4,98,350
<b>b. Other Current Assets</b>		
Total (b)	-	-
<b>c. Loans and Advances</b>		
(Unsecured, Considered Good)	-	-
Total (c)	-	-
<b>TOTAL (a+b+c)</b>	<b>97,750</b>	<b>4,98,350</b>

**SCHEDULE '6'**  
**CURRENT LIABILITIES AND PROVISIONS**

PARTICULARS	As at 31st	As at 31st
	March, 2011	March, 2010
	₹	₹
<b>a. Current Liabilities</b>		
Interest Accrued but not due	-	-
Power Finance Corporation Ltd.	68,34,486	4,464,159
<b>Others</b>		
Audit fee payable	62,044	62,044
TDS Payable	6,894	6,894
Total (a)	69,03,424	45,33,097
<b>b. Provisions</b>		
Total (b)	-	-
<b>TOTAL (a+b)</b>	<b>69,03,424</b>	<b>45,33,097</b>

**SCHEDULE '7'**  
**EXPENDITURE DURING CONSTRUCTION PERIOD**

PARTICULARS	As at 31st	As at 31st
	March, 2011	March, 2010
	₹	₹
<b>(a) Expenses</b>		
Manpower Charges	3,50,318	11,40,502
Audit Fees	68,938	68,938
Bank Charges	600	550
Interest Exp on utilised portion	23,70,327	18,78,167
Legal & Professional Charges	47,975	63,772
Other Administrative expenses	9,288	5,89,986
Total (a)	28,47,446	37,41,915
<b>(b) Other Income</b>		
Total (b)	-	-
<b>Balance(a-b) Carried to CWIP: Schedule-4</b>	<b>28,47,446</b>	<b>37,41,915</b>

**SCHEDULE NO. 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.

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. Recognition of Income/Expenditure**

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 ₹5,000/- are fully depreciated.

**4. Capital work In Progress:**

Expenditure incurred on Land/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 are written off in the year in which such expenditure has been incurred, in compliance with the opinion of the Expert Advisory Committee (EAC) of The Institute of Chartered Accountants of India.

10. Contingent liabilities are not provided but are disclosed by way of notes on the basis of information available / judgment of the management.

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

**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 as on 31.03.11 are as follows:

S. No.	Name	Designation	Date of Appointment	Date of Cessation
1.	Shri Rajiv Sharma	Chairman	26.05.2009	Continuing
2.	Shri Dinesh Vij	Director	17.12.2008	Continuing
3.	Shri A.K. Gupta	Director	17.12.2008	Continuing
4.	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 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. All the work for the Company are executed by PFC Consulting Ltd (PFCCCL). Manpower Charges of ₹ 3,50,318/- (Previous Year ₹ 11,40,502/-) for man power cost of PFCCCL employees charged by PFCCCL on the basis of cost to company based on actual man days spent by the employees for the Company as per invoice raised by PFCCCL and include ₹27,299/- (Previous Year ₹2,91,192/-) charged for Sh.Dinesh Vij (Director), and ₹3,033/- (Previous Year ₹Nil) charged for Sh. Yogesh Juneja (Director). 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. PFC is complying statutory provisions related to deduction of tax at source applicable to expenses allocated by it.
5. 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 Project Loan/Schemes (Generation) for Borrowers under category "State Sector Borrowers (Category 'A') as determined from time to time. Total interest amounting to ₹23,70,327/- (Previous Year ₹ 18,78,167/-) has been accounted in the books of account. Interest has been capitalized under Capital Works in Progress. Interest payable has been shown under Current Liabilities.
6. Original Supporting bills in respect of expenditure incurred by the PFC/PFCCCL 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 etc. as applicable to these expenses.
7. (i) Estimated amount of contracts remaining to be executed on capital account and not provided for is ₹ 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. 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.
9. The Company has agreed to pay a sum of ₹ 50,00,00,000/- plus applicable taxes to PFC/PFCCCL on account of fees for providing advisory & professional services rendered by PFC/PFCCCL. The fees for providing advisory & professional services is payable to PFC/PFCCCL 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/PFCCCL, since the same will be charged in the year of transfer

of the company to successful bidder only in the event of transfer of the company.

10. 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 fees of ₹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 (PFC), consequent upon which the company along with all its assets and liabilities shall stand transferred to such bidder as per the share purchase agreement to be entered into.

11. Auditors Remuneration (including service tax)

Particulars	2010-11 (₹)	2009-10 (₹)
Statutory Audit Fees	68,938/-	68,938/-
Other Fees	41,363/-	-

12. 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)

13. 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 ₹Nil
	Previous Year ₹Nil

The related Party Transactions was done only with Holding Company (PFC), details are as follows:-

S.No.	Particulars	2010-11 (₹)	2009-10 (₹)
1.	Loans taken during the year	76,519/-	19,07,636/-
2.	Interest Expense for the year	23,70,327/-	18,78,167/-
3.	Man Power Charges (PFCCCL)	3,50,318/-	11,40,502/-
4.	Closing Balances		
(a)	Interest Payable	68,34,486/-	44,64,159/-
(b)	Loan Payable	1,39,75,518/-	1,38,98,999/-

14. 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 development phase and yet to commence its operation.
15. Since there are no employees in the company, the obligation as per Accounting Standard-15 (Revised) do not arises.
16. The company has sent letters to various parties included under the head Unsecured Loans (Commitment advance), interest payable, interest receivables etc. for confirmation of their balances as per the books of accounts of the company for which some confirmations is yet to be received from the respective parties.
17. In terms of Accounting Standard 20 on "Earnings per Share" notified under

the Companies Act 1956, Earning per share (Basic & Diluted) is worked out as follows: -

S. No.	Particulars	2010-11	2009-10
1.	Nominal Value of share (₹)	10	10
2.	Number of Equity shares (No.)	50,000	50,000
3.	Net Profit after tax (₹)	Nil	(20,802)
4.	Earning per share (₹)	Nil	(0.42)

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. 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.
20. Schedule 1 to 9 form an integral part of the Financial Statements and have been authenticated.

For and On behalf of Board of Directors

<b>R.Rahman</b>	<b>A.K. Gupta</b>	<b>Rajeev Sharma</b>
(Director)	(Director)	(Director)

**Signed in terms of our report of even date  
For RAJESH KUMAR & ASSOCITES  
Chartered Accountants  
(Firm Reg: 002619N)**

**CA Rajesh Kumar  
(Partner)  
M. No. 81516**

**Place: New Delhi  
Date: 08.06.2011**

**COASTAL KARNATAKA POWER LIMITED  
CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH,2011**

PARTICULARS	Year ended 31st March, 2011	Year ended 31st March 2010
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit/(Loss) as per Profit & Loss A/c	-	(20,802)
Prior Period Expenses/ Preliminary expenses	-	20,802
Operating profit before working capital changes	-	-
<b>Adjustment For Increase/Decrease in:</b>		
Other Current Assets	-	-
Loans & Advances	-	-
Current Liabilities & Provisions	<b>23,70,327</b>	18,33,729
<b>Net Inflow from Operating Activities (A)</b>	<b>23,70,327</b>	18,33,729
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Capital Work in Progress	<b>(28,47,446)</b>	(37,41,915)
<b>Net Inflow from Investing Activities (B)</b>	<b>(28,47,446)</b>	(37,41,915)
<b>C. CASH FLOW FROM FINANCIAL ACTIVITIES</b>		
Unsecured Loan	<b>76,519</b>	19,07,636
<b>Net inflow from financing activities (c)</b>	<b>76,519</b>	19,07,636
<b>NET INCREASE/(DECREASE) IN CASH FLOW</b>	<b>(4,00,600)</b>	(550)
<b>CASH &amp; CASH EQUIVALENT AT THE BEGINNING OF THE YEAR</b>	<b>498,350</b>	4,98,900
<b>CASH &amp; CASH EQUIVALENT AT THE END OF THE YEAR</b>	<b>97,750</b>	4,98,350
Cash on hand and balance with banks	<b>97,750</b>	4,98,350
Other Cash and Cash Equivalents	-	-

For and on behalf of Board of Directors

<b>R.Rahman</b>	<b>A.K.Gupta</b>	<b>Rajeev Sharma</b>
Director	Director	Chairman

**SIGNED IN TERMS OF OUR REPORT OF EVEN DATE  
For & On Behalf of  
RAJESH KUMAR & ASSOCIATES  
(CHARTERED ACCOUNTANTS)  
(Firm Regn. No.002619N)  
CA Rajesh Kumar  
(Partner)  
M No. : 81516**

**Place : New Delhi  
Date : 08 06.2011**



**COASTAL KARNATAKA POWER LIMITED  
BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

**I Registration details**

Registration No :	<b>U40102DL2006GOI146109</b>	State Code: 55					
Balance Sheet Date :	<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr> <td style="text-align: center;">31</td> <td style="text-align: center;">3</td> <td style="text-align: center;">2011</td> </tr> <tr> <td style="text-align: center;">Date</td> <td style="text-align: center;">Month</td> <td style="text-align: center;">Year</td> </tr> </table>	31	3	2011	Date	Month	Year
31	3	2011					
Date	Month	Year					

**II Capital raised uring the year (Amount Rupees in Thousands)**

Public Issue	Right issue
<input type="text" value=""/>	<input type="text" value="-"/>
Bonus Issue	Private Placement
<input type="text" value=""/>	<input type="text" value="-"/>

**III Position of Mobilisation and Deployment of Funds (Amount Rupees in Thousands)**

Sources of Funds	Total Liabilities	Total Assets
	<input type="text" value="21,379"/>	<input type="text" value="21,379"/>
	Paid up capital	Reserve and Surplus
	<input type="text" value="500"/>	<input type="text" value="-"/>
	Unsecured Loans	Current Liabilities
	<input type="text" value="13,976"/>	<input type="text" value="6,903"/>
Application of Funds	Net Fixed Assets	Capital Work In Progress
	<input type="text" value=""/>	<input type="text" value="21,260"/>
	Investment	Current Assets
	<input type="text" value=""/>	<input type="text" value="98"/>
	Misc. Expenditure	Accumulated Losses
	<input type="text" value=""/>	<input type="text" value="21"/>

**IV Performance of Company (Amount Rupees in Thousands)**

Turnover	Total Expenditure
<input type="text" value=""/>	<input type="text" value="-"/>
Profit/ Loss before Tax	Profit/ Loss after Tax
<input type="text" value=""/>	<input type="text" value="-"/>
Earning per Share	Dividend
<input type="text" value=""/>	<input type="text" value="-"/>

**V Generic Names of Three Principles Products/Services of Company (as per monetary terms)**

1. Item Code No. (ITC Code)	<input type="text" value=""/>
Product Description	<input type="text" value=""/>
2. Item Code No. (ITC Code)	<input type="text" value=""/>
Product Description	<input type="text" value=""/>
3. Item Code No. (ITC Code)	<input type="text" value=""/>
Product Description	<input type="text" value=""/>

**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 2011**

The preparation of financial statements of Coastal Karnataka Power Limited, New Delhi for the year ended 31 March 2011 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 2011.

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 Coastal Karnataka Power Limited, New Delhi for the year ended 31 March 2011 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**

**(M.K. BISWAS)**

**Principal Director of Commercial Audit &  
Ex-official Member Audit Board – III,  
New Delhi**

**Place: New Delhi  
Dated: 15<sup>th</sup> July 2011**

## COASTAL MAHARASHTRA MEGA POWER LIMITED

(A Wholly owned subsidiary of Power Finance Corporation Limited)

### Directors' Report 2010-2011

To

The Members,

Your Directors have pleasure in presenting the 5<sup>th</sup> Annual Report on the performance of the Company for the financial year ending on 31<sup>st</sup> March, 2011 along with Audited Statement of Accounts and Auditor's Report thereon.

### OPERATIONAL ACTIVITIES

Your Company has been established on 1<sup>st</sup> March, 2006 under Companies Act, 1956 as wholly owned subsidiary of Power Finance Corporation Limited (PFC) for the development of Ultra Mega Power Project in Maharashtra.

Power from the project will be procured by five states namely Maharashtra (2000 MW), Rajasthan (500 MW), Madhya Pradesh (500 MW), Chhattisgarh (500 MW) and Karnataka (500 MW).

The site for Maharashtra UMPP was communicated as 'Munge' in a meeting held in May end 2010. Secretary (Power), Government of India has requested Chief Secretary (Govt. of Maharashtra) to suggest alternate site(s) or resolve the local issues related to site at Munge. The road ahead is to be finalized on the basis of communication to be received from Government of Maharashtra.

In review meeting of PFC held on 8<sup>th</sup> March, 2011 in Ministry of Power under the Chairmanship of Secretary, Power, it was decided that Maharashtra UMPP may be continued.

### 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 ₹ 61.32 Lakh 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 1<sup>st</sup> April, 2010 to 31<sup>st</sup> March 2011.

### SHARE CAPITAL

The paid-up share capital of the Company was ₹ 5,00,000/- (50,000 equity shares of ₹ 10/- each) as on 31<sup>st</sup> March, 2011. During the year, the entire share capital of the Company was held by PFC and its nominees.

### COMMITMENT ADVANCE

The Company has received the total commitment advance of ₹ 40,00,00,000/- (₹ Forty Crore Only) from power procuring states.

### FIXED DEPOSITS

The Company has not accepted any fixed deposit during the period ending 31<sup>st</sup> March, 2011

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

As the Company's operations do not involve any manufacturing or processing activities, the particulars as per the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, regarding conservation of energy and technology absorption, are not applicable. During the year under review, there is no foreign exchange earning and outgo.

### AUDITOR'S REPORT

M/s. M. D. Gujrati & Co., Chartered Accountants, was appointed as Statutory Auditors of the Company for the financial year 2010-2011 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 R. Nagarajan	: Chairman
2.	Shri Alok Sud	: Director
3.	Shri Yogesh Juneja	: Director
4.	Shri D. N. Balapure	: Director

In accordance with provisions of Companies Act, 1956 Shri Yogesh Juneja Director shall retire by rotation at the ensuing Annual General Meeting of the Company and being eligible offers himself for re-appointment.

### COMMENTS OF COMPTROLLER AND AUDITOR GENERAL(C&AG) OF INDIA

C&AG vide their letter dated 5<sup>th</sup> July, 2011 mentioned that they have decided not to review the report of the Statutory Auditors on the accounts of the Company for the year ended 31<sup>st</sup> March, 2011 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 Annexure-I.

### DIRECTORS' RESPONSIBILITY STATEMENT

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

- In the preparation of Annual Accounts for the financial year 2010-11, the applicable accounting standards had been followed along with proper explanation relating to material departure.
- 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 the affairs of the Company at the end of the financial year 2010-11.
- The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- The Directors had prepared the annual accounts 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 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

(R. Nagarajan)

Chairman

Place: New Delhi

Date: 08.08.2011

**AUDITOR'S REPORT  
TO**

**THE MEMBERS COASTAL MAHARASHTRA MEGA POWER LIMITED**

1. We have audited the attached Balance Sheet of **COASTAL MAHARASHTRA MEGA POWER LIMITED** as at **31st March 2011**, the 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 from any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) order, 2003 read with the companies (Auditor's Report) (Amendment) order, 2004 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in the paragraphs 4 and 5 of said order.
4. Further to our comments in the Annexure referred to in paragraph 3 above we report that:
  - (1) We have obtained all the information and explanation, which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - (2) In our opinion, proper books of accounts as required by law have been kept by the company, so far as appears from our examination of the books. Since some of the payments on behalf of the Company made by the Holding Company i.e. Power Finance Corporation Ltd., the original supports relating to these expenditures etc. are kept with the 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) In our opinion, the Balance Sheet, Profit & Loss account and Cash flow statement dealt with this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the companies act, 1956.
  - (5) In pursuance to the notification No. GSR 829(E) dated 21.10.2003 issued by the Department of Company Affairs; clause (g) of sub-section (1) of section 274 of companies Act, 1956 pertaining to disqualification of Directors is not applicable to a Government Company.
  - (6) In our opinion and to the best of our knowledge and according to information and explanation given to us, the said financial statements, read together with the Notes on accounts given in Schedule 9 and Accounting Policies annexed thereto, give the information required by the Companies Act, 1956 in the manner so required & give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (i) In case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2011,
    - (ii) In case of the Profit & Loss Account, of Nil Profit / 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  
**M.D Gujrati & Co.**  
**Chartered Accountants**  
**(Firm Registration No :005301N)**  
**CA.R.K.Agrawal**  
**( Partner)**  
**M.No.: 76984**

**Place: New Delhi**  
**Dated: 08.06.2011**

**ANNEXURE TO AUDITOR'S REPORT OF COASTAL MAHARASHTRA MEGA POWER LIMITED (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, provision of para 4(i) (a) of the Companies (Auditor's 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 (Auditor's 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 (Auditor's Report) Order, 2003 relating to disposal of any substantial part of fixed assets during the year are not applicable to Company as it does not have fixed assets.
2. As the company has not purchased/ sold goods during the year nor are there any stocks. Accordingly clauses 4(ii) (a), (b) and (c) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
3. As explained to us, the Company has not taken nor granted any loans, secured or unsecured from Companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly clauses 4(iii) (a), (b), (c) and (d) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
4. Having regards to the nature of company's business and based on our scrutiny of company's records and the information and explanation given to 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 explanation 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 regards to purchase of fixed assets.
5. 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.
6. According to the information and explanation given to us, the company has not accepted any deposits from public.
7. The company does not have paid up capital and reserves of ₹ 50 lakhs as at the commencement of the financial year concerned, or have a average annual turnover exceeding five crore rupees for a year of three consecutive financial years immediately preceding the financial year concerned, the provision of para 4 (vii) of the Companies (Auditor's Report) Order, 2003 are not applicable to company.
8. The company does not have any business activities during the year, the provision of para 4 (viii) of the Companies (Auditor's Report) order, 2003 relating to maintaining of cost records under section 209 (l) (d) of the companies act is not applicable to the company.
9. (a) According to information and explanation given to us, the company is regular in depositing undisputed statutory dues including Provident Fund, Investors Education and Protection Fund Employees State Insurance, Income Tax, Wealth Tax, and other statutory dues with the appropriate Authorities through holding company i.e. PFC Ltd. According to information and explanation given to us, there are no undisputed statutory dues outstanding as at 31st March, 2011 for a period of more than six months from the date they become payable.
- (b) According to information and explanation given to us, there are no dues of Income Tax, Wealth Tax, which have not been deposited on account of any dispute.

10. In our opinion the Company has accumulated losses at the end of the current financial year. However it has not incurred any cash losses in the current financial year.
11. According to the records made available to us and information and explanations given by the management, the company has not taken any loan, from any financial institution or bank or debenture holder, hence clause (xi) of paragraph 4 of the Order is not applicable to the Company
12. In our opinion and according to information and explanation given to us, provision of para 4 (xii) of the Companies (Auditor's Report) Order, 2003 are not applicable to Company as it has not given any loans and advance on security of shares, Debentures and other securities.
13. In our opinion and according to information and explanation given to us, the Company is not a Chit Fund, Nidhi or Mutual benefit, Trust/Society. Accordingly, the provision of para 4(xiii) of the companies (Auditor's Report) Order, 2003 is not applicable to company.
14. According to information and explanation given to us, the Company is not dealing or trading in shares, Securities, debenture and other investment and hence the requirement of para 4(xiv) of the Companies (Auditor's Report) Order, 2003 is not applicable to Company.
15. According to information and explanation given to us, the Company has not given any guarantee in respect of loan taken by it from banks and financial institutions.
16. In our opinion and according to information and explanation given to us the Company has not obtained any term loan and hence the requirement of para 4 (xvi) of the Companies (Auditor's Report) Order, 2003 are not applicable to Company.
17. According to information and explanation given to us and on an overall examination of the Balance sheet and Cash Flow statement of the Company, we report that no funds raised on short-term basis have been utilized for long term investment purpose.
18. The Company has not made any preferential allotment of share to parties and companies covered in the register maintained under section 301 of the Companies Act 1956.
19. According to information and explanation given to us the company does not have any debentures and hence the requirement of para 4(xix) of the Companies (Auditor's Report) order, 2003 are not applicable to Company.
20. According to information and explanation given to us the company has not raised any money from public issues during the year.
21. 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 and on behalf of  
**M.D Gujrati & Co.**  
**Chartered Accountants**  
**(Firm Registration No :005301N)**  
**CA.R.K.Agrawal**  
**( Partner)**  
**M.No.: 76984**

**Place: New Delhi**  
**Dated: 08.06.2011**

**COASTAL MAHARASHTRA MEGA POWER LIMITED**  
**BALANCE SHEET AS AT 31st MARCH, 2011**

PARTICULARS	SCHEDULE	As at 31st March 2011 ₹	As at 31st March, 2010 ₹
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share Capital	1	5,00,000	5,00,000
<b>LOAN FUNDS</b>			
Unsecured Loans	2	40,00,00,000	40,00,00,000
<b>TOTAL</b>		<b>40,05,00,000</b>	40,05,00,000
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
a) Gross Block	3	-	-
Less : Depreciation		-	-
Net Block		-	-
b) Capital Work in Progress	4	4,49,52,470	3,88,20,324
<b>INVESTMENTS</b>			
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>			
a) Cash & Bank Balances	5	84,895	8,85,495
b) Other Current Assets		4,73,32,996	2,39,90,658
c) Loans & Advances		36,61,20,104	36,85,55,972
		<b>41,35,37,995</b>	39,34,32,125
<b>Less : CURRENT LIABILITIES &amp; PROVISIONS</b>			
Current Liabilities	6	5,80,28,467	3,17,90,451
Provision		-	-
		<b>5,80,28,467</b>	3,17,90,451
		<b>35,55,09,528</b>	36,16,41,674
<b>NET CURRENT ASSETS</b>			
<b>MISCELLANEOUS EXPENDITURE</b>			
(To the extent not written off or adjusted)			
Profit & Loss A/c		38,002	38,002
<b>TOTAL</b>		<b>40,05,00,000</b>	40,05,00,000
<b>EXPENDITURE DURING CONSTRUCTION PERIOD</b>			
<b>SIGNIFICANT ACCOUNTING POLICIES</b>			
<b>NOTES TO ACCOUNTS</b>			
The Schedule 1 to 9 form an integral part of Balance Sheet			

For and on Behalf of Board of Directors

<b>Yogesh Juneja</b>	<b>Alok Sud</b>	<b>R.Nagarajan</b>
Director	Director	Chairman

**SIGNED IN TERMS OF OUR REPORT OF EVEN DATE**

**For & On Behalf of**  
**M.D.Gujrati & Co.**  
**(CHARTERED ACCOUNTANTS)**  
**(Firm Reg. No:005301N)**  
**R.K.Agrawal**  
**(Partner)**  
**M No.:76984**

**Place : New Delhi**  
**Date:30-05-2011**

**COASTAL MAHARASHTRA MEGA POWER LIMITED  
PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011**

PARTICULARS	SCHEDULE	Year ended 31st	Year ended 31st
		March, 2011	March, 2010
		₹	₹
<b>Income</b>		<b>NIL</b>	NIL
		-	-
<b>Expenses</b>			
Prior Period Expenses (Preliminary Expenses Written Off)		-	38,002
		-	38,002
Net Profit/(Loss) for the year		-	(38,002)
Add: - Net Loss Brought Forward		<b>38,002</b>	-
<b>Net Loss Carried to Balance Sheet</b>		<b>38,002</b>	38,002
<b>Basic &amp; Diluted Earning per share of ₹10 each</b>		-	(0.76)

**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

<b>Yogesh Juneja</b>	<b>Alok Sud</b>	<b>R.Nagarajan</b>
Director	Director	Chairman

**SIGNED IN TERMS OF OUR REPORT OF EVEN DATE**

For & On Behalf of  
**M.D.Gujrati & Co.**  
(CHARTERED ACCOUNTANTS)  
(Firm Reg. No:005301N)  
R.K.Agrawal  
(Partner)  
M No.:76984

Place : New Delhi

Date:30-05-2011

**SCHEDULE '3'  
FIXED ASSETS**

PARTICULARS	GROSS BLOCK			DEPRECIATION BLOCK			NET BLOCK			FIGURES IN ₹	
	Opening Balance as at 01-04-2010	Additions/ Adjustments during the year	Deductions/ Adjustments during the year	Closing Balance As at 31.03.2011	Opening Balance As at 01-04-2010	Additions/ Adjustments during the year	Deductions/ Adjustments during the year	Closing Balance As at 31.03.2011	As at 31.03.2011	As at 31.03.2010	
		-	-	-	-	-	-	-	-	-	-
<b>TOTAL</b>	-	-	-	-	-	-	-	-	-	-	
PREVIOUS YEAR	-	-	-	-	-	-	-	-	-	-	

**COASTAL MAHARASHTRA MEGA POWER LIMITED  
SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS**

**SCHEDULE '1'  
SHARE CAPITAL**

PARTICULARS	As at 31st	As at 31st
	March, 2011	March 2010
	₹	₹
<b>AUTHORISED</b>		
50,000 Equity Shares of ₹ 10/- each (Previous year 50,000 Equity Shares of ₹ 10/- each)	<b>5,00,000</b>	5,00,000
	<b>5,00,000</b>	5,00,000
<b>ISSUED, SUBSCRIBED &amp; PAID UP</b>		
50,000 Equity Shares of ₹ 10/- each Fully Paid up (Previous year 50,000 Equity Shares of ₹ 10/- each) (Wholly owned by Power Finance Corporation Ltd. )	<b>5,00,000</b>	5,00,000
	<b>5,00,000</b>	5,00,000
<b>Total</b>	<b>5,00,000</b>	5,00,000

**SCHEDULE '2'  
UNSECURED LOANS**

PARTICULARS	As at 31st	As at 31st
	March, 2011	March 2010
	₹	₹
Commitment Advance from Procurers	<b>40,00,00,000</b>	40,00,00,000
<b>Total</b>	<b>40,00,00,000</b>	40,00,00,000

**SCHEDULE '4'  
CAPITAL WORK IN PROGRESS**

PARTICULARS	As at 31st	As at 31st
	March, 2011	March, 2010
	₹	₹
Opening Balance	<b>3,88,20,324</b>	3,41,57,975
CWIP: Transferred from Expenditure During Construction Period (Schedule-7)	<b>61,32,146</b>	46,62,349
<b>Total</b>	<b>4,49,52,470</b>	3,88,20,324

**SCHEDULE '5'**  
**CURRENT ASSETS, LOANS & ADVANCES**

PARTICULARS	As at 31st	As at 31st
	March, 2011	March 2010
	₹	₹
<b>a. Cash and Bank Balances</b>		
Cash Balance	-	-
Balance with Scheduled Bank in Current Accounts (SBI)	84,895	8,85,495
Total (a)	84,895	8,85,495
<b>b. Other Current Assets</b>		
Interest Receivable from PFC	4,73,32,996	2,39,90,658
Total (b)	4,73,32,996	2,39,90,658
<b>c. Loans and Advances</b>		
(Unsecured, Considered Good)		
PFC	36,61,20,104	36,85,55,972
Total (c)	36,61,20,104	36,85,55,972
<b>TOTAL (a+b+c)</b>	<b>41,35,37,995</b>	<b>39,34,32,125</b>

**SCHEDULE '6'**  
**CURRENT LIABILITIES AND PROVISIONS**

PARTICULARS	As at 31st	As at 31st
	March, 2011	March 2010
	₹	₹
Interest Accrued but not due	5,48,44,758	29,759,347
<b>Others</b>		
Audit Fees Payable	62,044	62,044
TDS Payable	27,21,665	15,69,060
Earnest Money Deposit	4,00,000	4,00,000
<b>TOTAL</b>	<b>5,80,28,467</b>	<b>3,17,90,451</b>

**Schedule-7**  
**EXPENDITURE DURING CONSTRUCTION PERIOD**

PARTICULARS	As at 31st	As at 31st
	March, 2011	March 2010
	₹	₹
<b>(a) Expenses</b>		
Manpower Charges	5,93,073	5,35,309
Audit Fees	68,938	68,938
Legal & Professional charges	89,581	85,853
Bank Charges	600	550
Interest Exp on utilised portion	44,54,126	39,71,699
Interest Exp on unutilised portion	2,33,42,338	1,21,86,951
Other Administrative Expenses	925,828	-
<b>Total (a)</b>	<b>2,94,74,484</b>	<b>1,68,49,300</b>
<b>(b) Other Income</b>		
Interest income on unutilised portion (TDS ₹Nil, Previous year ₹ Nil)	2,33,42,338	1,21,86,951
<b>Total (b)</b>	<b>2,33,42,338</b>	<b>1,21,86,951</b>
<b>Balance (a-b) Carried to CWIP -Schedule-4</b>	<b>61,32,146</b>	<b>46,62,349</b>

**Schedule No. 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.

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. Recognition of Income /Expenditure**

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 ₹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**

Preliminary expenses are written off in the year in which such expenditure has been incurred, in compliance with the opinion of the Expert Advisory Committee (EAC) of The Institute of Chartered Accountants of India.

**10. Contingent liabilities are not provided but are disclosed by way of notes on the basis of available information available/ judgment of the management.**

**11. Cash flow Statement is prepared in accordance with the indirect method prescribed in**

Accounting Standard-3 on Cash Flow Statement.

**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 Maharashtra (Project).

2. The Key Management Personnel of the Company are employee of the PFC Ltd (Holding Company) and PFC Consulting Ltd (A wholly owned subsidiary of PFC Ltd) and deployed on Part Time basis.

The details of such Key Management Personnel are as follows:

S.No.	Name	Designation	Date of Ap- pointment	Date of Cessation
1.	Shri R.Nagarajan	Chairman	31.12.2009	Continuing
2.	Shri Dinesh Vij	Director	31.12.2009	Continuing
3.	Shri Yogesh Juneja	Director	31.12.2009	Continuing
4.	Shri Alok Sud	Director	22.12.2008	Continuing

3. Some of 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. All attached statutory liabilities and relevant provisions such as PF, ESI, TDS, service tax, bonus, etc. are taken care of by the Holding company for such payments.

4. All the work for the Company are executed by PFC Consulting Ltd (PFCCCL). Manpower Charges of ₹5,93,073/- (Previous Year ₹5,35,309/-) for man power cost of PFCCCL employees charged by PFCCCL on the basis of cost to company based on actual man days spent by the employees for the Company as per invoice raised by PFCCCL and include ₹24,266/- (Previous Year ₹2,91,192/-) of Sh.Dinesh Vij (Director). 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. PFC is complying statutory provisions related to deduction of tax at source applicable to expenses allocated by it.

5. Pursuant to the Financing Agreement with PFC total commitment advance of ₹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 appears as Loans and Advances (Assets) in the Balance Sheet.

6. 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. Interest on utilized portion has been capitalized. 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. 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 rate of interest charged on the utilized amount of funds is as applicable in PFC for the Project Loan/Schemes (Generation) for Borrowers under category "State Sector Borrowers (Category 'A') as determined from time to time and on unutilized portion of funds, the interest received/paid 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 ₹2,77,96,464/- (Previous Year ₹1,61,58,650/-) includes interest on borrowed fund amounting to ₹2,33,42,338/- (Gross) (Previous Year ₹1,21,86,951/-) on unutilized portion and ₹44,54,126/- (Previous Year ₹39,71,699/-) on utilized portion. Interest on utilized portion has been capitalized. The rate of interest charged / paid on the utilized amount of funds is as applicable in PFC for the Project Loan/Schemes (Generation) for Borrowers under category "State Sector Borrowers (Category 'A') as

determined from time to time. Interest payable has been shown under Current Liabilities. 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.

8. (i) Estimated amount of contracts remaining to be executed on capital account and not provided for is ₹2,47,16,953/- (Previous year ₹2,47,16,953/-).
- (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 ₹ Nil (Previous year ₹ Nil).
9. 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.
10. The Company has agreed to pay a sum of ₹50,00,00,000/- plus applicable taxes to PFC/PFCCCL on account of fees for providing advisory & professional services rendered by PFC/PFCCCL. The fees for providing advisory & professional services is payable to PFC/PFCCCL 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/PFCCCL, since the same will be charged in the year of transfer of the company to successful bidder only in the event of transfer of the company.
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 ₹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.
12. The company has sent letters to various parties included under the head Unsecured Loans (Commitment advance), interest payable, interest receivables etc. for confirmation of their balances as per the books of accounts of the company for which some confirmations is yet to be received from the respective parties has sent letters to various parties included under the head Unsecured Loans (Commitment advance), interest payable, interest receivables from PFC/PFC, all type of Sundry Creditors etc. for confirmation of their balances as per the books of accounts of the company for which confirmations is yet to be received from the respective parties.
13. Auditors Remuneration (including service tax)

Particulars	2010-11 (₹)	2009-10 (₹)
Statutory Audit Fees	68,938/-	68,938/-
Other fees	41,363/-	Nil

14. The disclosure as per AS18 – Related Party Disclosure :

The Coastal Maharashtra Mega Power Limited is a wholly owned subsidiary of Power Finance Corporation Ltd. All key decisions are taken by the Board of Coastal Maharashtra 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 ₹ 36,76,82,399/-  
Previous Year ₹ 36,85,55,972/-

The related Party Transactions was done only with Holding Company (PFC), details are as follows:-

S.No.	Particulars	2010-11 (₹)	2009-10 (₹)
1.	Equity Contribution	Nil	Nil
2.	Loans taken during the year	Nil	Nil
3.	Interest Payable	6,48,748/-	5,36,999/-
4.	Interest Receivable from PFC	2,33,42,338/-	1,21,86,951/-

5.	Man Power Charges (PFC)	5,93,073/-	5,35,309/-
6.	Closing Balances		
(a)	Interest Payable	57,38,134/-	50,89,386/-
(b)	Interest Receivable	4,73,32,996/-	2,39,90,658/-
(c)	Loan & Advance (Receivable)	36,61,20,104/-	36,85,55,972/-

15. In terms of Accounting Standard 20 on "Earnings per Share" notified under the Companies Act 1956, Earning per share (Basic & Diluted) is worked out as follows: -

S. No.	Particulars	2010-11	2009-10
1.	Nominal Value of share (₹)	10	10
2.	Number of Equity shares (No.)	50,000	50,000
3.	Net Profit after tax (₹)	Nil	(38,002)
4.	Earning per share (₹)	Nil	(0.76)

16. In the opinion of the Board, on realization 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.
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:
- Expenditure in foreign currency -- ₹ NIL (Previous year- Nil)
  - Income in foreign exchange -- ₹ NIL (Previous year- Nil)
20. Since there are no employees in the company, the obligation as per Accounting Standard-15 (Revised) do not arises.
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. 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**                      **Alok Sud**                      **R. Nagarajan**  
(Director)                              (Director)                              (Chairman)

**Signed in terms of our report of even date**

**For M.D.Gujrati & Co.**  
**Chartered Accountants**  
**(Firm Reg. No: 005301N)**

**R.K.Agrawal**  
**Partner**  
**M.No.76984**

**Place: New Delhi**  
**Date: 30.05.2011**

**COASTAL MAHARASHTRA MEGA POWER LIMITED**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011**

PARTICULARS	Year ended	Year ended
	31st March, 2011	31st March, 2010
	₹	₹
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit/(Loss) as per Profit & Loss A/c	-	(38,002)
Prior Period Expenses/ Preliminary expenses	-	38,002
<b>Operating profit before working capital changes</b>	-	-
Adjustment For Increase/Decrease in:		
Other Current Assets	<b>(2,33,42,338)</b>	(1,21,86,951)
Loans & Advances	<b>24,35,868</b>	38,43,321
Current Liabilities & Provisions	<b>2,62,38,016</b>	1,30,05,429
<b>TOTAL</b>	<b>53,31,546</b>	46,61,799
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Capital Work in Progress	<b>(61,32,146)</b>	(46,62,349)
<b>TOTAL</b>	<b>(61,32,146)</b>	(46,62,349)
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Unsecured Loan	-	-
<b>TOTAL</b>	-	-
<b>NET INCREASE/(DECREASE) IN CASH FLOW(A+B+C)</b>	<b>(8,00,600)</b>	(550)
<b>CASH &amp; CASH EQUIVALENT AT THE BEGINNING OF THE YEAR</b>	<b>8,85,495</b>	8,86,045
<b>CASH &amp; CASH EQUIVALENT AT THE END OF THE YEAR</b>	<b>84,895</b>	8,85,495
Cash on hand and balance with banks	<b>84,895</b>	8,85,495
Other Cash and Cash Equivalents	-	-

For and On behalf of Board of Directors

**Yogesh Juneja**                      **Alok Sud**                      **R.Nagarajan**  
Director                              Director                              Chairman

**SIGNED IN TERMS OF OUR REPORT OF EVEN DATE**

**For & On Behalf of**  
**M.D.Gujrati & Co.**  
**(CHARTERED ACCOUNTANTS)**  
**(Firm Reg. No:005301N)**  
**R.K.Agrawal**  
**(Partner)**  
**M No.:76984**

**Place : New Delhi**  
**Date: 30.05.2011**



**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 :	31	3	2011
	Date	Month	Year

**II Capital raised during the year (Amount in Rupees Thousands)**

Public Issue	-	Right issue	-
Bonus Issue	-	Private Placement	-

**III Position of Mobilisation and Deployment of Funds (Amount in Rupees Thousands)**

<b>Sources of Funds</b>	Total Liabilities	Total Assets
	4,58,528	4,58,528

Paid up capital	Reserve and Surplus
500	-

UnSecured Loans	Current Liabilities
4,00,000	58,028

<b>Application of Funds</b>	Net Fixed Assets	Capital Work In Progress
	-	44,952

Investment	Current Assets
-	4,13,538

Misc. Expenditure	Accumulated Losses
-	38

**IV Performance of Company (Amount in Rupees Thousands)**

Turnover	Total Expenditure
-	-

Profit/ Loss before Tax	Profit/ Loss after Tax
-	-

Earning per Share	Dividend
-	-

**V Generic Names of Three Principles 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 2011**

The preparation of financial statements of Coastal Maharashtra Mega Power Limited, New Delhi for the year ended 31 March 2011 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 2011.

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 Coastal Maharashtra Mega Power Limited, New Delhi for the year ended 31 March 2011 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

**(M.K. BISWAS)**  
**Principal Director of Commercial Audit &**  
**Ex-official Member Audit Board – III,**  
**New Delhi**

**Place: New Delhi**  
**Dated: 5<sup>th</sup> July 2011**

## ORISSA INTEGRATED POWER LIMITED

(A Wholly owned subsidiary of Power Finance Corporation Limited)

### Directors' Report 2010-2011

To

The Members,

Your Directors have pleasure in presenting the 5<sup>th</sup> Annual Report on the performance of the Company for the financial year ending on **31<sup>st</sup> March, 2011** along with Audited Statement of Accounts, Auditor's Report and Review of the Accounts by the Comptroller & Auditor General of India for the reporting period.

### OPERATIONAL ACTIVITIES

Your Company was incorporated on 24<sup>th</sup> August, 2006 as a Special Purpose Vehicle (SPV) for Orissa UMPP by Power Finance Corporation Limited (PFC) as its wholly owned subsidiary Company.

The Power from the project would be procured by nine States namely Orissa (1300 MW), Punjab (500 MW), Rajasthan (400 MW), Haryana (400 MW), Madhya Pradesh (400 MW), Uttar Pradesh (300 MW), Tamil Nadu (300 MW), Uttarakhand (200 MW), and Chhattisgarh (200 MW).

Brief status of the Project as on the date of this report is as follows:

1. The Department of Water Resources, Government of Orissa (GoO) has allocated water for the Project from the single source i.e. from Hirakud reservoir.
2. Ministry of Coal, Government of India has allocated Meenakshi (285 Mt), Meenakshi- B (250 Mt) and Dip side of Meenakshi (350 Mt) captive coal blocks located in Ib river coal fields to Orissa Integrated Power Limited for this Project. Subsequently, it has been informed by Ministry of Power, Gol that Ministry of Coal, Gol has reported that the boundaries of Meenakshi-B and dipside of Meenakshi coal blocks have been redrawn to have the revised indicated coal reserves of 285 Mt for Meenakshi, 254 Mt for Meenakshi-B and 299 Mt for dipside of Meenakshi coal blocks.
3. Draft Rapid Environment Impact Assessment (REIA) Report was submitted to State Pollution Control Board (SPCB), based on which a public hearing was conducted in July, 2010.
4. Section 4 notification as per Land Acquisition Act 1894 for the land required for the power station was issued by the Government of Orissa in May, 2010.
5. The Request for Qualification (RfQ) for the Project was issued on 11<sup>th</sup> June, 2010 and the last date for submission of RfQ was initially 30<sup>th</sup> July, 2010. On the advice of Ministry of Power, due to forest related issues concerning the coal blocks allotted for the project, the last date for submission of responses to RfQ was been extended six times by two months on each instance, the final date being 1<sup>st</sup> August, 2011. As per information posted on the MoEF web site on 29<sup>th</sup> June, 2011, all the three coal blocks allocated to Orissa UMPP will now be considered by the Forest Advisory Committee as 'go areas'. Since the forest related 'no go' area issue concerning coal blocks allocated to Orissa UMPP has been resolved, the responses to RfQ will be received and opened on 1<sup>st</sup> August, 2011.
6. Section 6 notification as per Land Acquisition Act 1894 for the land required for the power station has been issued by the Government of Orissa in June, 2011.
7. Application for forest clearance has been submitted to IDCO which is in process.
8. REIA Report has been revised after incorporating the observations during the public hearing.
9. Project Information Reports have been prepared and are being finalized in consultation with CEA.

## 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 ₹ 994.02 Lakh in the development of the Project which has been transferred to capital work in progress and incurred capital expenditure of ₹ 3939.30 Lakh for land.

### DIVIDEND

As the Company has not started its commercial activities no dividend has been declared for the financial year 2010-11.

### SHARE CAPITAL

The paid-up share capital of the Company is ₹5,00,000/- (₹ Five Lac only) comprising of 50,000 equity shares of ₹ 10/- each. The entire paid up share capital of the Company is held by Power Finance Corporation Limited (PFC) and its nominees.

### COMMITMENT ADVANCE

Your Company has received the entire commitment advance of ₹ 4000.00 Lakh from all the procurers.

### FIXED DEPOSITS

The Company has not accepted any fixed deposit during the year ending 31<sup>st</sup> March, 2011.

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

As the Company's operations do not involve any manufacturing or processing activities, the particulars as per the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, regarding conservation of energy and technology absorption, are not applicable. During the year under review, there is no foreign exchange earning and outgo.

### AUDITOR'S REPORT

M/s. Shyam Sundar Singhal & Company, Chartered Accountants, were appointed as Statutory Auditors of the Company for the financial year 2010-2011 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.

### 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

Since the date of last Directors' Report, following changes were made in the constitution of the Board of the Company:

- Government of Punjab, Department of Power nominated Shri G.S.Chhabra, Director (Generation), Punjab State Power Corporation Limited as Director of the Company in place of Shri G.S.Sra. Accordingly Shri G.S.Chhabra has been appointed as Director of the Company w.e.f 14<sup>th</sup> July, 2010 in place of Shri G.S.Sra.
- Government of Orissa, Department of Energy nominated Shri Hemant Sharma, IAS, Managing Director GRIDCO as the Director of the Company in place of Shri A.C.Malick, Ex-Director (Commercial), GRIDCO. Accordingly Shri Hemant Sharma has been appointed as the Director of the Company w.e.f 20<sup>th</sup> May 2011 in place of Shri A.C.Malick.

In accordance with the provisions of Section(s) 255 & 256 of the Companies Act 1956, Shri Y.K.Raizada and Shri Yogesh Juneja shall retire by rotation at the ensuing Annual General Meeting of the Company and being eligible have offered themselves for re-appointment.

Consequent to the aforesaid changes, the Board of Directors of the Company comprises of the following:

1	Shri M.K.Goel	: Chairman
2	Shri N. D. Tyagi	: Director
3.	Shri Ashwani Sharma	: Director
4.	Shri K. Sridhar	: Director
5.	Shri Yogesh Juneja	: Director
6.	Shri Hemant Sharma	: Director (Representing State of Orissa)
7.	Shri Y.K.Raizada	: Director (Representing State of Rajasthan)
8.	Shri G.S.Chhabra	: Director (Representing State of Punjab)

#### COMMENTS OF COMPTROLLER AND AUDITOR GENERAL(C&AG) OF INDIA

C&AG vide their letter dated 20<sup>th</sup> July, 2011 mentioned that they have decided not to review the report of the Statutory Auditors on the accounts of the Company for the year ended 31<sup>st</sup> March, 2011 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 Annexure-I.

#### DIRECTORS' RESPONSIBILITY STATEMENT

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

- In the preparation of Annual Accounts for the financial year 2010-11, the applicable accounting standards had been followed along with proper explanation relating to material departure.
- 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 the affairs of the Company at the end of the financial year 2010-11.
- The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- The Directors had prepared the annual accounts 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 Government 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

**M. K. Goel**  
Chairman

Place: New Delhi

Date: 17.08.2011

#### AUDITOR'S REPORT

#### TO

#### THE MEMBERS ORISSA INTEGRATED POWER LIMITED

1. We have audited the attached Balance Sheet of **M/s Orissa Integrated Power Limited** as at **31<sup>st</sup> March 2011**, Profit & Loss account and cash flow statement of 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 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 read 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 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
    - (a) In the case of the Balance sheet, of the state of affairs of the company as at 31st March 2011,
    - (b) In case of the Profit & Loss Account, of Profit of the company for the year ended on that date, and
    - (c) In the case of the cash flow statement, of the cash flow for the year ended on that date.

**For Shyam Sunder Singhal & Company**  
Chartered Accountants  
(Firm Registration No: 000544N)  
**Shyam Sunder Singhal**  
M.Com, L.L.B, FCA, DISA  
(Sr.Partner)  
M No. 11181

Place: New Delhi  
Dated: 17.06.2011

## Annexure to the Auditor's Report

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

### Re: ORISSA INTEGRATED 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 (Auditor's 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 (Auditor's 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 (Auditor's 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 granted or 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 ₹ 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 (Auditor's 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 2011 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 years.

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 (Auditor's 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 (Auditor's 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**  
**(Firm Registration No: 000544N)**  
**Shyam Sunder Singhal**  
**M.Com, L.L.B, FCA, DISA**  
**(Sr.Partner)**  
**M No. 11181**

**Place: New Delhi**  
**Dated: 17.06.2011**

**ORISSA INTEGRATED POWER LIMITED  
BALANCE SHEET AS AT 31ST MARCH, 2011**

PARTICULARS	SCHEDULE	As at 31st	As at 31st
		March, 2011	March 2010
		₹	₹
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share Capital	1	5,00,000	500,000
<b>LOAN FUNDS</b>			
Unsecured Loans	2	51,33,75,347	40,00,00,000
<b>TOTAL</b>		<b>51,38,75,347</b>	<b>40,05,00,000</b>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
a) Gross Block	3	3,66,343	3,66,343
Less : Depreciation		1,25,399	56,037
Net Block		2,40,944	3,10,306
b) Capital Work in Progress	4	56,90,95,720	12,29,50,119
		56,93,36,664	12,32,60,425
<b>INVESTMENTS</b>			
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>			
a) Cash & Bank Balances		1,80,070	498,350
b) Other Current Assets		6,51,46,403	6,49,54,606
c) Loans & Advances		75,98,969	28,72,43,337
		7,29,25,442	35,26,96,293
<b>Less : CURRENT LIABILITIES &amp; PROVISIONS</b>			
Current Liabilities	6	13,05,14,754	7,76,68,557
Provisions		25,908	-
		13,05,40,662	7,76,68,557
<b>NET CURRENT ASSETS</b>			
<b>MISCELLANEOUS EXPENDITURE</b>			
(To the extent not written off or adjusted)			
Profit & Loss A/c		21,53,903	22,11,839
<b>TOTAL</b>		<b>51,38,75,347</b>	<b>40,05,00,000</b>

**EXPENDITURE DURING CONSTRUCTION PERIOD SIGNIFICANT ACCOUNTING POLICIES NOTES TO ACCOUNTS**  
Schedule referred above form an integral part of Balance Sheet

For & On Behalf of Board of Directors

(Ashwani Sharma) (K.Sridhar) (M.K. Goel)  
Director Director Chairman

**SIGNED IN TERMS OF OUR REPORT OF EVEN DATE**

For & On Behalf of  
Shyam Sunder Singhal & Company  
CHARTERED ACCOUNTANTS  
Firm Reg. No: 000544N  
(Shyam Sunder Singhal)  
M.Com,LLB,FCA,DISA  
Sr. Partner  
M. No. 11181

Place : New Delhi  
Date : 17-06-2011

**ORISSA INTEGRATED POWER LIMITED  
PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011**

PARTICULARS	SCHEDULE	Year ended	Year ended
		31st March, 2011	31st March 2010
		₹	₹
<b>Income</b>			
Interest on Income Tax Refund		83,844	-
		83,844	-
<b>Expenses</b>			
Prior Period Expenses(Preliminary Expenses written off)		-	22,11,839
		-	22,11,839
Profit/(Loss) Before Tax		83,844	(22,11,839)
Provision for Income Tax		25,908	-
Net Profit/(Loss) after tax for the year		57,936	(22,11,839)
Add: - Net Loss Brought Forward		22,11,839	-
<b>Net Loss Carried to Balance Sheet</b>		<b>21,53,903</b>	<b>22,11,839</b>
<b>Basic &amp; Diluted Earning per share of ₹10 each SIGNIFICANT ACCOUNTING POLICIES</b>	8	1.16	(44.24)
<b>NOTES TO ACCOUNTS</b>	9		

Schedule referred above form an integral part of Profit & Loss Account

For and On behalf of Board of Directors

(Ashwani Sharma) (K.Sridhar) (M.K.Goel)  
Director Director Chairman

**SIGNED IN TERMS OF OUR REPORT OF EVEN DATE**

For & On Behalf of  
Shyam Sunder Singhal & Company  
CHARTERED ACCOUNTANTS  
Firm Reg. No: 000544N  
(Shyam Sunder Singhal)  
M.Com,LLB,FCA,DISA  
Sr. Partner  
M. No. 11181

Place : New Delhi  
Date : 17-06-2011

**SCHEDULE '1'  
SHARE CAPITAL**

PARTICULARS	As at 31st	As at 31st
	March, 2011	March, 2010
	₹	₹
<b>AUTHORISED</b>		
50,000 Equity Shares of ₹ 10/- each	5,00,000	5,00,000
(Previous year 50,000 Equity Shares of ₹ 10/- each)		
	5,00,000	5,00,000

**ISSUED, SUBSCRIBED & PAID UP**

50,000 Equity Shares of ₹10/- each fully paid up	5,00,000	5,00,000
(Previous year 50,000 Equity Shares of ₹ 10/- each)		
(Wholly owned by Power Finance Corporation Ltd.)		
<b>Total</b>	<b>5,00,000</b>	<b>5,00,000</b>

**SCHEDULE '2'**

**UNSECURED LOANS**

PARTICULARS	As at 31st	As at 31st
	March, 2011	March 2010
	₹	₹
Commitment Advance Received From Procurers	40,00,00,000	40,00,00,000
Power Finance Corporation	11,33,75,347	-
<b>Total</b>	<b>51,33,75,347</b>	<b>40,00,00,000</b>

**SCHEDULE '3'  
FIXED ASSETS**

Figures in ₹

Description	GROSS BLOCK			DEPRECIATION BLOCK			NET BLOCK			
	As at 1.04.2010	Addition during the year	Sales/ Adjustment during the year	As at 31.03.2011	As at 1.04.2010	Dep. during the year	Disposed/ Written off during the year	As at 31.03.2011	As at 31.03.2010	
Furniture & Fixtures	2,05,343	-	-	2,05,343	24,540	32,725	-	57,265	1,48,078	1,80,803
EDP Equipments	97,000	-	-	97,000	25,619	28,552	-	54,171	42,829	71,381
Other Office Equipments	64,000	-	-	64,000	5,878	8,085	-	13,963	50,037	58,122
<b>Total</b>	<b>3,66,343</b>	<b>-</b>	<b>-</b>	<b>3,66,343</b>	<b>56,037</b>	<b>69,362</b>	<b>-</b>	<b>1,25,399</b>	<b>2,40,944</b>	<b>3,10,306</b>
Previous Year	-	3,66,343	-	3,66,343	-	56,037	-	56,037	3,10,306	-

**SCHEDULE '4'  
CAPITAL WORK IN PROGRESS**

PARTICULARS	As at 31st March, 2011 ₹	As at 31st March 2010 ₹
Opening Balance	7,57,62,899	3,36,87,658
CWIP: Transferred from Expenditure During Construction Period(Schedule -7)	9,94,02,989	4,20,75,241
	<b>17,51,65,888</b>	7,57,62,899
Capital Expenditure for Land	39,39,29,832	4,71,87,220
<b>Total</b>	<b>56,90,95,720</b>	12,29,50,119

**SCHEDULE '5'  
CURRENT ASSETS, LOANS & ADVANCES**

PARTICULARS	As at 31st March, 2011 ₹	As at 31st March, 2010 ₹
<b>a. Cash and Bank Balances</b>		
Cash in Hand	-	-
Balances with Scheduled Bank in Current Accounts (SBI)	1,80,070	4,98,350
Total (a)	<b>1,80,070</b>	4,98,350
<b>b. Other Current Assets</b>		
Interest Receivable from PFC	6,51,46,403	6,49,54,606
Total (b)	<b>6,51,46,403</b>	64,954,606
<b>c. Loans &amp; Advances</b>		
(Unsecured, Considered Good)		
Power Finance Corporation Limited	-	27,88,67,174
TDS Refundable	75,98,969	83,76,163
Total (c)	<b>75,98,969</b>	28,72,43,337
<b>Total (a+b+c)</b>	<b>7,29,25,442</b>	35,26,96,293

**SCHEDULE '6'  
CURRENT LIABILITIES AND PROVISIONS**

PARTICULARS	As at 31st March, 2011 ₹	As at 31st March 2010 ₹
<b>a) Current Liabilities</b>		
Interest Payable	12,22,50,263	7,13,62,271
Sundry Creditors	37,65,228	41,76,016
<b>Others</b>		
Audit Fees Payable	62,044	62,044
TDS Payable	44,37,219	20,68,226
Total (a)	<b>13,05,14,754</b>	7,76,68,557
<b>b) Provisions</b>		
Provision for Income Tax	25,908	-
Total (b)	<b>25,908</b>	-
<b>Total (a+b)</b>	<b>13,05,40,662</b>	7,76,68,557

**SCHEDULE '7'**  
**EXPENDITURE DURING CONSTRUCTION PERIOD**

PARTICULARS	As at 31st	As at 31st
	March, 2011	March 2010
	₹	₹
<b>(a) Expenses</b>		
Manpower Charges	1,35,55,298	1,11,13,828
Bank Charges	650	562
Audit Fees	68,938	68,938
Consultancy Charges & Professional Fess	28,49,701	12,78,581
Depreciation	69,362	56,037
Advertisement Expenses	1,46,06,001	5,19,138
Fees & Legal Expenses	11,338	6,147
Conference & Meetings	3,40,826	6,88,323
Cost of Document	7,00,000	-
Interest on utilised portion	5,51,00,783	1,04,38,714
Interest on un-utilised portion	2,13,129	1,01,66,489
Wages-Casual Staff	9,19,845	7,44,661
Vehicle Hiring Charges	5,93,448	6,20,380
Survey and Investigation	98,72,150	1,33,92,350
Telephone Expenses	56,882	39,163
Tours & Travelling Expenses	7,76,406	12,77,115
Public Hearing Expenses	3,03,830	-
Rent	84,000	60,000
Printing & Stationery Expenses	95,233	47,777
Other administration Expenses	98,298	17,23,527
<b>Total (a)</b>	<b>10,03,16,118</b>	<b>5,22,41,730</b>
<b>(b) Other Income</b>		
Interest on un-utilised portion (TDS ₹ NIL , Previous year ₹Nil)	2,13,129	1,01,66,489
Sale of RFQ	7,00,000	-
<b>Total (b)</b>	<b>9,13,129</b>	<b>1,01,66,489</b>
<b>Balance (a-b) Carried to CWIP Schedule - 4</b>	<b>9,94,02,989</b>	<b>4,20,75,241</b>

**Schedule No - '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.

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 materialized.

**2. Recognition of Income /Expenditure:**

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:**

(i) 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.

(ii) Depreciation on assets is provided on Written Down Value method, in accordance with the rates prescribed in Schedule XIV of the Companies Act, 1956.

(iii) Items of fixed assets acquired during the year costing up to ₹ 5,000/- are fully depreciated.

**4. Capital work In Progress:**

Expenditure incurred on Land/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. 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.

**10.** Preliminary expenses are written off in the year in which such expenditure has been incurred, in compliance with the opinion of the Expert Advisory Committee (EAC) of The Institute of Chartered Accountants of India.

**11.** Contingent liabilities are not provided but are disclosed by way of notes on the basis of available information / judgment of the management.

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

**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 from Power Procuring States and deployed on Part Time basis.

The details of such Key Management Personnel as on 31.03.2011 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	14.07.2010
3.	Shri G.S.Chhabra *	Director	14.07.2010	Continuing
4.	Shri A.C.Malik *	Director	02.11.2007	Continuing
5.	Shri Y.K.Raizada *	Director	21.02.2008	Continuing
6.	Shri K. Sridhar	Director	24.12.2008	Continuing
7.	Shri N.D.Tyagi	Director	30.12.2009	Continuing
8.	Shri Yogesh Juneja	Director	30.12.2009	Continuing
9.	Shri Ashwani Sharma	Director	12.06.2009	Continuing

\* from Power Procuring States

- Pursuant to the Financing Agreement between PFC and the Company, the entire expenditure on development of the Project being developed by the Company were 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.
- The expenses appearing as other Administrative Expenses in the Schedule-7 "Expenditure during Construction period" include Postage & Telegrams, Official Hospitality, Rent Expenses and Festival expenses etc.
- Original Supporting bills in respect of expenditure incurred by the PFC/PFCCL 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 etc. as applicable to these expenses.
- All the work for the Company are executed by PFC Consulting Ltd (PFCCCL). Manpower charges of ₹1,35,55,298/- (Previous Year ₹1,11,13,828/-) of PFCCCL employees, charged by PFCCCL on the basis of cost to company based on actual man days spent for the Company as per invoice raised by PFCCCL, which include charges for Sh. N.D.Tyagi (Director) ₹8,85,709/- (Previous Year ₹6,06,650/-), Sh.Ashwani Sharma (Director) ₹59,90,669/- (Previous Year ₹26,20,728/-) and Sh. Yogesh Juneja (Director) ₹18,200/- (Previous Year ₹Nil/-) who are/were the directors of the Company. PFC is complying statutory provisions related to deduction of tax at source applicable to expenses allocated by it.
- In view of decision of Ministry of Power, Government of India, the Company has received, entire Commitment Advance of ₹40,00,00,000/- (Previous Year ₹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 received, however, as per the decision taken by the Company/Holding Company, interest has been provided on these 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.
- Pursuant to the Financing Agreement with PFC total commitment advance of ₹40,00,00,000/- (Previous Year ₹ 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.
- 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 rate of interest charged on the utilized amount of funds is as applicable in PFC for the Project Loan/Schemes (Generation) for Borrowers under category "State Sector Borrowers (Category 'A') as determined from time to time and on unutilized portion of funds, the interest received/paid 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 ₹5,53,13,912/- (Previous Year ₹2,06,05,203/-) includes interest on borrowed fund amounting to ₹ 2,13,129/- (Gross) (Previous Year ₹1,01,66,489/-) on unutilized portion and ₹ 5,51,00,783/- (Previous Year ₹ 1,04,38,714/-) on utilized portion. Interest on utilized portion has been capitalized.

- The Company has agreed to pay a sum of ₹ 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 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, since the same will be charged in the year of transfer of the company to successful bidder only in the event of transfer of the company.
- 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 ₹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.
- (i) Estimated amount of contracts remaining to be executed on Project (Capital Work in Progress) and not provided for ₹ 1,88,96,400/- (Previous Year ₹ 1,85,30,504/-)
- (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 ₹603.96 Crore against land ( Refer note no.19) (Previous year Nil).
- Auditors Remuneration

(Including Service Tax)	2010-11	2009-10
Statutory Audit Fees	₹ 68,938/-	₹ 68,938/-
Other Fees	₹ 41,363/-	-

- 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."
- Since there are no employees in the company, the obligation as per Accounting Standard- 15 (Revised) do not arises.
- The disclosure as per AS18 – Related Party Disclosure:

The Orissa Integrated Power Limited is a wholly owned subsidiary of Power Finance Corporation Ltd. All key decisions are taken by the Board of Orissa Integrated Power Limited.

Detail of maximum debit balance during the year 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 ₹27,88,67,174/-
	Previous Year ₹ 35,87,21,125/-



The related Party Transactions was done only with Holding Company details are as follows:-

S.No.	Particulars	2010-11 (₹)	2009-10 (₹)
1.	Interest Expenses for the year	1,10,54,729/-	2,06,05,235/-
2.	Interest Income for the year	2,13,129/-	1,01,66,489/-
3.	Manpower Charges	1,35,55,298/-	1,11,13,828/-
4.	Closing Balances		
(a)	Interest Payable	1,10,60,463/-	5,734/-
(b)	Interest Receivable	6,51,67,735/-	6,49,54,606/-
(c)	Loan & Advance (Receivable)	Nil/-	27,88,67,174/-
(d)	Unsecured Loan	11,33,75,347/-	Nil/-

17. 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.
18. During the period the company has paid ₹34,67,42,612/- (Previous Year ₹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.
19. The land acquisition process for the Project is under way by Orissa Govt. However, in view of the going uncertainty regarding the coal blocks allocated for this project, the Company will take a view on the process for Section 6 notification under the Land Acquisition Act, 1894 in due course. Accordingly, after Section 6 notification, around 521.8 crores will have to be paid for acquisition of 2731.95 acres of private land and around 5.12 crores will have to be paid for acquisition of 512.213 acres of Govt. land for the power station on receipt of demand for the same from Govt. of Orissa. The administrative charges and establishment charges of ₹ 77.04 Crore will have to be paid to IDCO and District Administration, Orissa against Administrative charges and Establishment charges respectively for acquisition of 2731.95 acres of private land required for main plant, ash dyke and colony of the power station on raising of demand for the same from the concerned authority which has not yet been raised and therefore, the liability for the same is disclosed under contingent liability.
20. Water allocation for the project was given by Govt. of Orissa subject to the condition that Company shall bear the cost of development of additional storage scheme in the upstream of Hirakud reservoir, the physical works and execution of which will be taken up by DOWR. This undertaking was given to Govt. of Orissa after obtaining approval from the Board. Govt. of Orissa is yet to intimate this cost which has to be borne by the Company.
21. The company has received ₹ 7,00,000/- on account of sale of RFQ/RFP document. The RFQ amount so received is repaid to PFCCCL as per approval of the company. The management certifies that RFQ/RFP documents are prepared by PFCCCL and sold on behalf of them.
22. In the opinion of the Board, on realization 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.
23. The company has sent letters to various parties included under the head Unsecured Loans (Commitment advance), interest payable, interest receivables for confirmation of their balances as per the books of accounts of the company for which confirmations is yet to be received from the respective parties.
24. In terms of Accounting Standard 20 on "Earnings per Share" notified under the Companies Act 1956, Earning per share (Basic & Diluted) is worked out as follows: -

S. No.	Particulars	2010-11	2009-10
1.	Nominal Value of share ₹	10	10
2.	Number of Equity shares (No.)	50,000	50,000
3.	Net Profit/ (Loss) after tax ₹	57,936/-	(22,11,839/-)
4.	Earning per share ₹	1.16	(44.24)

25. 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)
26. 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.
27. Figures have been rounded off to the nearest Rupee unless otherwise stated.
28. Previous year's figure have been re-grouped/ re-arranged, wherever practicable, to make them comparable with the current year.
29. Schedule 1 to 9 form an integral part of the Financial Statements and have been authenticated.

For & On Behalf of Board of Directors

(Ashwani Shirma)

(K. Sridhar)

( M.K. Goel )

(Director)

(Director)

(Chairman)

**SIGNED IN TERMS OF OUR REPORT OF EVEN DATE**

For & On Behalf of

**Shyam Sunder Singhal & Company**

**CHARTERED ACCOUNTANTS**

**(Firm Reg. No: 000544N)**

**(Shyam Sunder Singhal)**

**M.Com, LLB,FCA,DISA**

**(Sr.Partner)**

**M. No. 11181**

**Place : New Delhi**

**Date : 17.06.2011**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2011**

PARTICULARS	Year ended	Year ended
	31st March, 2011	31st March, 2010
	₹	₹
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit/(Loss) as per Profit & Loss A/c	57,936	(22,11,839)
Prior Period Expenses/ Preliminary expenses	-	22,11,839
Operating profit before working capital changes	57,936	-
Adjustment For Increase/Decrease in:		
Other Current Assets	(1,91,797)	(83,56,384)
Loans & Advances	27,96,44,368	7,91,03,980
Current Liabilities & Provisions	5,28,72,105	1,68,24,620
<b>TOTAL</b>	<b>33,23,82,612</b>	<b>8,75,72,216</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Capital Work in Progress( Net of depreciation)	(44,60,76,239)	(8,92,06,424)
Purchase of fixed assets	-	(3,66,343)
<b>TOTAL</b>	<b>(44,60,76,239)</b>	<b>(89,5,72,767)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Increase in Unsecured Loans	11,33,75,347	-
<b>TOTAL</b>	<b>11,33,75,347</b>	<b>-</b>
<b>NET INCREASE/(DECREASE) IN CASH FLOW(A+B+C)</b>	<b>(3,18,280)</b>	<b>(20,00,551)</b>
<b>CASH &amp; CASH EQUIVALENT AT THE BEGINNING OF THE YEAR</b>	<b>4,98,350</b>	<b>24,98,900</b>
<b>CASH &amp; CASH EQUIVALENT AT THE END OF THE YEAR</b>	<b>1,80,070</b>	<b>4,98,350</b>
Cash on hand and balance with banks	1,80,070	4,98,350
Other Cash and Cash Equivalents	-	-

For &amp; On Behalf of Board of Directors

(Ashwani Sharma)	(K.Sridhar)	( M.K. Goel)
Director	Director	Chairman

**SIGNED IN TERMS OF OUR REPORT OF EVEN DATE**

For &amp; On Behalf of

**Shyam Sunder Singhal & Company**
**CHARTERED ACCOUNTANTS**
**Firm Reg. No: 000544N**
**(Shyam Sunder Singhal)**
**M.Com,LLB,FCA,DISA**
**Sr. Partner**
**M. No. 11181**

Place : New Delhi

Date : 17.06.011

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**
**I Registration details**

<b>Registration No :</b>	<b>U40102DL2006GOI146953</b>		State Code: 55
<b>Balance Sheet Date :</b>	31	3	2011
	Date	Month	Year

**II Capital raised during the year (Amount in Rupees Thousands)**

Public Issue	Right issue
<input type="text" value="-"/>	<input type="text" value="-"/>
Bonus Issue	Private Placement
<input type="text" value="-"/>	<input type="text" value="-"/>

**III Position of Mobilisation and Deployment of Funds (Amount in Rupees Thousands)**

<b>Sources of Funds</b>	Total Liabilities	Total Assets
	<input type="text" value="6,44,416"/>	<input type="text" value="6,44,416"/>
	Paid up capital	Reserve and Surplus
	<input type="text" value="500"/>	<input type="text" value="-"/>
	Unsecured Loans	Current Liabilities
	<input type="text" value="5,13,375"/>	<input type="text" value="1,30,515"/>
<b>Application of Funds</b>	Net Fixed Assets	Capital Work In Progress
	<input type="text" value="241"/>	<input type="text" value="5,69,096"/>
	Investment	Current Assets
	<input type="text" value="-"/>	<input type="text" value="72,925"/>
	Misc. Expenditure	Accumulated Losses
	<input type="text" value="-"/>	<input type="text" value="2,154"/>

**IV Performance of Company (Amount in Rupees Thousands)**

Turnover	Total Expenditure
<input type="text" value="-"/>	<input type="text" value="-"/>
Profit/ Loss before Tax	Profit/ Loss after Tax
<input type="text" value="84"/>	<input type="text" value="58"/>
Earning per Share	Dividend
<input type="text" value="1.16"/>	<input type="text" value="-"/>

**V Generic Names of Three Principles Products/Services of Company (as per monetary terms)**

1. Item Code No. (ITC Code)	<input type="text"/>
Product Description	<input type="text"/>
2. Item Code No. (ITC Code)	<input type="text"/>
Product Description	<input type="text"/>
3. Item Code No. (ITC Code)	<input type="text"/>
Product Description	<input type="text"/>

**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF ORISSA INTEGRATED POWER COMPANY LIMITED, NEW DELHI FOR THE YEAR ENDED 31 MARCH 2011**

The preparation of financial statements of Orissa Integrated Power Company Limited, New Delhi, for the year ended 31 March 2011 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The statutory auditors appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 17 June 2011.

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 Integrated Power Company Limited, New Delhi, for the year ended 31 March 2011 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**  
**(M.K. BISWAS)**  
**Principal Director of Commercial Audit &**  
**Ex-official Member Audit Board – III,**  
**New Delhi**

**Place: New Delhi**  
**Dated: 20<sup>th</sup> July 2011**

## COASTAL TAMIL NADU POWER LIMITED

(A Wholly owned subsidiary of Power Finance Corporation Limited)

### Director's Report 2010-2011

#### To

#### The Members,

Your Directors have pleasure in presenting their 4<sup>th</sup> Annual Report on the working of the Company for the financial year ended 31<sup>st</sup> March, 2011 together with the Audited Statement of Accounts and Auditor's Report thereon.

#### OPERATIONAL ACTIVITIES

Your Company was established on 9<sup>th</sup> January, 2007 as a Special Purpose Vehicle (SPV) by Power Finance Corporation Limited to undertake developmental activities for the proposed Ultra Mega Power Project in the State of Tamil Nadu. The project would be developed as per the Tariff based competitive bidding guidelines issued by Ministry of Power, Government of India.

The UMPP is proposed to be set up near village Cheyyur, District-Kancheepuram, Tamil Nadu. The power plant would be using coal to be imported through a Captive Port proposed near village Pannaiyur, District- Kancheepuram, Tamil Nadu.

Your Company took up the following major activities during the year 2010-11:

- a) Rapid Environmental Impact Assessment (REIA) report for Power Plant was submitted to Tamil Nadu Pollution Control Board (TNPCB) and Public hearing for Environmental Clearance was conducted by TNPCB on 10<sup>th</sup> June 2010.
- b) Acquisition of land- Main Plant and Ash Dyke
  - Administrative Approval for the land acquisition of Main Plant and Ash Dyke under the Tamil Nadu Land Acquisition for Industrial Purposes Act-1997 was issued by the State Government on 6<sup>th</sup> July, 2009.
  - CEA had issued revised guidelines in September 2010 for land requirement for setting up of thermal power plants. Based on these guidelines, the revised land requirement 1028 acres (805 acres for Main Plant and 223 acres for Ash Pond) was approved by CEA.
  - Out of the total revised land requirement of 1028 acres, the notification u/s 3(2) for 545 acres (Private land) has already been issued and the alienation proposals of approx. 483 acres (Govt. land) are under process.
- c) Acquisition of land- Captive Port
  - GoTN had accorded Administrative Approval for the land acquisition of 101 acres in Pannaiyur village, District Kancheepuram, under the Tamil Nadu Land Acquisition for Industrial Purposes Act-1997 on 23<sup>rd</sup> December, 2010.
  - The notifications u/s 3(2) for the Private Land for Captive Port were issued in April-May, 2011.
- d) The Administrative Approval for following survey nos. are under approval of GoTN:
  - i) Main Plant
    - Survey no. 245 (1.57 acres Govt. land) is under approval of CLA, GoTN.
    - For Survey no. 212/1 to 212/8 & 256/1 (23.28 acres Patta land), CLA has raised some queries and necessary information is being collected.
  - ii) Captive Port
    - Survey no. 346 (4.9 acres Govt. Land) is under approval of CLA, GoTN.
- e) Acquisition of land- Forest Land
  - The area to be acquired for the Main Plant includes 24.29 acres of Forest land for diversion of which application was submitted to District Forest Officer, Kancheepuram on 25<sup>th</sup> July, 2009.
  - Ministry of Environment & Forest, GoTN, vide letter dated 10<sup>th</sup> May, 2011

has forwarded the proposal to the Ministry of Environment & Forest, Government of India and RCCF, MoEF, Bangalore for approval.

- Subsequently, DFO, Kancheepuram vide letter dated 20<sup>th</sup> June, 2011 has requested CTNPL to obtain Supreme Court Clearance for felling of spontaneous grown trees.
- f) For Captive Port, application for CRZ clearance was submitted to Tamil Nadu Pollution Control Board (TNPCB) on 2.06.11 under CRZ notification 2011. District level Coastal Zone Management Authority (CZMA) discussed the proposal on 30<sup>th</sup> June, 2011 and based on its recommendations the proposal was discussed by State level CZMA Committee on 20<sup>th</sup> July, 2011. The minutes of meeting of the Committee are awaited.
- g) For water linkage, 'In Principle', No object Clearance for use of sea water has been received from Tamil Nadu Maritime Board on 24<sup>th</sup> October, 2008.
- h) Fuel linkage is not applicable as the project is based on imported coal. Techno-economic feasibility study for transportation of coal through closed Conveyor system from Port to Power plant has been awarded to M/s RITES Ltd. and the Report is under finalization.
- i) 'No Objection Certificate' for Chimney Height clearance received from Airports Authority of India vide letter dated 21<sup>st</sup> December, 2009.

#### 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 ₹ 693.91 Lakh on the development of the project which has been transferred to capital work in progress and incurred capital expenditure of ₹ 223.80 Lakh for acquisition of Land.

#### DIVIDEND

As the Company has not started its commercial activities no dividend has been declared for the period commencing from 1<sup>st</sup> April, 2010 to 31<sup>st</sup> March 2011.

#### SHARE CAPITAL

The paid-up share capital of the Company was ₹ 5,00,000/- (50,000 equity shares of ₹ 10/- each) as on 31<sup>st</sup> March, 2011. During the year, the entire share capital of the Company was held by PFC and its nominees.

#### COMMITMENT ADVANCE

Commitment Advance totaling ₹ 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 31<sup>st</sup> March, 2011.

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

As the Company's operations do not involve any manufacturing or processing activities, the particulars as per the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, regarding conservation of energy and technology absorption, are not applicable. 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 as Statutory Auditors of the Company for the financial year 2010-2011 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

Since the date of last Directors' Report, following changes were made in the constitution of the Board of the Company:

- The Tamil Nadu Electricity Board nominated Shri P. K. Sanmugam, Chief

Engineer/Projects, TNEB as Director of the Company in place of Shri A. Dharmaraj, Chief Engineer/planning. Accordingly Shri P. K. Sanmugam has been appointed as Director of the Company w.e.f 20<sup>th</sup> December, 2010 in place of Shri A. Dharmraj.

- Government of Karnataka, Energy Department nominated Shri Naveen Kumar Manglur, Managing Director, Power Company of Karnataka Limited as Director of the Company in place of Shri N. Vijayanarasimha. Accordingly Shri Naveen Kumar Manglur has been appointed as Director of the Company w.e.f 30<sup>th</sup> August, 2010 in place of Shri N. Vijayanarasimha.

In accordance with provisions of Companies Act, 1956, Shri K. Vijayanand and Shri Yogesh Juneja Directors shall retire by rotation at the ensuing Annual General Meeting of the Company and being eligible have offered themselves for re-appointment.

Consequent to the aforesaid changes, the Board of Directors of the Company comprises of the following:

1.	Shri R. Nagarajan	: Chairman
2.	Shri N. D. Tyagi	: Director
3.	Shri Dinesh Vij	: Director
4.	Shri A. K. Gupta	: Director
5.	Shri Yogesh Juneja	: Director
6.	Shri P. K. Sanmugham	: Director (Representing Govt. of Tamil Nadu)
7.	Shri K. Vijayanand	: Director (Representing Govt. of Andhra Pradesh)
8.	Shri M. Naveen Kumar	: Director (Representing Govt. of Karnataka)

#### COMMENTS OF COMPTROLLER AND AUDITOR GENERAL (C&AG) OF INDIA

C&AG vide their letter dated 15<sup>th</sup> July, 2011 mentioned that they have decided not to review the report of the Statutory Auditors on the accounts of the Company for the year ended 31<sup>st</sup> March, 2011 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 Annexure-I.

#### DIRECTORS' RESPONSIBILITY STATEMENT

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

- In the preparation of Annual Accounts for the financial year 2010-11, the applicable accounting standards had been followed along with proper explanation relating to material departure.
- 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 the affairs of the Company at the end of the financial year 2010-11.
- The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- The Directors had prepared the annual accounts 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 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

**(R. Nagarajan)**  
Chairman

Place: New Delhi

Date: 18.08.2011

#### 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 **31<sup>st</sup> March, 2011**, 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 read with the companies (Auditor's Report) Amendment order, 2004, issued by the Central Government of India in terms of sub section (4A) of Section 227 of the Companies Act, 1956, we enclose in the annexure 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, 2011.
    - (ii) in the case of Profit & Loss account, of Nil Profit / 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**  
**(Firm Registration No: 03188N)**  
**(RAJIV GUPTA)**  
**Partner**  
**(Membership No. 82060)**

**Place: New Delhi**

**Date: 17.06.2011**

**(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 details and situation of fixed assets as per provision of para 4(i) (a) of the Companies (Auditor's 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 the frequency 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 (Auditor's Report) Order, 2003. No material discrepancies were noticed on such physical verification.
  - (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 (Auditor's Report) Order, 2003
2. The company did not hold any inventory during the year therefore, the provisions of clause 4(ii) of the Companies (Auditor's Report) Order, 2003 are not applicable.
  3. 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. The Company has given an advance of ₹ 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.
  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 has not entered into any transaction for purchase or sale of goods. Para 4(iv) of the companies (Auditor's Report) Order 2003.
  5. 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 ₹ 50 Lakhs as at the commencement of the financial year or average annual turnover exceeding rupees five crores for a year of three consecutive financial years immediately preceding the financial year concerned, therefore the provisions of clause 4(vii) of the Companies (Auditor's 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 5 of schedule-9 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, 2011 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 disputed demand of sales tax, income tax, customs, wealth tax, excise duty and cess were in arrears, as at March 31, 2011.
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 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 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**  
**(Firm Registration No: 03188N)**  
**(RAJIV GUPTA)**  
**Partner**  
**Membership No. 82060**

**Place: New Delhi**

**Date: 17.06.2011**

**COASTAL TAMIL NADU POWER LIMITED**  
**BALANCE SHEET AS AT 31ST MARCH, 2011**

PARTICULARS	SCHEDULE	As at 31st	As at 31st
		March, 2011	March 2010
		₹	₹
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share Capital	1	5,00,000	5,00,000
<b>LOAN FUNDS</b>			
Unsecured Loans	2	40,00,00,000	40,00,00,000
<b>TOTAL</b>		<b>40,05,00,000</b>	<b>40,05,00,000</b>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
a) Gross Block	3	1,73,287	1,20,272
Less : Depreciation		71,992	8,902
Net Block		1,01,295	1,11,370
b) Capital Work in Progress	4	18,03,21,034	8,89,33,237
<b>INVESTMENTS</b>			
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>			
a) Cash & Bank Balances	5	25,578	18,85,595
b) Other Current Assets		7,50,54,968	5,80,38,401
c) Loans & Advances		24,93,21,795	31,67,83,514
		<b>32,44,02,341</b>	<b>37,67,07,510</b>
<b>Less : CURRENT LIABILITIES &amp; PROVISIONS</b>			
Current Liabilities	6	10,49,47,190	6,58,74,637
Provisions		-	-
		<b>10,49,47,190</b>	<b>6,58,74,637</b>
<b>NET CURRENT ASSETS</b>		<b>21,94,55,151</b>	<b>31,08,32,873</b>
<b>MISCELLANEOUS EXPENDITURE</b>			
(To the extent not written off or adjusted)			
Profit & Loss A/c		6,22,520	6,22,520
Balance as per the enclosed Profit and Loss Account			
<b>TOTAL</b>		<b>40,05,00,000</b>	<b>40,05,00,000</b>
<b>EXPENDITURE DURING CONSTRUCTION PERIOD</b>			
7			
<b>SIGNIFICANT ACCOUNTING POLICIES</b>			
8			
<b>NOTES TO ACCOUNTS</b>			
9			

**Schedule referred above form an integral part of Balance Sheet**

For and On behalf of Board of Directors

**Yogesh Juneja**                      **A.K .Gupta**                      **R. Nagarajan**  
 Director                                  Director                                  Chairman

**SIGNED IN TERMS OF OUR REPORT OF EVEN DATE**  
**For & On Behalf of**  
**Rajiv Gupta & Co.**  
**(CHARTERED ACCOUNTANTS)**  
**Firm Reg. No:3188N**  
**(RAJIV GUPTA)**  
**(Partner)**  
**M No. 82060**

**Place : New Delhi**  
**Date : 17.06.2011**

**COASTAL TAMIL NADU POWER LIMITED**  
**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH,2011**

PARTICULARS	SCHEDULE	Year ended	Year ended
		31st March, 2011	31st March 2010
		₹	₹
<b>Income</b>			
<b>Total (a)</b>		<b>NIL</b>	<b>NIL</b>
<b>Expenses</b>			
Prior Period Expenses(Preliminary Expenses written off)		-	6,22,520
<b>Total (b)</b>		<b>-</b>	<b>6,22,520</b>
Net Profit/(Loss) for the year		-	(6,22,520)
Add: - Net Loss Brought Forward		<b>6,22,520</b>	-
<b>Net Loss Carried to Balance Sheet (a-b)</b>		<b>6,22,520</b>	<b>6,22,520</b>
<b>Basic &amp; Diluted Earning per share of ₹10 each</b>		-	(12.45)

**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

**Yogesh Juneja**                      **A.K .Gupta**                      **R. Nagarajan**  
 Director                                  Director                                  Chairman

**SIGNED IN TERMS OF OUR REPORT OF EVEN DATE**  
**For & On Behalf of**  
**Rajiv Gupta & Co.**  
**(CHARTERED ACCOUNTANTS)**  
**Firm Reg. No:3188N**  
**(RAJIV GUPTA)**  
**(Partner)**  
**M No. 82060**

**Place : New Delhi**  
**Date : 17.06.2011**

**COASTAL TAMIL NADU POWER LIMITED**  
**SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS**

**SCHEDULE '1'**  
**SHARE CAPITAL**

PARTICULARS	As at 31st	As at 31st
	March, 2011	March 2010
	₹	₹
<b>AUTHORISED</b>		
50,000 Equity Shares of ₹ 10/- each (Previous Year 50,000 Equity Shares of ₹10 each)	<b>5,00,000</b>	5,00,000
	<b>5,00,000</b>	5,00,000
<b>ISSUED, SUBSCRIBED &amp; PAID UP</b>		
50,000 Equity Shares of ₹ 10/- each fully paid-up (Previous Year 50,000 equity shares of ₹10 each) (Wholly owned Subsidiary by Power Finance Corporation Ltd)	<b>5,00,000</b>	5,00,000
<b>Total</b>	<b>5,00,000</b>	5,00,000

**SCHEDULE '2'**  
**SUNSECURED LOANS**

PARTICULARS	As at 31st	As at 31st
	March, 2011	March 2010
	₹	₹
(Commitment Advance from Procurers)		
Bangalore Electricity Supply Company Ltd.	6,50,00,000	6,50,00,000
Kerala State Electricity Board	3,00,00,000	3,00,00,000
Mangalore Electricity Supply Company Ltd.	1,50,00,000	1,50,00,000
Maharashtra State Electricity Distribution Company Ltd.	4,00,00,000	4,00,00,000
Punjab State Electricity Board	2,00,00,000	2,00,00,000
Tamilnadu Electricity Board	16,00,00,000	16,00,00,000
U.P.Power Corporation Ltd.	3,00,00,000	3,00,00,000
Central Power Distribution Company of AP Ltd.	4,00,00,000	4,00,00,000
<b>Total</b>	<b>40,00,00,000</b>	<b>40,00,00,000</b>

**SCHEDULE '3'**  
**FIXED ASSETS**

PARTICULARS	GROSS BLOCK				DEPRECIATION				FIGURES IN ₹	
	Opening Balance As At 01-04-2010	Additions/ Adjustments during the year	Deductions/ Adjustments during the year	Closing Balance As At 31.03.2011	Opening Balance As At 01-04-2010	Additions/ Adjustments during the year	Deductions/ Adjustments during the year	Closing Balance As At 31.03.2011	As At	As At
									31.03.2011	31.03.2010
Computer & EDP Equipments	1,05,945	49,715	-	1,55,660	8,777	57,815	-	66,592	89,069	97,168
Office Equipments	14,327	-	-	14,327	126	1,975	-	2,101	12,925	14,201
Furniture & Fixtures	-	3,300	-	3,300	-	3,300	-	3,300	-	-
<b>TOTAL</b>	<b>1,20,272</b>	<b>53,015</b>	<b>-</b>	<b>1,73,287</b>	<b>8,902</b>	<b>63,090</b>	<b>-</b>	<b>71,991</b>	<b>101,296</b>	<b>1,11,370</b>
Previous Year	-	1,20,272	-	1,20,272	-	8,902	-	8,902	1,11,370	-

**SCHEDULE '4'**  
**CAPITAL WORK IN PROGRESS**

PARTICULARS	As at 31st	As at 31st
	March, 2011	March 2010
	₹	₹
Opening Balance	8,85,49,528	3,77,24,033
CWIP: Transferred from Expenditure During Construction Period (Schedule-7)	6,93,91,442	5,08,25,495
	15,79,40,970	8,85,49,528
Capital Expenditure for Land Acquisition	2,23,80,064	3,83,709
<b>TOTAL</b>	<b>18,03,21,034</b>	<b>8,89,33,237</b>

**SCHEDULE '5'**  
**CURRENT ASSETS, LOANS & ADVANCES**

PARTICULARS	As at 31st	As at 31st
	March, 2011	March 2010
	₹	₹
<b>a. Cash and Bank Balances</b>		
Cash Balance	-	-
With Scheduled Bank in Current Account (SBI)	25,578	18,85,595
<b>Total (a)</b>	<b>25,578</b>	<b>18,85,595</b>
<b>b. Other Current Assets</b>		
Interest Receivable from PFC	7,50,54,968	5,80,38,401
<b>Total (b)</b>	<b>7,50,54,968</b>	<b>5,80,38,401</b>
<b>c. Loans and Advances</b>		
(Unsecured and Considered Good)		
Power Finance Corporation Limited (Holding Co.)	23,77,74,681	29,90,62,260
Income Tax Refundable	69,37,456	69,37,456
Advance for Consultancy Assignment	20,04,502	25,80,820
Deposit For Furniture	10,650	10,650
Advance for Land Acquisition Expenditure	25,94,506	81,92,328
<b>Total (c)</b>	<b>24,93,21,795</b>	<b>31,67,83,514</b>
<b>TOTAL (a+b+c)</b>	<b>2,44,02,341</b>	<b>37,67,07,510</b>



**SCHEDULE '6'**  
**CURRENT LIABILITIES AND PROVISIONS**

PARTICULARS	As at 31st	As at 31st
	March, 2011	March 2010
	₹	₹
<b>Current Liabilities</b>		
Sundry Creditors	13,16,492	6,27,075
Interest Payable	8,91,96,637	6,09,85,467
<b>Others</b>		
Audit Fees Payable	62,045	62,045
TDS Payable	31,48,419	18,67,846
Earnest Money Deposit	4,00,000	14,00,000
Provision for Expenses	1,08,23,597	9,32,204
<b>TOTAL</b>	<b>10,49,47,190</b>	<b>6,58,74,637</b>

**SCHEDULE '7'**  
**EXPENDITURE DURING CONSTRUCTION PERIOD**

PARTICULARS	As at 31st	As at 31st
	March, 2011	March 2010
	₹	₹
<b>(a) Expenses</b>		
Manpower Charges	1,38,34,644	2,27,61,508
Audit Fee	68,938	68,938
Bank Charges	675	1,959
Rent	43,575	47,481
Survey and Studies expenses	3,29,42,995	67,67,663
Professional, Legal & Consultancy Charges	32,70,278	36,49,182
Depreciation	63,090	8,902
Interest on utilised portion	1,43,29,008	79,27,763
Interest on un-utilised portion	1,70,16,567	1,06,75,161
Vehicle Hiring Expenses	410,424	11,12,702
Casual Wages	10,13,778	4,73,674
Telephone Expenses	84,683	57,391
Tours & Travelling Expenses	28,46,875	55,75,029
Printing & Stationery Expenses	55,004	98,488
Public Hearing Expenses	1,78,046	70,000
Other Administration Expenses	2,49,429	22,04,815
<b>Total (a)</b>	<b>8,64,08,009</b>	<b>6,15,00,656</b>
<b>(b) Other Income</b>		
Interest on un-utilised portion ( T.D.S. ₹ Nil, Previous year ₹ Nil)	1,70,16,567	1,06,75,161
<b>Total (b)</b>	<b>1,70,16,567</b>	<b>1,06,75,161</b>
<b>Balance(a-b) Carried to CWIP -Schedule-4</b>	<b>6,93,91,442</b>	<b>5,08,25,495</b>

**Schedule No. -'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.

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. Recognition of income/Expenditure:**

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 ₹ 5,000/- are fully depreciated.

**4. Capital work In Progress:**

Expenditure incurred on project development by way of Land/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:**

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.

**7. 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.

**8. Investments are stated at cost.**

**9.** 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.

**10.** Preliminary expenses are written off in the year in which such expenditure has been incurred, in compliance with the opinion of the Expert Advisory Committee (EAC) of The Institute of Chartered Accountants of India.

**11.** Contingent liabilities are not provided and are disclosed by way of notes on the basis of available information.

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

## Schedule – '9'

### NOTES TO ACCOUNTS

- 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).
- 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 from Power Procuring States and deployed on Part Time basis.

The details of such Key Management Personnel as on 31.03.2011 are as follows:

S. No.	Name	Designation	Date of Appointment	Date of Resignation
1.	Shri R.Nagarajan	Chairman	31.12.2009	Continuing
2.	Shri N.D.Tyagi	Director	31.12.2009	Continuing
3.	Shri Dinesh Vij	Director	22.12.2008	Continuing
4.	Shri A.K. Gupta	Director	22.12.2008	Continuing
5.	Shri Yogesh Juneja	Director	31.12.2009	Continuing
6.	Shri N.K. Manglur *	Director	30.08.2010	Continuing
7.	Shri P.K.Sanmugam *	Director	20.12.2010	Continuing
8.	Shri N.Viayayanasimha	Director	19.08.2009	30.08.2010
9.	Shri K.Vijayanand *	Director	19.08.2009	Continuing
10.	Shri A.Dharmaraj *	Director	19.08.2009	20.12.2010

\* from Power Procuring States

- Pursuant to the Financing Agreement between PFC and the Company, the entire expenditure on development of the Project being developed by the Company were 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.
- The expenses appearing as other Administrative Expenses in the Schedule-7 "Expenditure during Construction period" include Official Hospitality, Electricity expenses, Allocation of Salary, Advertisement, Meeting & Conference Expenses and Festival Expenses.
- Original Supporting bills in respect of expenditure incurred by the PFC/PFCCL are retained by them of which copies are available with the Company. PFC/PFCCL is complying with all statutory provisions relating to the 'Deduction of tax at source etc. as applicable to these expenses.
- All the work for the Company are executed by PFC Consulting Ltd. (PFCCCL). Manpower Charges of ₹1,38,34,644/- (Previous Year ₹ 2,27,61,508/-) of PFCCCL employees are charged by PFCCCL on the basis of cost to company based on actual time spent by the employees for the Company as per invoice raised by them, and includes charges for Sh.N.D.Tyagi (Director) ₹10,66,187/- (Previous Year ₹17,47,152/-), ₹19,74,646/- (Previous Year ₹ 32,75,910/-) for Sh.Dinesh Vij (Director) and Sh. Yogesh Juneja (Director) ₹7,73,479/- (Previous Year ₹ NIL). 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. PFC is complying statutory provisions related to deduction of tax at source applicable to expenses allocated by it.

- In view of decision of Ministry of Power, Government of India, the Company has received, entire Commitment Advance of ₹ 40,00,00,000/- (Previous Year ₹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.
- Pursuant to the Financing Agreement with PFC total commitment advance of ₹40,00,00,000/- (Previous Year ₹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.
- 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/Company Interest on unutilized portion of fund is receivable from PFC and the same is payable to procurers. Total interest expense amounting to ₹ 3,13,45,575/- (Previous Year ₹1,86,10,422/-) has been accounted in the books of account for the year which includes interest of ₹1,70,16,567/- (Previous year ₹1,06,75,161/-) on unutilized portion and ₹1,43,29,008/- (Previous year ₹79,27,763/-) on utilized portion. Interest on utilized portion has been capitalized. The rate of interest charged / paid on the utilized amount of funds is as applicable in PFC for the Project Loan/Schemes (Generation) for Borrowers under category "State Sector Borrowers (Category 'A') as determined from time to time and on unutilized portion of funds, the interest received/paid is on "monthly average short term deposit rate of PFC". Interest payable has been shown under Current Liabilities.
- 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 ₹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.
- The Company has agreed to pay a sum of ₹ 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 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, since the same will be charged in the year of transfer of the company to successful bidder only in the event of transfer of the company.
- Land acquisition for the project is being carried out as per Tamil Nadu Land Acquisition for Industrial purposes Act 1997. As per the Administrative Sanctions ( AS) issued by Govt. of Tamil Nadu for acquisition of land, the tentative value of the private lands would be around ₹ 75.64 Crore for Main Plant, Ash Dyke and Captive Port. The value of Government lands is yet to be intimated by Govt. of Tamil Nadu (GoTN). The land extents indicated in the AS may undergo revision as per CEA / MoEF / GoTN directions. However, the actual value of land would be known after the final award is issued by GoTN for both Private and Govt. land to be acquired for the Project. The Company has given its consent to bear the land cost, establishment and other charges for acquisition of land and has also confirmed its consent to bear the enhanced compensation awarded by the sub-court/ High Court. Further, the land to be acquired includes forest land (approx. 25 acres) and the company has also given its consent to bear the cost towards compensatory afforestation. The amount against land acquisition is payable on receipt of demand from the concerned authorities.

13. The "In-Principle" clearance for use of Sea water has been received from Tamil Nadu Maritime Board. Cost towards usage of water has not been indicated as yet by concerned Authorities.
14. Contingent Liability not provided for in the books in respect of :-

Particulars	Year ended 31.03.2011	Year ended 31.03.2010
Estimated amount of contracts remaining to be executed on capital account	₹ 4,08,25,258/-	₹ 4,70,99,600/-
Estimated liability in respect of Land being acquired for the project through Govt. of Tamilnadu	₹ 75.64 Crore (Refer note no. 12)	₹ Nil/-
Claims against the company not acknowledged as debt (as certified by the management)	₹ Nil/-	₹ Nil/-

15. Auditors' Remuneration (including Service Tax)

Particulars	2010-11	2009-10
Statutory Audit Fees	₹ 68,938/-	₹ 68,938/-
Other fees	₹ 41,363/-	-

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. In the opinion of the Board, on realization 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.
18. 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.
19. The company has incurred ₹2,23,80,064/- (Previous year ₹3,83,709/-) towards administrative and advertisement expenses for process of land acquisition and includes expenditure of ₹55,97,822/- incurred against advance for administrative expenses for land given to the Government of Tamilnadu.
20. In terms of Accounting Standard 20 on "Earnings per Share" notified under the Companies Act 1956, Earning per share (Basic & Diluted) is worked out as follows: -

S. No.	Particulars	2010-11	2009-10
1.	Nominal Value of share ₹	10	10
2.	Number of Equity shares (No.)	50,000	50,000
3.	Net Profit (Loss) after tax ₹	Nil	(6,22,520)
4.	Earning per share ₹	Nil	(12.45)

21. 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 ₹)

Name of the Party	Maximum amount Due during year
<b>Power Finance Corporation Ltd. (Holding Company)</b>	
Current Year	29,90,62,260/-
Previous Year	35,82,77,851/-

- c) The related Party Transactions was done only with Holding Company (PFC), details are as follows:-

(Amount in ₹)			
S.No.	Particulars	2010-11	2009-10
1.	Equity Contribution	Nil	Nil
2.	Interest Income	1,70,16,567	1,06,75,161
3.	Interest Expense	1,535	1,182
4.	Manpower Charges	1,38,34,644	2,27,61,508
5.	<b>Closing Balance</b>		
(a)	Interest Payable	13,582	12,047
(b)	Interest Receivable	7,50,54,968	5,80,38,401
(c)	Loan & Advances (Receivable)	23,77,74,681	29,90,62,260

22. Balances in various personal accounts are subject to confirmation and reconciliation. The company has sent letters to various parties included under the head Unsecured Loans (Commitment advance), interest payable, interest receivables etc. for confirmation of their balances as per the books of accounts of the company for which confirmations is yet to be received from the respective parties.
23. Since there are no employees in the company, the obligation as per Accounting Standard-15 (Revised) do not arises.
24. 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.
25. Most of the additional information pursuant to the provisions of Paragraph 3, 4C and 4D of part II of Schedule VI to the Companies Act, 1956 are not applicable to the company as the project is still at its development stage and the company has yet to start its commercial activities. Applicable information is provided as under:
- a) Expenditure in foreign currency – Nil
- b) Income in foreign exchange – Nil
26. Figures have been rounded off to the nearest Rupee unless otherwise stated.
27. Previous year's figure have been re-grouped/ re-arranged, wherever practicable, to make them comparable with the current year.
28. 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**                      **A.K. Gupta**                      **R. Nagarajan**  
(Director)                              (Director)                              (Chairman)

**Signed in terms of our report of even date  
For RAJIV GUPTA & Co.  
Chartered Accountants  
(Firm Reg. No:3188N)  
RAJIV GUPTA  
(Partner)  
Membership No. 82060**

**Place: New Delhi  
Date: 17.06.2011**

**COASTAL TAMIL NADU POWER LIMITED**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011**

PARTICULARS	Year ended 31st March, 2011 ₹	Year ended 31st March, 2010 ₹
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit/(Loss) as per Profit & Loss A/c	-	(6,22,520)
Prior Period Expenses/ Preliminary expenses	-	6,22,520
Operating profit before working capital changes	-	-
<b>Adjustment For Increase/Decrease in:</b>		
Other Current Assets	(1,70,16,567)	(1,06,75,161)
Loans & Advances	6,74,61,719	1,24,18,895
Current Liabilities & Provisions	3,90,72,553	97,76,290
<b>TOTAL</b>	<b>8,95,17,705</b>	<b>1,15,20,024</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Capital Work in Progress (Net of Deperication)	(9,13,24,708)	(5,12,00,301)
Purchase of Fixed Assets	(53,015)	(1,20,272)
<b>TOTAL</b>	<b>(9,13,77,723)</b>	<b>(5,13,20,573)</b>
<b>C. CASH FLOW FROM FINANCIAL ACTIVITIES</b>		
Unsecured Loan	-	4,00,00,000
<b>TOTAL</b>	<b>-</b>	<b>4,00,00,000</b>
<b>NET INCREASE/(DECREASE) IN CASH FLOW(A+B+C)</b>	<b>(18,60,018)</b>	<b>1,99,451</b>
<b>CASH &amp; CASH EQUIVALENT AT THE BEGINNING OF THE YEAR</b>	<b>18,85,595</b>	<b>16,86,145</b>
<b>CASH &amp; CASH EQUIVALENT AT THE END OF THE YEAR</b>	<b>25,577</b>	<b>18,85,595</b>
Cash on hand and balance with banks	25,578	18,85,595
Other Cash and Cash Equivalents	-	-

For and On behalf of Board of Directors

<b>Yogesh Juneja</b>	<b>A.K .Gupta</b>	<b>R. Nagarajan</b>
Director	Director	Chairman

**SIGNED IN TERMS OF OUR REPORT OF EVEN DATE**

For & On Behalf of  
**Rajiv Gupta & Co.**  
(CHARTERED ACCOUNTANTS)  
Firm Reg. No:3188N  
(RAJIV GUPTA)  
(Partner)  
M No. 82060

Place : New Delhi  
Date : 17-06-2011

**COASTAL TAMIL NADU POWER LIMITED**  
**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

**I Registration details**

Registration No :	<b>U40102DL2007ULL157615</b>		State Code: 55
Balance Sheet Date :	<b>31</b>	<b>03</b>	<b>2011</b>
	Date	Month	Year

**II Capital raised during the year (Amount in RupeesThousands)**

Public Issue	Right issue
-	-
Bonus Issue	Private Placement
-	-

**III Position of Mobilisation and Deployment of Funds (Amount in RupeesThousands)**

Sources of Funds	Total Liabilities	Total Assets
	<b>5,05,447</b>	<b>5,05,447</b>
Paid up capital		Reserve and Surplus
<b>500</b>		-
Unsecured Loan		Current Liabilities
<b>4,00,000</b>		<b>1,04,947</b>

**Application of Funds**

Application of Funds	Net Fixed Assets	Capital Work In Progress
	<b>101</b>	<b>1,80,321</b>
Investment		Current Assets
-		<b>324,402</b>
Misc. Expenditure		Accumulated Losses
-		<b>623</b>

**IV Performance of Company (Amount in RupeesThousands)**

Performance of Company	Turnover	Total Expenditure
	-	-
Profit/ Loss before Tax		Profit/ Loss after Tax
-		-
Earning per Share		Dividend
-		-

**V Generic Names of Three Principles 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 2011**

The preparation of financial statements of Coastal Tamil Nadu Power Limited, New Delhi for the year ended 31 March 2011 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the Company. The statutory auditors appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 17 June 2011.

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 Coastal Tamil Nadu Power Limited, New Delhi for the year ended 31 March 2011 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**

**(M.K. BISWAS)**

**Principal Director of Commercial Audit &  
Ex-official Member Audit Board – III,  
New Delhi**

**Place: New Delhi  
Dated: 15<sup>th</sup> July 2011**

## SAKHIGOPAL INTEGRATED POWER COMPANY LIMITED

(A wholly owned subsidiary of Power Finance Corporation Limited)

### DIRECTORS' REPORT 2010-2011

To

The Members,

Your Directors have pleasure in presenting the 3<sup>rd</sup> Annual Report on the working of the Company for the financial year ending on 31<sup>st</sup> March, 2011 along with Audited Statements of Accounts and Auditor's Report thereon.

### OPERATIONAL ACTIVITIES

Your Company has been established on 21<sup>st</sup> May, 2008 as a Special Purpose Vehicle (SPV) by PFC Consulting Limited (a wholly owned subsidiary of Power Finance Corporation Limited) in the State of Orissa to undertake preliminary studies, 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 the award of the project to the successful bidder. However, as per direction of Ministry of Power (MoP), Government of India, the shares of the Company were transferred to Power Finance Corporation Limited (PFC) by PFC Consulting Limited (PFCCL) on February 9, 2010. After transfer of Shares to PFC, Company became wholly owned subsidiary of PFC.

Power from the project would be procured by the twelve States namely Orissa (2000 MW), Uttar Pradesh (480 MW), Bihar (350 MW), Haryana (275 MW), Rajasthan (250 MW), Delhi (120 MW), Punjab (120 MW), Assam (120 MW), Himachal Pradesh (100 MW), Jammu & Kashmir (75 MW), Meghalaya (60 MW) and Nagaland (50 MW).

Bankhui (800 MT) coal block in Talcher coal fields has been allocated to the Company by Ministry of Coal in June 2010. Five coastal sites were proposed by the State Government which were visited by the CEA/ PFC team. In a meeting held at Bhubaneswar on 28.09.10 under the Chairmanship of Chief Secretary, Government of Orissa (GoO), it was decided that the coastal sites shall be finalized after comprehensive study by State Pollution Control Board. A site at Mursundi, District Sonapur was identified by our consultant and found suitable by CEA. In-principal clearance for land and water was sought for this site from the State Government so that a team of CEA/ PFC may visit this site to assess its suitability. Recommendations of the State Government in this matter are awaited.

### 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 ₹ 27.25 Lakh for 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 1<sup>st</sup> April, 2010 to 31<sup>st</sup> March, 2011.

### SHARE CAPITAL

The paid-up share capital of the Company was ₹ 5,00,000/- (50,000 equity shares of ₹ 10/- each) as on 31<sup>st</sup> March, 2011. During the year, the entire share capital of the Company was held by PFC and its nominees.

### COMMITMENT ADVANCE

During the year under review, your Company has received Commitment Advance of ₹ 60.00 Lakh from power procuring states. The total commitment advance received till date is ₹ 1627.00 Lakh.

### FIXED DEPOSITS

The Company has not accepted any fixed deposit during the period ending 31<sup>st</sup> March, 2011.

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

As the Company's operations do not involve any manufacturing or processing activities, the particulars as per the Companies (Disclosure of Particulars in the

Report of the Board of Directors) Rules, 1988, regarding conservation of energy and technology absorption, are not applicable. During the year under review, there is no foreign exchange earning and outgo.

### AUDITORS

M/s. Rajendra K. Goel & Co., Chartered Accountants, was appointed as Statutory Auditors of the Company for the financial year 2010-2011 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

In accordance with provisions of Companies Act, 1956 Shri Ashwani Sharma Director shall retire by rotation at the ensuing Annual General Meeting of the Company and being eligible offers himself for re-appointment.

### COMMENTS OF COMPTROLLER AND AUDITOR GENERAL(C&AG) OF INDIA

C&AG vide their letter dated 28<sup>th</sup> June, 2011 mentioned that they have decided not to review the report of the Statutory Auditors on the accounts of the Company for the year ended 31<sup>st</sup> March, 2011 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 Annexure-1.

### DIRECTORS' RESPONSIBILITY STATEMENT

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

- In the preparation of Annual Accounts for the financial year 2010-11, the applicable accounting standards had been followed along with proper explanation relating to material departure.
- 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 the affairs of the Company at the end of the financial year 2010-11.
- The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- The Directors had prepared the annual accounts 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 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  
**(M. K. Goel)**  
Chairman

Place : New Delhi

Dated : 01.08.2011

## AUDITOR'S REPORT

TO

THE MEMBERS SAKHIGOPAL INTEGRATED POWER COMPANY LIMITED.

1. We have audited the attached Balance Sheet of **SAKHIGOPAL INTEGRATED POWER COMPANY LIMITED** as at **31st March 2011**, the 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 from any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) order, 2003 read with the companies (Auditor's Report) (Amendment) order, 2004 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in the paragraphs 4 and 5 of said order.
4. Further to our comments in the Annexure referred to in paragraph 3 above we report that:
  - (a) 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.
  - (b) In our opinion, proper books of accounts as required by law have been kept by the company, so far as appears from our examination of the books. Since some of the payments on behalf of the Company made by the Holding Company i.e. Power Finance Corporation Ltd., the original supports relating to these expenditures etc. are kept with the 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 Balance Sheet, Profit & Loss account and Cash flow statement dealt with this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the companies act, 1956.
  - (e) In pursuance to the notification No. GSR 829(E) dated 21.10.2003 issued by the Department of Company Affairs; clause (g) of sub-section (1) of section 274 of companies Act, 1956 pertaining to disqualification of Directors is not applicable to a Government Company.
  - (f) In our opinion and to the best of our knowledge and according to information and explanation given to us, the said financial statements, read together with the Notes on accounts given in Schedule 9 and Accounting Policies annexed thereto, give the information required by the Companies Act, 1956 in the manner so required & give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (i) In case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2011,
    - (ii) In case of the Profit & Loss Account, the Profit 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  
**RAJENDRA K. GOEL & CO.**  
**Chartered Accountants**  
**(Firm Registration No:001457N)**  
**CA .V.K.ISSAR**  
**(Partner)**  
**M.No.9519**

**Place: New Delhi**  
**Date: 03.06.2011**

### ANNEXURE TO AUDITOR'S REPORT OF SAKHIGOPAL INTEGRATED POWER COMPANY LIMITED (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, provision of para 4(i) (a) of the Companies (Auditor's 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 (Auditor's 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 (Auditor's Report) Order, 2003 relating to disposal of any substantial part of fixed assets during the year are not applicable to Company as it does not have fixed assets.
2. As the company has not purchased/ sold goods during the year nor are there any stocks. Accordingly clauses 4(ii) (a), (b) and (c) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
3. As explained to us, the Company has not taken nor granted any loans, secured or unsecured from Companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly clauses 4(iii) (a), (b), (c) and (d) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
4. Having regards to the nature of company's business and based on our scrutiny of company's records and the information and explanation given to 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 explanation 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 regards to purchase of fixed assets.
5. 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.
6. According to the information and explanation given to us, the company has not accepted any deposits from public.
7. The company does not have paid up capital and reserves of Rs 50 lakhs as at the commencement of the financial year concerned, or have a average annual turnover exceeding five crore rupees for a year of three consecutive financial years immediately preceding the financial year concerned, the provision of para 4 (vii) of the Companies (Auditor's Report) Order, 2003 are not applicable to company.
8. The company does not have any business activities during the year, the provision of para 4 (viii) of the Companies (Auditor's Report) order, 2003 relating to maintaining of cost records under section 209 (1) (d) of the companies act is not applicable to the company.

9. (a) According to information and explanation given to us, the company is regular in depositing undisputed statutory dues including Provident Fund, Investors Education and Protection Fund Employees State Insurance, Income Tax, Wealth Tax, and other statutory dues with the appropriate Authorities through holding company i.e. PFC Ltd. According to information and explanation given to us, there are no undisputed statutory dues outstanding as at 31st March, 2011 for a period of more than six months from the date they become payable.
- (b) According to information and explanation given to us, there are no dues of Income Tax, Wealth Tax, which have not been deposited on account of any dispute.
10. In our opinion the Company has accumulated losses at the end of the current financial year. However it has not incurred any cash losses in the current financial year.
11. According to the records made available to us and information and explanations given by the management, the company has not taken any loan, from any financial institution or bank or debenture holder, hence clause (xi) of paragraph 4 of the Order is not applicable to the Company
12. In our opinion and according to information and explanation given to us, provision of para 4 (xii) of the Companies (Auditor's Report) Order, 2003 are not applicable to Company as it has not given any loans and advance on security of shares, Debentures and other securities.
13. In our opinion and according to information and explanation given to us, the Company is not a Chit Fund, Nidhi or Mutual benefit, Trust/Society. Accordingly, the provision of para 4(xiii) of the companies (Auditor's Report) Order, 2003 is not applicable to company.
14. According to information and explanation given to us, the Company is not dealing or trading in shares, Securities, debenture and other investment and hence the requirement of para 4(xiv) of the Companies (Auditor's Report) Order, 2003 is not applicable to Company.
15. According to information and explanation given to us, the Company has not given any guarantee in respect of loan taken by it from banks and financial institutions.
16. In our opinion and according to information and explanation given to us the Company has not obtained any term loan and hence the requirement of para 4 (xvi) of the Companies (Auditor's Report) Order, 2003 are not applicable to Company.
17. According to information and explanation given to us and on an overall examination of the Balance sheet and Cash Flow statement of the Company, we report that no funds raised on short-term basis have been utilized for long term investment purpose.
18. The Company has not made any preferential allotment of share to parties and companies covered in the register maintained under section 301 of the Companies Act 1956.
19. According to information and explanation given to us the company does not have any debentures and hence the requirement of para 4(xix) of the Companies (Auditor's Report) order, 2003 are not applicable to Company.
20. According to information and explanation given to us the company has not raised any money from public issues during the year.
21. 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 and on behalf of  
**RAJENDRA K. GOEL & CO.**  
Chartered Accountants  
(Firm Registration No:001457N)  
**CA .V.K.ISSAR**  
(Partner)  
**M.No.9519**

Place: New Delhi  
Date: 03.06.2011

**SAKHIGOPAL INTEGRATED POWER COMPANY LIMITED**  
**BALANCE SHEET AS AT 31st MARCH, 2011**

PARTICULARS	SCHEDULE	As at 31st	As at 31st
		March 2011	March 2010
		₹	₹
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share Capital	1	5,00,000	5,00,000
<b>LOAN FUNDS</b>			
Unsecured Loans	2	16,27,00,000	15,67,00,000
<b>TOTAL</b>		<b>16,32,00,000</b>	15,72,00,000
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
a) Gross Block	3	-	-
Less : Depreciation		-	-
Net Block		-	-
b) Capital Work in Progress	4	63,91,944	36,65,972
		<b>6,391,944</b>	36,65,972
<b>INVESTMENT</b>			
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>			
a) Cash & Bank Balances	5	1,88,856	1,58,252
b) Other Current Assets		1,39,71,222	39,32,208
c) Loans & Advances		15,69,21,493	15,43,44,413
		<b>17,10,81,571</b>	15,84,34,873
<b>Less : CURRENT LIABILITIES &amp; PROVISIONS</b>			
Current Liabilities	6	1,43,25,777	49,56,024
Provision		901	-
		<b>1,43,26,678</b>	49,56,024
<b>NET CURRENT ASSETS</b>		<b>15,67,54,893</b>	15,34,78,849
<b>MISCELLANEOUS EXPENDITURE</b>			
(To the extent not written off or adjusted)			
Profit & Loss Account		53,163	55,179
<b>TOTAL</b>		<b>16,32,00,000</b>	15,72,00,000
<b>EXPENDITURE DURING CONSTRUCTION PERIOD SIGNIFICANT ACCOUNTING POLICIES</b>			
<b>NOTES TO ACCOUNTS</b>			
<b>Schedules referred above form an integral part of Balance Sheet</b>			

For and On behalf of Board of Directors

**Ashwani Sharma**                      **Subir Mulchandani**                      **M.K.Goel**  
Director                                      Director                                      Chairman

**SIGNED IN TERMS OF OUR REPORT OF EVEN DATE**

For & On Behalf of  
**RAJENDRA K. GOEL & CO.**  
(CHARTERED ACCOUNTANTS)  
Firm Reg No: 001457N  
**CA. V.K.Issar**  
(Partner)  
**M No. 9519**

Place : New Delhi  
Date : 03-06-2011



**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011**
**SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS**

PARTICULARS	SCHEDULE	Year ended	Year ended
		31st March 2011 ₹	31st March 2010 ₹
<b>Income</b>			
Interest on Income Tax Refund		<b>2,917</b>	-
		<b>2,917</b>	-
<b>Expenses</b>			
Prior Period Expenses(Preliminary Expenses written off)		-	55,179
		-	55,179
Profit/(Loss) Before Tax		<b>2,917</b>	(55,179)
Provision For Income Tax		<b>901</b>	-
<b>Net Profit/(Loss) after tax for the year</b>		<b>2,016</b>	(55,179)
Add: - Net Loss Brought Forward		<b>55,179</b>	-
<b>Net Loss Carried to Balance Sheet</b>		<b>53,163</b>	55,179
<b>Basic &amp; Diluted Earning (Loss) per share of ₹10 each</b>		<b>0.04</b>	(1.10)
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	<b>8</b>		
<b>NOTES TO ACCOUNTS</b>	<b>9</b>		

Schedules referred above form an integral part of Profit & Loss Account

**SCHEDULE '1'  
SHARE CAPITAL**

PARTICULARS	As at 31st March 2011 ₹	As at 31st March 2010 ₹
	<b>AUTHORISED</b>	
50,000 Equity Shares of ₹ 10/- each	<b>5,00,000</b>	5,00,000
	<b>5,00,000</b>	5,00,000
<b>ISSUED, SUBSCRIBED &amp; PAID UP</b>		
50,000 Equity Shares of ₹ 10/- each Fully Paid up (Wholly owned by Power Finance Corporation Ltd.)	<b>5,00,000</b>	5,00,000
<b>Total</b>	<b>5,00,000</b>	5,00,000
<b>SCHEDULE '2' UNSECURED LOANS</b>		
<b>PARTICULARS</b>	<b>As at 31st March 2011 ₹</b>	<b>As at 31st March 2010 ₹</b>
Commitment Advance from Procurers	<b>16,27,00,000</b>	15,67,00,000
<b>Total</b>	<b>16,27,00,000</b>	15,67,00,000

For and On behalf of Board of Directors

<b>Ashwani Sharma</b>	<b>Subir Mulchandani</b>	<b>M.K.Goel</b>
Director	Director	Chairman

**SIGNED IN TERMS OF OUR REPORT OF EVEN DATE**

For & On Behalf of  
**RAJENDRA K. GOEL & CO.**  
**(CHARTERED ACCOUNTANTS)**  
 Firm Reg No: 001457N  
 CA. V.K.Issar  
 (Partner)  
 M No. 9519

Place : New Delhi  
 Date : 03.06.2011

**SCHEDULE '3'  
FIXED ASSETS**

PARTICULARS	GROSS BLOCK				DEPRECIATION BLOCK				FIGURES IN ₹ NET BLOCK	
	Opening Balance as at 01-04-2010	Additions/ Adjustments during the year	Deductions/ Adjustments during the year	Closing Balance as at 31.03.2011	Opening Balance as at 01-04-2010	Additions/ Adjustments during the year	Deductions/ Adjustments during the year	Closing Balance as at 31.03.2011	As at 31.03.2011	As at 31.03.2010
	--	-	-	-	-	-	-	-	-	-
<b>TOTAL</b>	--	--	-	-	-	-	-	-	-	-
<b>Previous Year</b>	--	--	-	-	-	-	-	-	-	-

**SCHEDULE '4'**  
**CAPITAL WORK IN PROGRESS**

PARTICULARS	As at 31st	As at 31st
	March 2011	March 2010
	₹	₹
Opening Balance Capital Work In Progress	36,65,972-	38,836
Add: Transferred from Expenditure During Construction Period (Schedule -7)	27,25,972	3,627,136
<b>Total</b>	<b>63,91,944</b>	3,665,972

**SCHEDULE '5'**  
**CURRENT ASSETS, LOANS & ADVANCES**

PARTICULARS	As at 31st	As at 31st
	March 2011	March 2010
	₹	₹
<b>a) Cash and Bank Balances</b>		
Cash in hand	-	-
Balance with Scheduled Bank in Current Accounts (Allahabad Bank)	1,88,856	1,58,252
<b>Total (a)</b>	<b>1,88,856</b>	1,58,252
<b>b) Other Current Assets</b>		
Interest Receivable from PFCCCL	-	38,12,808
Interest Receivable from PFC	1,39,71,222	82,383
TDS Refundable	-	37,017
<b>Total (b)</b>	<b>1,39,71,222</b>	39,32,208
<b>c) Loans &amp; Advances</b>		
(Unsecured but Considered Good)		
PFC Consulting Ltd.	-	10,53,00,000
Income Tax Refundable	9,154	-
Power Finance Corporation Ltd.	15,69,12,339	4,90,44,413
<b>Total (c)</b>	<b>15,69,21,493</b>	15,43,44,413
<b>Total (a+b+c)</b>	<b>17,10,81,571</b>	15,84,34,873

**SCHEDULE '6'**  
**CURRENT LIABILITIES AND PROVISIONS**

PARTICULARS	As at 31st	As at 31st
	March 2011	March 2010
	₹	₹
<b>a) Current Liabilities</b>		
Interest Payable	1,32,04,963	36,85,959
Sundry Creditors		
Audit Fee Payable	43,430	43,430
Sundry Creditors	-	8,17,804
<b>Others</b>		
TDS Payable	10,62,494	4,03,812
Expenses payable	14,890	5,019
<b>Total (a)</b>	<b>1,43,25,777</b>	49,56,024
<b>b) Provisions</b>		
Provision For Income Tax	901	-
<b>Total (b)</b>	<b>901</b>	-
<b>Total (a+b)</b>	<b>1,43,26,678</b>	49,56,024

**SCHEDULE '7'**  
**EXPENDITURE DURING CONSTRUCTION PERIOD**

PARTICULARS	As at 31st	As at 31st
	March 2011	March 2010
	₹	₹
<b>(a) Expenses</b>		
Manpower Charges	16,54,067	23,05,270
Bank Charges	176	325
Audit Fees	48,256	48,256
Legal & Professional Charges	77,566	17,224
Consultancy Charges	91,133	104,105
Conference & Meeting	39,678	6,57,879
Survey & Studies Expenses	1,13,243	-
Travelling Expenses	1,83,276	3,10,918
Interest on utilised portion	5,00,641	1,80,600
Interest on unutilised portion	1,00,76,031	38,09,249
Other Administration Expenses	17,936	2,559
<b>Total (a)</b>	<b>1,28,02,003</b>	74,36,385
<b>(b) Other Income</b>		
Interest on unutilised portion	1,00,76,031	38,09,249
(Gross, TDS ₹ NIL, Previous year ₹ 9,154/-)		
<b>Total (b)</b>	<b>1,00,76,031</b>	38,09,249
<b>Balance(a-b) Carried to CWIP -Schedule-4</b>	<b>27,25,972</b>	36,27,136

**Schedule No.- '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.

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 materialized.

2. **Recognition of Income /Expenditure:**

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 /PFCCCL 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 ` 5,000/- are fully depreciated.

4. **Capital work In Progress:**

Expenditure incurred on Land/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. 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.

**9. 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.**

**10. Preliminary expenses are written off in the year in which such expenditure has been incurred, in compliance with the opinion of the Expert Advisory Committee (EAC) of The Institute of Chartered Accountants of India.**

**11. Contingent liabilities have not been provided and are disclosed by way of notes on the basis of available information.**

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

Company as per invoice raised by PFCCCL and includes ₹ 90,998/- (Previous year ₹Nil) of Sh. Subir Mulchandani (Director) and ₹2,15,361/- (Previous year ₹Nil) charged for Sh. Ashwani Sharma (Director). PFC is complying with statutory provisions related to deduction of tax at source applicable to expenses allocated by it.

**5. The expenses appearing as other Administrative Expenses in the Schedule-7 "Expenditure during Construction period" include Printing & Stationery, Official Hospitality, Telephone expenses and Vehicle hiring expenses etc.**

**6. Original Supporting bills in respect of expenditures incurred by the PFC/PFCCCL are retained by them of which copies are available with the Company. PFC/PFCCCL is complying with all statutory provisions relating to the 'Deduction of tax at source etc. as applicable to the expenses.**

**7. 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. 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).**

**8. During the year, the Company has received Commitment Advance of ₹60,00,000/- (Previous year ₹10,87,00,000/-) 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.**

**9. Out of the total Commitment advance of ₹40,00,00,000/- to be receivable from procurers, ₹16,27,00,000/- (Previous year ₹15,67,00,000/-) has been received and given to the Holding Company to meet out expenditures for the project on behalf of the company and to invest and or retain remaining unutilized portion of commitment advance. Total interest expense amounting to ₹ 1,05,76,672/- (Previous Year ₹ 39,89,849/-) has been accounted in the books of account for the year which includes interest of ₹ 1,00,76,031/- (Previous year ₹ 38,09,249/-) on unutilized portion and ₹ 5,00,641/- (Previous year ₹1,80,600/-) on utilized portion. The rate of interest charged / paid on the utilized amount of funds is as applicable in PFC for the Project Loan/Schemes (Generation) for Borrowers under category "State Sector Borrowers (Category 'A') as determined from time to time and on unutilized portion of funds, the interest received/ paid is on "monthly average short term deposit rate of PFC". Interest on unutilized portion of fund is receivable from PFC and the same is payable to procurers. Interest on utilized portion has been capitalized. Interest payable has been shown under Current Liabilities.**

**10. 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 fees of ₹ 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 (PFC), consequent upon which the company along with all its assets and liabilities shall stand transferred to such bidder as per the share purchase agreement to be entered into.**

**11. 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.**

**SCHEDULE – '9'**

**NOTES TO ACCOUNTS**

1. The Company was incorporated on 21/05/2008 under the Companies Act, 1956 and Certificate for Commencement of Business was issued on 17/04/2009. The company is a wholly owned subsidiary of Power Finance Corporation (PFC), a Govt. of India undertaking. 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 Ashwani Sharma	Director	29.05.2009	Continuing
3.	Shri Subir Mulchandani	Director	21.05.2008	Continuing
4.	Shri Yogesh Juneja	Director	30.12.2009	Continuing

3. Pursuant to the Financing Agreement between PFC and the Company, the entire expenditure on development of the Project were incurred by Holding Company (PFCCCL/ 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 (PFCCCL). The Manpower Charges of ₹16,54,067/- (Previous Year ₹23,05,270/-) for cost of PFCCCL employees charged by PFCCCL on the basis of cost to company based on actual man days spent by the employees for the

12. The Company has agreed to pay a sum of ₹ 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 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, since the same will be charged in the year of transfer of the company to successful bidder only in the event of transfer of the company.

13. The company has sent letters to various parties included under the head Unsecured Loans (Commitment advance), interest payable, interest receivables etc. for confirmation of their balances as per the books of accounts of the company for which some confirmations is yet to be received from the respective parties.

14. Auditors Remuneration (including Service Tax): -

Particulars	2010-11	2009-10
Statutory Audit Fees	₹ 48,256/-	₹ 48,256/-
Other Fees	₹ 28,954/-	----

15. 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 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	2010-11		2009-10	
		PFC	PFCCL	PFC	PFCCL
1	Equity Contribution	Nil/-	Nil/-	5,00,000/-	Nil/-
2	Interest Income for the year	1,00,76,031/-	Nil/-	91,537/-	37,17,712/-
3	Manpower Charges (PFCCL)	16,54,067/-	Nil/-	23,05,270/-	Nil/-
4	Closing Balance				
a.	Interest receivable	1,39,71,222/-	Nil/-	82,383/-	38,12,808/-
b.	Loans & advances	15,69,12,339/-	Nil/-	4,90,44,413/-	10,53,00,000/-
c.	Sundry Creditors/ Amount Payable	Nil/-	Nil/-	Nil	8,17,804/-

16. 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 company is still in the construction stage and yet to commence its operation.

17. (i) Estimated amount of contracts remaining to be executed on Project (Capital Work in Progress) and not provided for ₹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 year is ₹Nil/- (Previous year ₹Nil/-).

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.	Particulars	2010-11	2009-10
1.	Nominal Value of share ₹	10	10
2.	Number of Equity shares (No.)	50,000	50,000
3.	Net Profit (Loss) after tax ₹	2,016	(55,179)
4.	Earning per share ₹	0.04	(1.10)

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. 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. Since there are no employees in the company, the obligation as per Accounting Standard-15 (Revised) do not arises.

22. In the opinion of the Board, on realization 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.

23. 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

24. Figures have been rounded off to the nearest Rupee unless otherwise stated.

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

26. Schedule 1 to 9 form an integral part of the Financial Statements and have been authenticated.

For and on behalf of Board of Directors

**Ashwani Sharma**                      **Subir Mulchandani**                      **M.K. Goel**  
(Director)                                      (Director)                                      (Chairman)

**Signed in terms of our report of even date  
For Rajendra K.Goel & Co..  
Chartered Accountants  
(Firm Reg. No: 001457N)  
CA V.K.Issar  
(Partner)  
M.No.9519**

**Place: New Delhi  
Date: 03.06.2011**

**SAKHIGOPAL INTEGRATED POWER COMPANY LIMITED**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011**

PARTICULARS	Year ended	Year ended
	31st March 2011	31st March 2010
	₹	₹
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit/(Loss) as per Profit & Loss A/c	2,016	(55,179)
Prior Period Expenses/ Preliminary expenses	-	55,179
Operating profit before working capital changes	2,016	-
<b>Adjustment For Increase/Decrease in:</b>		
Other Current Assets	(1,00,39,014)	(38,09,249)
Loans & Advances	(25,77,080)	(10,63,44,413)
Current Liabilities & Provisions	93,70,654	47,39,281
<b>TOTAL</b>	<b>(32,43,424)</b>	<b>(10,54,14,381)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Capital Work in Progress	(27,25,972)	(36,27,136)
<b>TOTAL</b>	<b>(27,25,972)</b>	<b>(36,27,136)</b>
<b>C. CASH FLOW FROM FINANCIAL ACTIVITIES</b>		
Unsecured Loan	60,00,000	10,87,00,000
<b>TOTAL</b>	<b>60,00,000</b>	<b>10,87,00,000</b>
<b>NET INCREASE/(DECREASE) IN CASH FLOW</b>	<b>30,604</b>	<b>(3,41,517)</b>
<b>CASH &amp; CASH EQUIVALENT AT THE BEGINNING OF THE YEAR</b>	<b>1,58,252</b>	<b>4,99,769</b>
<b>CASH &amp; CASH EQUIVALENT AT THE END OF THE YEAR</b>	<b>1,88,856</b>	<b>1,58,252</b>
Cash on hand and balance with banks	1,88,856	1,58,252
Other Cash and Cash Equivalents	-	-

For and On behalf of Board of Directors

**Ashwani Sharma**      **Subir Mulchandani**      **M.K.Goel**  
Director                      Director                      Chairman

**SIGNED IN TERMS OF OUR REPORT OF EVEN DATE**

For & On Behalf of  
**RAJENDRA K. GOEL & CO.**  
(CHARTERED ACCOUNTANTS)  
Firm Reg. No: 001457N  
CA. V.K.Issar  
(Partner)  
M No. 9519

Place : New Delhi  
Date : 03-06-2011

**SAKHIGOPAL INTEGRATED POWER COMPANY LIMITED**  
**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

<b>I Registration details</b>		
Registration No :	<b>U40108DL2008GOI178409</b>	State Code: 55
Balance Sheet Date :	31                      3                      2011	
	Date                      Month                      Year	
<b>II Capital raised uring the year (Amount Rupees in Thousands)</b>		
Public Issue	-	Right issue -
Bonus Issue	-	Private Placement -
<b>III Position of Mobilisation and Deployment of Funds (Amount Rupees in Thousands)</b>		
Total Liabilities	1,77,527	Total Assets 1,77,527
Sources of Funds		
Paid up capital	500	Reserve and Surplus -
Unsecured Loans	1,62,700	Current Liabilities 14,327
Net Fixed Assets	-	Capital Work In Progress 6,392
Application of Funds		
Investment	-	Current Assets 1,71,082
Misc. Expenditure	-	Accumulated Losses 53
<b>IV Performance of Company (Amount in Rupees Thousand )</b>		
Turnover	-	Total Expenditure -
Profit/ Loss before Tax	3	Profit/ Loss after Tax 2
Earning per Share	0.04	Dividend -
<b>V Generic Names of Three Priciples Products/Services of Company (as per monetary terms)</b>		
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 2011**

The preparation of financial statements of Sakhigopal Integrated Power Company Limited, New Delhi, for the year ended 31 March 2011 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 03 June 2011.

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 2011 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**

**(M.K. BISWAS)**

**Principal Director of Commercial Audit &  
Ex-official Member Audit Board – III,  
New Delhi**

**Place: New Delhi  
Dated: 28<sup>th</sup> June 2011**

**GHOARPALLI INTEGRATED POWER COMPANY LIMITED**

(A wholly owned subsidiary of Power Finance Corporation Limited)

**DIRECTORS' REPORT 2010-2011**

To

The Members,

Your Directors have pleasure in presenting the 3<sup>rd</sup> Annual Report on the working of the Company for the financial year ending on 31<sup>st</sup> March, 2011 along with Audited Statements of Accounts and Auditor's Report thereon.

**OPERATIONAL ACTIVITIES**

Your Company is a wholly owned subsidiary of Power Finance Corporation Limited and was incorporated 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 in the State of Orissa, prior to award of the project to the successful bidder.

Power from the project would be procured by the eleven States namely states of Orissa (2000 MW), Tamil Nadu (600 MW), Karnataka (350 MW), Jharkhand (350 MW), Kerala (190 MW), Andhra Pradesh (190 MW) West Bengal (120 MW), Puducherry (70 MW), Tripura (50 MW), Manipur (40 MW) and Mizoram (40 MW).

A site at Titilagarh, District Bolangir was identified for the project by the State Government. A team of CEA/ PFC visited the site to assess its suitability. In-principal clearance for land and water was sought for this site from the State Government. However, Principal Secretary (WRD), GoO, informed that requisite quantity of water for the project at Titilagarh site cannot be made available and proposed to suggest another site, nearer to IB river Coalfields where availability of water for the project can be assured. Recommendations of the State Government in this matter are awaited.

**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 ₹ 20.51 Lakh 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 financial year 2010-11.

**SHARE CAPITAL**

The paid-up share capital of the Company was ₹ 5,00,000/- (50,000 equity shares of ₹ 10/- each) as on 31<sup>st</sup> March, 2011. The entire paid up share capital of the Company is held by Power Finance Corporation Limited (PFC) and its nominees.

**COMMITMENT ADVANCE**

During the year under review, the Company has not received any commitment advance from procurers. Total commitment advance received by the Company till 31<sup>st</sup> March, 2011 is ₹ 1518.00 Lakh from power procuring states.

**FIXED DEPOSITS**

The Company has not accepted any fixed deposit during the year ending 31<sup>st</sup> March, 2011.

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

As the Company's operations do not involve any manufacturing or processing activities, the particulars as per the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, regarding conservation of energy and technology absorption, are not applicable. During the year under review, there is no foreign exchange earning and outgo.

**AUDITORS**

M/s. B S Chhatwal & Co., Chartered Accountants, was appointed as Statutory Auditors of the Company for the financial year 2010-2011 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

In accordance with provisions of Companies Act, 1956, Shri Ashwani Sharma Director shall retire by rotation at the ensuing Annual General Meeting of the Company and being eligible has offered himself for re-appointment.

**COMMENTS OF COMPTROLLER AND AUDITOR GENERAL(C&AG) OF INDIA**

C&AG vide their letter dated 15<sup>th</sup> July, 2011 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. A copy of the letter issued by C&AG in this regard is placed at Annexure-1.

**DIRECTORS' RESPONSIBILITY STATEMENT**

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

- In the preparation of Annual Accounts for the financial year 2010-11, the applicable accounting standards had been followed along with proper explanation relating to material departure.
- 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 the affairs of the Company at the end of the financial year 2010-11.
- The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- The Directors had prepared the annual accounts 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, the Statutory Auditors and PFC for their suggestions and unstinted co-operation and guidance.

For and on behalf of the Board of Directors

**(M. K. Goel)**  
Chairman

Place : New Delhi

Dated : 01.08.2011

## AUDITOR'S REPORT

### TO

#### THE MEMBERS GHOGARPALLI INTEGRATED POWER COMPANY LIMITED.

1. We have audited the attached Balance Sheet of **GHOGARPALLI INTEGRATED POWER COMPANY LIMITED** as at **31st March 2011**, the 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 from any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) order, 2003 read with the companies (Auditor's Report) (Amendment) order, 2004 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in the paragraphs 4 and 5 of said order.
4. Further to our comments in the Annexure referred to in paragraph 3 above we report that:
  - (i) 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.
  - (ii) In our opinion, proper books of accounts as required by law have been kept by the company, so far as appears from our examination of the books. Since some of the payments on behalf of the Company made by the Holding Company i.e. Power Finance Corporation Ltd., the original supports relating to these expenditures etc. are kept with the Holding Company.
  - (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 dealt with this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the companies act, 1956.
  - (v) In pursuance to the notification No. GSR 829(E) dated 21.10.2003 issued by the Department of Company Affairs; clause (g) of sub-section (1) of section 274 of companies Act, 1956 pertaining to disqualification of Directors is not applicable to a Government Company.
  - (vi) In our opinion and to the best of our knowledge and according to information and explanation given to us, the said financial statements, read together with the Notes on accounts given in Schedule 9 and Accounting Policies annexed thereto, give the information required by the Companies Act, 1956 in the manner so required & give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (a) In case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2011,
    - (b) In case of the Profit & Loss Account, of Nil Profit / Loss of the company for the year ended on that date; and
    - (c) 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**  
**(Firm Registration No.006225N)**  
**MANMEET CHHATWAL**  
**(Partner)**  
**Membership No.: 085685**

**Place: New Delhi**  
**Dated: 06.06.2011**

## ANNEXURE TO AUDITOR'S REPORT OF GHOGARPALLI INTEGRATED POWER COMPANY LIMITED (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, provision of para 4(i) (a) of the Companies (Auditor's 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 (Auditor's 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 (Auditor's Report) Order, 2003 relating to disposal of any substantial part of fixed assets during the year are not applicable to Company as it does not have fixed assets.
2. As the company has not purchased/ sold goods during the year nor are there any stocks. Accordingly clauses 4(ii) (a), (b) and (c) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
3. As explained to us, the Company has not taken nor granted any loans, secured or unsecured from Companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly clauses 4(iii) (a), (b), (c) and (d) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
4. Having regards to the nature of company's business and based on our scrutiny of company's records and the information and explanation given to 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 explanation 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 regards to purchase of fixed assets.
5. 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.
6. According to the information and explanation given to us, the company has not accepted any deposits from public.
7. The company does not have paid up capital and reserves of ₹ 50 lakhs as at the commencement of the financial year concerned, or have a average annual turnover exceeding five crore rupees for a year of three consecutive financial years immediately preceding the financial year concerned, the provision of para 4 (vii) of the Companies (Auditor's Report) Order, 2003 are not applicable to company.
8. The company does not have any business activities during the year, the provision of para 4 (viii) of the Companies (Auditor's Report) order, 2003 relating to maintaining of cost records under section 209 (1) (d) of the companies act is not applicable to the company.
9. (a) According to information and explanation given to us, the company is regular in depositing undisputed statutory dues including Provident Fund, Investors Education and Protection Fund Employees State Insurance, Income Tax, Wealth Tax, and other statutory dues with the appropriate Authorities through holding company i.e. PFC Ltd. According to information and explanation given to us, there are no undisputed statutory dues outstanding as at 31<sup>st</sup> March, 2011 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.



**GHOGARPALLI INTEGRATED POWER COMPANY LIMITED  
BALANCE SHEET AS AT 31st MARCH, 2011**

10. In our opinion the Company has accumulated losses at the end of the current financial year. However it has not incurred any cash losses in the current financial year.
11. According to the records made available to us and information and explanations given by the management, the company has not taken any loan, from any financial institution or bank or debenture holder, hence clause (xi) of paragraph 4 of the Order is not applicable to the Company
12. In our opinion and according to information and explanation given to us, provision of para 4 (xii) of the Companies (Auditor's Report) Order, 2003 are not applicable to Company as it has not given any loans and advance on security of shares, Debentures and other securities.
13. In our opinion and according to information and explanation given to us, the Company is not a Chit Fund, Nidhi or Mutual benefit, Trust/Society. Accordingly, the provision of para 4(xiii) of the companies (Auditor's Report) Order, 2003 is not applicable to company.
14. According to information and explanation given to us, the Company is not dealing or trading in shares, Securities, debenture and other investment and hence the requirement of para 4(xiv) of the Companies (Auditor's Report) Order, 2003 is not applicable to Company.
15. According to information and explanation given to us, the Company has not given any guarantee in respect of loan taken by it from banks and financial institutions.
16. In our opinion and according to information and explanation given to us the Company has not obtained any term loan and hence the requirement of para 4 (xvi) of the Companies (Auditor's Report) Order, 2003 are not applicable to Company.
17. According to information and explanation given to us and on an overall examination of the Balance sheet and Cash Flow statement of the Company, we report that no funds raised on short-term basis have been utilized for long term investment purpose.
18. The Company has not made any preferential allotment of share to parties and companies covered in the register maintained under section 301 of the Companies Act 1956.
19. According to information and explanation given to us the company does not have any debentures and hence the requirement of para 4(xix) of the Companies (Auditor's Report) order, 2003 are not applicable to Company.
20. According to information and explanation given to us the company has not raised any money from public issues during the year.
21. 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.

PARTICULARS	SCHEDULE	As at 31st	
		March, 2011	March 2010
		₹	₹
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share Capital	1	500,000	500,000
<b>LOAN FUNDS</b>			
Unsecured Loans	2	15,18,00,000	15,41,89,636
<b>TOTAL</b>		<b>15,23,00,000</b>	<b>15,46,89,636</b>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
a) Gross Block	3	-	-
Less : Depreciation		-	-
Net Block		-	-
b) Capital Work in Progress	4	54,41,369	33,89,545
		<b>54,41,369</b>	<b>33,89,545</b>
<b>INVESTMENTS</b>			
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>			
a) Cash & Bank Balances	5	74,881	74,947
b) Other Current Assets		1,28,15,007	33,78,586
c) Loans & Advances		14,70,70,506	15,18,00,000
		<b>15,99,60,394</b>	<b>15,52,53,533</b>
<b>Less : CURRENT LIABILITIES &amp; PROVISIONS</b>			
Current Liabilities	6	131,56,492	4,08,171
Provisions		-	-
		<b>1,31,56,492</b>	<b>40,08,171</b>
<b>NET CURRENT ASSETS</b>		<b>14,68,03,902</b>	<b>15,12,45,362</b>
<b>MISCELLANEOUS EXPENDITURE</b>			
(To the extent not written off or adjusted)			
Profit & Loss Account		54,729	54,729
<b>TOTAL</b>		<b>15,23,00,000</b>	<b>15,46,89,636</b>
<b>EXPENDITURE DURING CONSTRUCTION PERIOD</b>	7		
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	8		
<b>NOTES TO ACCOUNTS</b>	9		

Schedules referred above form an integral part of Balance Sheet

For and On behalf of the Board of Directors

For and on behalf of  
**B.S. CHHATWAL & CO.**  
Chartered Accountants  
(Firm Registration No.006225N)  
**MANMEET CHHATWAL**  
(Partner)  
Membership No.: 085685

<b>Ashwani Sharma</b>	<b>Subir Mulchandani</b>	<b>M.K.Goel</b>
Director	Director	Chairman

**SIGNED IN TERMS OF OUR REPORT OF EVEN DATE**

For & On Behalf of  
**B.S.CHHATWAL & CO.**  
(CHARTERED ACCOUNTANTS)  
Firm Reg. No: 006225N  
Manmeet Chhatwal  
(Partner)  
M No. 085685

Place : New Delhi  
Date : 06.06.2011

Place: New Delhi  
Dated: 06.06.2011

**GHOGARPALLI INTEGRATED POWER COMPANY LIMITED**  
**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011**

PARTICULARS	SCHEDULE	Year ended	Year ended
		31st March, 2011	31st March 2010
		₹	₹
<b>Income</b>		<b>NIL</b>	NIL
		-	-
<b>Expenses</b>			
Prior Period Expenses(Preliminary Expenses written off)		-	54,729.00
		-	54,729.00
Net Profit/(Loss) for the year		-	(54,729.00)
Add: - Net Loss Brought Forward		<b>54,729</b>	-
<b>Net Loss Carried to Balance Sheet</b>		<b>54,729</b>	54,729
<b>Basic &amp; Diluted Earning per share of ₹10 each</b>		-	(1.09)
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	8		
<b>NOTES TO ACCOUNTS</b>	9		

Schedules referred above form an integral part of Profit & Loss Account

For and On behalf of the Board of Directors

<b>Ashwani Sharma</b> Director	<b>Subir Mulchandani</b> Director	<b>M.K.Goel</b> Chairman
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**SIGNED IN TERMS OF OUR REPORT OF EVEN DATE**

For & On Behalf of  
**B.S.CHHATWAL & CO.**  
(CHARTERED ACCOUNTANTS)  
Firm Reg. No: 006225N  
Manmeet Chhatwal  
(Partner)  
M No. 085685

Place : New Delhi  
Date : 06-06-2011

**GHOGARPALLI INTEGRATED POWER COMPANY LIMITED**  
**SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS**

SCHEDULE '1' SHARE CAPITAL	PARTICULARS	As at 31st	As at 31st
		March, 2011	March, 2010
		₹	₹
	<b>AUTHORISED</b>		
	50,000 Equity Shares of ₹ 10/- each	<b>5,00,000</b>	5,00,000
		<b>5,00,000</b>	5,00,000
	<b>ISSUED, SUBSCRIBED &amp; PAID UP</b>		
	50,000 Equity Shares of ₹ 10/- each Fully Paid up	<b>5,00,000</b>	5,00,000
	(Wholly owned by Power Finance Corporation Ltd.)		
	<b>Total</b>	<b>5,00,000</b>	5,00,000
	<b>SCHEDULE '2' UNSECURED LOANS</b>		
	<b>PARTICULARS</b>	<b>As at 31st</b>	<b>As at 31st</b>
		<b>March, 2011</b>	<b>March, 2010</b>
		₹	₹
	Commitment Advance from Procurers	<b>15,18,00,000</b>	15,18,00,000
	Power Finance Corporation Ltd.	-	23,89,636
	<b>Total</b>	<b>15,18,00,000</b>	15,41,89,636

**SCHEDULE '3'  
FIXED ASSETS**

PARTICULARS	GROSS BLOCK				DEPRECIATION GROSS				FIGURES IN ₹ NET BLOCK	
	Opening	Additions/	Deductions/	Closing	Opening	Additions/	Deductions/	Closing	As at	As at
	Balance As at 01-04-2010	Adjustments during the year	Adjustments during the year	Balance As at 31.03.2011	Balance As at 01-04-2010	Adjustments during the year	Adjustments during the year	Balance As at 31.03.2011	31.03.2011	31.03.2010
	-	-	-	-	-	-	-	-	-	-
<b>TOTAL</b>	-	-	-	-	-	-	-	-	-	-
<b>Previous Year</b>	-	-	-	-	-	-	-	-	-	-

**SCHEDULE '4'  
CAPITAL WORK IN PROGRESS**

PARTICULARS	As at 31st	As at 31st
	March, 2011	March, 2010
	₹	₹
Opening Balance	<b>33,89,545</b>	38,836.00
CWIP: Transferred from Expenditure During Construction Period (Schedule-7)	<b>20,51,824</b>	3,350,709
<b>Total</b>	<b>54,41,369</b>	33,89,545

**SCHEDULE '5'**  
**CURRENT ASSETS, LOANS & ADVANCES**

PARTICULARS	As at 31st	As at 31st
	March, 2011	March 2010
	₹	₹
<b>a. Cash and Bank Balances</b>		
<b>Cash in hand</b>		
Balance with Scheduled Bank in Current Accounts (Allahabad Bank)	74,881	74,947
Total (a)	74,881	74,947
<b>b. Other Current Assets</b>		
Interest Receivable from PFC Consulting Ltd.	-	33,78,586
Interest Receivable from PFC Ltd.	1,28,15,007	-
Total (b)	1,28,15,007	33,78,586
<b>c. Loans and Advances</b>		
(Unsecured, Considered Good)		
PFC Consulting Ltd.	-	15,18,00,000
PFC Ltd.	14,70,70,506	-
Total (c)	14,70,70,506	15,18,00,000
<b>Total (a+b+c)</b>	<b>15,99,60,394</b>	<b>15,52,53,533</b>

**SCHEDULE '6'**  
**CURRENT LIABILITIES AND PROVISIONS**

PARTICULARS	As at 31st	As at 31st
	March, 2011	March 2010
	₹	₹
<b>Current Liabilities</b>		
Audit Fee Payable	43,430	43,430
Interest Payable to Procurers	1,21,42,403	31,97,563
Amount Payable to PFC Consulting Ltd.	-	4,02,223
TDS Payable	9,22,210	3,59,936
Expenses Payable	48,449	5,019
<b>Total</b>	<b>1,31,56,492</b>	<b>40,08,171</b>

**SCHEDULE '7'**  
**EXPENDITURE DURING CONTRUCTION PERIOD**

PARTICULARS	As at 31st	As at 31st
	March, 2011	March 2010
	₹	₹
<b>(a) Expenses</b>		
Manpower Charges	12,76,502	23,78,068
Audit Fees	48,256	48,256
Conference & Meeting	24,760	6,19,130
Legal & Professional charges	49,112	20,250
Consultancy Charges	1,09,603	1,09,028
Bank Charges	66	353
Survey & Studies Exp	1,13,244	-
Interest Exp on utilised portion	4,22,908	1,74,087
Interest Exp on unutilised portion	94,36,421	33,78,586
Other Administration Expenses	7,373	1,537
<b>Total (a)</b>	<b>1,14,88,245</b>	<b>67,29,295</b>
<b>(b) Other Income</b>		
Interest income on unutilised portion (TDS ₹Nil, Previous Year ₹ Nil)	94,36,421	33,78,586
<b>Total (b)</b>	<b>94,36,421</b>	<b>33,78,586</b>
<b>Balance (a-b) Carried to CWIP Schedule - 4</b>	<b>20,51,824</b>	<b>33,50,709</b>

**Schedule No. 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.

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. Recognition of Income /Expenditure:**

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 /PFCL 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 ₹ 5,00,000/- are fully depreciated.

**4. Capital work In Progress:**

Expenditure incurred on Land/Survey/Studies/Investigations/Consultancy/ Administration /Depreciation/Interest/Manpower Charges etc. has been capitalized & 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 are written off in the year in which such expenditure has been incurred, in compliance with the opinion of the Expert Advisory Committee (EAC) of The Institute of Chartered Accountants of India.

**10.** Contingent liabilities have not been provided and are disclosed by way of notes on the basis of available information.

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

**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 (PFCL), (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 Financial year 2009-10, PFC Consulting Limited has transferred GIPL to PFC Limited on 09/02/2010. 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 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).

- 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 Ashwani Sharma	Director	29.05.2009	Continuing
3.	Shri Subir Mulchandani	Director	22.05.2008	Continuing
4.	Shri Yogesh Juneja	Director	30.12.2009	Continuing

- Pursuant to the Financing Agreement between PFC and the Company, the entire expenditure on development of the Project were incurred by Holding Company (PFCL/ PFC) from its own funds until receipt of the commitment advance from the procurers and thereafter out of Commitment Advance received from Procurers.
- All the work for the Company are executed by PFC Consulting Ltd. (PFCL). The Manpower Charges of ₹12,76,502/- (Previous Year ₹23,78,068/-) for PFCL employees charged by PFCL on the basis of cost to company based on actual man days spent for the Company as per invoice raised by PFCL and include ₹ Nil (Previous Year ₹ 8,25,044/-) charged for Sh.Ashwani Sharma (Director) and ₹ 78,865/- (Previous Year ₹ Nil ) of Sh. Subir Mulchandani (Director). PFC is complying statutory provisions related to deduction of tax at source applicable to expenses allocated by it.
- The expenses appearing as other Administrative Expenses in the Schedule-7 "Expenditure during Construction period" include Official Hospitality, Telephone expenses and Vehicle hiring expenses etc.
- Original Supporting bills in respect of expenditure incurred by the PFC/ PFCL 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 etc. as applicable to these expenses.
- 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. 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.
- During the year, the Company has received Commitment Advance of ₹ Nil/- (Previous year ₹15,18,00,000/-) 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.
- Out of total commitment advance of ₹ 40,00,00,000 Crores receivable from procurers, a sum of ₹ 15,18,00,000/- received from procurers during financial year 2009-10 was given to the Holding Company (PFC/PFCL) 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 ₹98,59,329/- (Previous Year ₹35,52,673/-) has been accounted for in the books of account for the year which includes interest of ₹94,36,421/- (Previous year ₹33,78,586/-) on unutilized portion and ₹4,22,908/- (Previous year ₹1,74,087/-) on utilized portion. Interest on utilized portion has been capitalized. The rate of interest charged / paid on the utilized amount of funds is as applicable in PFC for the Project Loan/ Schemes (Generation) for Borrowers under category "State Sector Borrowers (Category 'A') as determined from time to time and on unutilized portion of

funds, the interest received/paid is on "monthly average short term deposit rate of PFC". Interest payable has been shown under Current Liabilities.

- The Company has agreed to pay a sum of ₹ 50,00,00,000/- plus applicable taxes to PFC/PFCL on account of fees for providing advisory & professional services rendered by PFC/PFCL. The fees for providing advisory & professional services is payable to PFC/PFCL 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/ PFCL, since the same will be charged in the year of transfer of the company to successful bidder only in the event of transfer of the company.
- 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.
- 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 as per the share purchase agreement to be entered into.
- 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.
- In the opinion of the Board, on realization 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.
- Since there are no employees in the company, the obligation as per Accounting Standard-15 (Revised) do not arises.
- 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/PFCL 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	2010-11		2009-10	
		PFC	PFCL	PFC	PFCL
1.	Equity Contribution	Nil	Nil	5,00,000/-	Nil
2.	Interest Expenses for the year	Nil	Nil	Nil	35,52,673/-
3.	Manpower Charges (PFCL)	12,76,502/-	NIL	23,05,270/-	NIL
4.	Closing Balance				
a)	Unsecured Loan	Nil	Nil	23,89,636/-	Nil
b)	Interest receivable	1,28,15,007/-	Nil	Nil	33,78,586/-
c)	Loans & Advance	14,70,70,506/-	Nil	Nil	15,18,00,000/-
d)	Amount Payable	Nil	Nil	Nil	4,02,223/-

17. In terms of Accounting Standard 20 on "Earnings per Share" notified under the Companies Act 1956, Earning per share (Basic & Diluted) is worked out as follows: -

S. No.	Particulars	2010-11	2009-10
1.	Nominal Value of share ₹	10	10
2.	Number of Equity shares (No.)	50,000	50,000
3.	Net Profit after tax ₹	Nil	(54,729)
4.	Earning per share ₹	Nil	(1.09)

18. (i) Estimated amount of contracts remaining to be executed on capital account and not provided for is ₹ Nil/-.  
(ii) Contingent liabilities of the company and claims against the company not acknowledged by the company as certified by the management for the year is ₹ Nil/-.
19. Auditors Remuneration (including Service Tax)

Particulars	2010-11	2009-10
Statutory Audit Fees	₹ 48,256/-	₹ 48,256/-
Other Audit Fees	₹28,954/-	Nil

20. 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.
21. 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".
22. 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
23. The company has sent letters to various parties included under the head Unsecured Loans (Commitment advance), interest payable, interest receivables etc. for confirmation of their balances as per the books of accounts of the company for which some confirmations is yet to be received from the respective parties.
24. Figures have been rounded off to the nearest Rupee unless otherwise stated.
25. Previous year's figure have been re-grouped/ re-arranged, wherever practicable, to make them comparable with the current year.
26. Schedule 1 to 9 form an integral part of the Financial Statements and have been authenticated

For and on behalf of Board of Directors

**Ashwani Sharma**      **Subir Mulchandani**      **M.K. Goel**  
(Director)                      (Director)                      (Chairman)

**Signed in terms of our report of even date**  
**For B. S. Chhatwal & Co.**  
**Chartered Accountants**  
**(Firm Reg. No: 006225N)**  
**Manmeet Chhatwal**  
**(Partner)**  
**M.No. 085685**

**Place: New Delhi**  
**Date: 06.06.2011**

**GHOGARPALLI INTEGRATED POWER COMPANY LIMITED**  
**Cash Flow Statement for the year ended 31st March 2011**

PARTICULARS	Year ended	Year ended
	31st March, 2011	31st March 2010
	₹	₹
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit/(Loss) as per Profit & Loss A/c	-	(54,729)
Prior Period Expenses/ Preliminary expenses	-	54,729
Operating profit before working capital changes	-	-
<b>Adjustment For Increase/Decrease in:</b>		
Other Current Assets	<b>(94,36,421)</b>	(33,78,586)
Loans & Advances	<b>47,29,494</b>	(15,18,00,000)
Current Liabilities & Provisions	<b>91,48,321</b>	39,14,837
<b>Operating Activities (A)</b>	<b>44,41,394</b>	(15,12,63,749)
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Capital Work in Progress	<b>(20,51,824)</b>	(33,50,709)
<b>Net Inflow from Investing Activities (B)</b>	<b>(20,51,824)</b>	(33,50,709)
<b>C. CASH FLOW FROM FINANCIAL ACTIVITIES</b>		
Unsecured Loans	<b>(23,89,636)</b>	15,41,89,636
<b>Net Inflow from Financing Activities (C)</b>	<b>(23,89,636)</b>	15,41,89,636
<b>NET INCREASE/(DECREASE) IN CASH FLOW(A+B+C)</b>	<b>(66)</b>	(4,24,822)
<b>CASH &amp; CASH EQUIVALENT AT THE BEGINNING OF THE YEAR</b>	<b>74,947</b>	4,99,769
<b>CASH &amp; CASH EQUIVALENT AT THE END OF THE YEAR</b>	<b>74,881</b>	74,947
Cash on hand and balance with banks	<b>74,881</b>	74,947
Other Cash and Cash Equivalents	-	-

For and On behalf of the Board of Directors

**Ashwani Sharma**      **Subir Mulchandani**      **M.K.Goel**  
Director                      Director                      Chairman

**SIGNED IN TERMS OF OUR REPORT OF EVEN DATE**

For & On Behalf of  
**B.S.Chhatwal & Co.**  
**(CHARTERED ACCOUNTANTS)**  
**Firm Reg. No: 006225N**  
**Manmeet Chhatwal**  
**(Partner)**  
**M No. 085685**

**Place : New Delhi**  
**Date : 06.06.2011**

**GHOARPALLI INTEGRATED POWER COMPANY LIMITED  
BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

**I Registration details**

Registration No :	<b>U45207DL2008GO1178456</b>		State Code: 55
Balance Sheet Date :	31	03	2011
	Date	Month	Year

**II Capital raised during the year (Amount in Rupees Thousands)**

Public Issue	-	Right issue	-
Bonus Issue	-	Private Placement	-

**III Position of Mobilisation and Deployment of Funds (Amount in Rupees Thousands)**

<b>Sources of Funds</b>	Total Liabilities	Total Assets
	1,65,456	1,65,456
	Paid up capital	Reserve and Surplus
	500	-
	Unsecured Loans	Current Liabilities
	1,51,800	13,156
<b>Application of Funds</b>	Net Fixed Assets	Capital Work In Progress
	-	5,441
	Investment	Current Assets
	-	1,59,960
	Misc. Expenditure	Accumulated Losses
	-	55

**IV Performance of Company (Amount in Rupees Thousands)**

Turnover	-	Total Expenditure	-
Profit/ Loss before Tax	-	Profit/ Loss after Tax	-
Earning per Share	-	Dividend	-

**V Generic Names of Three Principles 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 GHOARPALLI INTEGRATED POWER COMPANY LIMITED, NEW DELHI, FOR THE YEAR ENDED 31 MARCH 2011**

The preparation of financial statements of Ghogarpalli Integrated Power Company Limited, New Delhi, for the year ended 31 March 2011 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 2011.

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 Ghogarpalli Integrated Power Company Limited, New Delhi, for the year ended 31 March 2011. 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-official Member Audit Board – III,  
New Delhi**

**Place: New Delhi  
Dated: 15<sup>th</sup> July 2011**

## TATIYA ANDHRA MEGA POWER LIMITED

(A wholly owned subsidiary of Power Finance Corporation Limited)

### DIRECTORS' REPORT 2010-2011

To

The Members,

Your Directors have pleasure in presenting their 2<sup>nd</sup> Annual Report on the working of the Company for the financial year ended 31<sup>st</sup> March, 2011 together with the Audited Statement of Accounts and Auditor's Report thereon.

### OPERATIONAL ACTIVITIES

Your Company has been established on 17<sup>th</sup> April, 2009 as a Special Purpose Vehicle (SPV) by Power Finance Corporation Limited (PFC), to undertake developmental activities for the proposed 4000MW, 2<sup>nd</sup> UMPP in Nayunipalli village, district Prakasam, Andhra Pradesh.

The power from the project will be procured by twenty states namely Andhra Pradesh (2000 MW), Uttar Pradesh (595 MW), Madhya Pradesh (170 MW), Jharkhand (165 MW), Chhattisgarh (115 MW), Maharashtra (275 MW), Karnataka (115 MW), Tamil Nadu (115 MW), Kerala (75 MW), West Bengal (55 MW), Rajasthan (55 MW), Haryana (55 MW), Himachal Pradesh (45 MW), Assam (45 MW), Nagaland (20 MW), Meghalaya (20 MW), Manipur (20 MW), Mizoram (20 MW), Puducherry (20 MW) and Arunachal Pradesh (20 MW).

Section 4 notification for 726 acres of land was issued in November, 2010.

Govt. of Andhra Pradesh has accorded in-principle permission to the proposed UMPP for drawing sea water.

VANPIC Ports Pvt. Ltd., is the Port service provider for the proposed UMPP and VANPIC has confirmed that they will be able to handle the coal requirements of the proposed UMPP.

'One season study' on Marine EIA is already over and the draft report was submitted. The same was forwarded to CEA for review. The comments of CEA have been forwarded to NIO for incorporation in the report. The second season study is in progress.

The 'Draft Report' on 'Rail Transportation of Coal, Petroleum, Oil and Lubricants' prepared by Rites was forwarded to South Central Railways. The Comments of South Central Railways have been forwarded to Rites for incorporation in the Report.

### 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 ₹ 262.37 Lakh in the development of the Project which has been transferred to capital work in progress. The Company has also incurred capital expenditure of ₹ 182.10 Lakh for acquisition of Land.

### DIVIDEND

As the Company has not started its commercial activities, the Company has not declared any dividend for the period commencing from 1<sup>st</sup> April, 2010 to 31<sup>st</sup> March, 2011.

### SHARE CAPITAL

The paid-up share capital of the Company was ₹ 5,00,000/- (50,000 equity shares of ₹ 10/- each) as on 31<sup>st</sup> March, 2011. During the year, the entire share capital of the Company was held by PFC and its nominees.

### COMMITMENT ADVANCE

During the year under review, your Company has received Commitment Advance of ₹ 1732.25 Lakh from power procuring states. The total commitment advance received till date is ₹ 1815.00 Lakh.

### FIXED DEPOSITS

The Company has not accepted any fixed deposit during the period ending 31<sup>st</sup> March, 2011

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

As the Company's operations do not involve any manufacturing or processing activities, the particulars as per the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, regarding conservation of energy and technology absorption, are not applicable. During the year under review, there is no foreign exchange earning and outgo.

### AUDITORS

M/s. SVP & Associates, Chartered Accountants, was appointed as Statutory Auditors of the Company for the financial year 2010-2011 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

Since the date of last Directors' Report, pursuant to the office order issued by Power Finance Corporation Limited (PFC), Holding Company, Shri R. Rahman has been appointed as Director of the Company in place of Shri Yogesh Juneja w.e.f. 18<sup>th</sup> April 2011.

Consequent to the aforesaid change, the Board of Directors comprises of the following:

1.	Shri M. K. Goel	: Chairman
2.	Shri Dinesh Vij	: Director
3.	Shri Subir Mulchandani	: Director
4.	Shri R. Rahman	: Director

In accordance with provisions of Companies Act, 1956 Shri M.K.Goel, Chairman shall retire by rotation at the ensuing Annual General Meeting of the Company and being eligible offers himself for re-appointment.

### COMMENTS OF COMPTROLLER AND AUDITOR GENERAL(C&AG) OF INDIA

C&AG vide their letter dated 28<sup>th</sup> June, 2011 mentioned that they have decided not to review the report of the Statutory Auditors on the accounts of the Company for the year ended 31<sup>st</sup> March, 2011 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-I.

### DIRECTORS' RESPONSIBILITY STATEMENT

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

- In the preparation of Annual Accounts for the financial year 2010-11, the applicable accounting standards had been followed along with proper explanation relating to material departure.
- 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 the affairs of the Company at the end of the financial year 2010-11.
- The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- The Directors had prepared the annual accounts 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 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

**(M. K. Goel)**

**Chairman**

**Place : New Delhi**

**Dated : 17.08.2011**

## **AUDITOR'S REPORT**

**TO**

**THE MEMBERS TATIYA ANDHRA MEGA POWER LIMITED.**

1. We have audited the attached Balance Sheet of **TATIYA ANDHRA MEGA POWER LIMITED** as at **31st March 2011**, the 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 from any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) order, 2003 read with the companies (Auditor's Report) (Amendment) order, 2004 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in the paragraphs 4 and 5 of said order.
4. Further to our comments in the Annexure referred to in paragraph 3 above we report that:
  - (a) 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.
  - (b) In our opinion, proper books of accounts as required by law have been kept by the company, so far as appears from our examination of the books. Since some of the payments on behalf of the Company made by the Holding Company i.e. Power Finance Corporation Ltd., the original supports relating to these expenditures etc. are kept with the 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 Balance Sheet, Profit & Loss account and Cash flow statement dealt with this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the companies act, 1956.
  - (e) In pursuance to the notification No. GSR 829(E) dated 21.10.2003 issued by the Department of Company Affairs; clause (g) of sub-section (1) of section 274 of companies Act, 1956 pertaining to disqualification of Directors is not applicable to a Government Company.
  - (f) In our opinion and to the best of our knowledge and according to information and explanation given to us, the said financial statements, read together with the Notes on accounts given in Schedule 9 and Accounting Policies annexed thereto, give the information required by the Companies Act, 1956 in the manner so required & give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (i) In case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2011,
    - (ii) In case of the Profit & Loss Account, of Nil Profit / 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  
**SVP & Associates**  
**Chartered Accountants.**



(Firm Reg. No : 003838N)  
CA. Tarun Kansal  
(Partner)  
Mem. No.084751

Place: New Delhi  
Dated: 01.06.2011

**ANNEXURE TO AUDITOR'S REPORT OF TATIYA ANDHRA MEGA POWER LIMITED  
(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, provision of para 4(i) (a) of the Companies (Auditor's 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 (Auditor's 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 (Auditor's Report) Order, 2003 relating to disposal of any substantial part of fixed assets during the year are not applicable to Company as it does not have fixed assets.
2. As the company has not purchased/ sold goods during the year nor are there any stocks. Accordingly clauses 4(ii) (a), (b) and (c) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
3. As explained to us, the Company has not taken nor granted any loans, secured or unsecured from Companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly clauses 4(iii) (a), (b), (c) and (d) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
4. Having regards to the nature of company's business and based on our scrutiny of company's records and the information and explanation given to 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 explanation 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 regards to purchase of fixed assets.
5. 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.
6. According to the information and explanation given to us, the company has not accepted any deposits from public.
7. The company does not have paid up capital and reserves of ₹ 50 lakhs as at the commencement of the financial year concerned, or have a average annual turnover exceeding five crore rupees for a year of three consecutive financial years immediately preceding the financial year concerned, the provision of para 4 (vii) of the Companies (Auditor's Report) Order, 2003 are not applicable to company.
8. The company does not have any business activities during the year, the provision of para 4 (viii) of the Companies (Auditor's Report) order, 2003 relating to maintaining of cost records under section 209 (l) (d) of the companies act is not applicable to the company.
9. (a) According to information and explanation given to us, the company is regular in depositing undisputed statutory dues including Provident Fund, Investors Education and Protection Fund Employees State Insurance, Income Tax, Wealth Tax, and other statutory dues with the appropriate Authorities through holding company i.e. PFC Ltd. According to information and explanation given to us, there are no undisputed statutory dues outstanding as at 31<sup>st</sup> March, 2011 for a period of more than six months from the date they become payable.

- (b) According to information and explanation given to us, there are no dues of Income Tax, Wealth Tax, which have not been deposited on account of any dispute.
10. In our opinion the Company has accumulated losses at the end of the current financial year. However it has not incurred any cash losses in the current financial year.
11. According to the records made available to us and information and explanations given by the management, the company has not taken any loan, from any financial institution or bank or debenture holder, hence clause (xi) of paragraph 4 of the Order is not applicable to the Company
12. In our opinion and according to information and explanation given to us, provision of para 4 (xii) of the Companies (Auditor's Report) Order, 2003 are not applicable to Company as it has not given any loans and advance on security of shares, Debentures and other securities.
13. In our opinion and according to information and explanation given to us, the Company is not a Chit Fund, Nidhi or Mutual benefit, Trust/Society. Accordingly, the provision of para 4(xiii) of the companies (Auditor's Report) Order, 2003 is not applicable to company.
14. According to information and explanation given to us, the Company is not dealing or trading in shares, Securities, debenture and other investment and hence the requirement of para 4(xiv) of the Companies (Auditor's Report) Order, 2003 is not applicable to Company.
15. According to information and explanation given to us, the Company has not given any guarantee in respect of loan taken by it from banks and financial institutions.
16. In our opinion and according to information and explanation given to us the Company has not obtained any term loan and hence the requirement of para 4 (xvi) of the Companies (Auditor's Report) Order, 2003 are not applicable to Company.
17. According to information and explanation given to us and on an overall examination of the Balance sheet and Cash Flow statement of the Company, we report that no funds raised on short-term basis have been utilized for long term investment purpose.
18. The Company has not made any preferential allotment of share to parties and companies covered in the register maintained under section 301 of the Companies Act 1956.
19. According to information and explanation given to us the company does not have any debentures and hence the requirement of para 4(xix) of the Companies (Auditor's Report) order, 2003 are not applicable to Company.
20. According to information and explanation given to us the company has not raised any money from public issues during the year.
21. 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 and on behalf of SVP & Associates  
**Chartered Accountants.**  
(Firm Reg. No : 003838N)  
CA. Tarun Kansal  
(Partner)  
Mem. No.084751

Place: New Delhi  
Dated: 01.06.2011

**TATIYA ANDHRA MEGA POWER LIMITED**  
**BALANCE SHEET AS AT 31ST MARCH, 2011**

PARTICULARS	SCHEDULE	As at 31st	As at 31st
		March, 2011	March 2010
		₹	₹
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share Capital	1	5,00,000	5,00,000
<b>LOAN FUNDS</b>			
Unsecured Loans	2	18,15,00,000	82,74,978
<b>TOTAL</b>		<b>18,20,00,000</b>	<b>87,74,978</b>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
a) Gross Block	3	-	-
Less : Depreciation		-	-
<b>Net Block</b>		-	-
b) Capital Work in Progress	4	5,46,68,766	1,02,21,374
		<u>5,46,68,766</u>	<u>1,02,21,374</u>
<b>INVESTMENTS</b>			
		-	-
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>			
a) Cash & Bank Balances	5	94,565	99,934
b) Other Current Assets		72,07,266	-
c) Loans & Advances		13,19,52,706	10,10,000
		<u>13,92,54,537</u>	<u>11,09,934</u>
<b>Less : CURRENT LIABILITIES &amp; PROVISIONS</b>			
Current Liabilities	6	1,19,52,762	25,85,789
Provisions		-	-
		<u>1,19,52,762</u>	<u>25,85,789</u>
<b>NET CURRENT ASSETS</b>		<u>12,73,01,775</u>	<u>(14,75,855)</u>
MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)			
		-	-
Profit & Loss Account		29,459	29,459
<b>TOTAL</b>		<b>18,20,00,000</b>	<b>87,74,978</b>

**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

<b>R Rahman</b>	<b>Subir Mulchandani</b>	<b>M.K.Goel</b>
Director	Director	Chairman

**SIGNED IN TERMS OF OUR REPORT OF EVEN DATE**  
**For & On Behalf of**  
**SVP & Associates**  
**(CHARTERED ACCOUNTANTS)**  
**Firm Reg. No: 003838N**  
**CA. Tarun Kansal**  
**(Partner)**  
**M No. 084751**

**Place : New Delhi**  
**Date : 01.06.2011**

**TATIYA ANDHRA MEGA POWER LIMITED**  
**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH,2011**

PARTICULARS	SCHEDULE	Year ended	Year ended
		31st March, 2011	31st March, 2010
		₹	₹
<b>Income</b>			
		NIL	NIL
<b>Expenses</b>			
Preliminary Expenses		-	29,459
		-	29,459
Net Profit/(Loss) for the year		-	(29,459)
Add: - Net Loss Brought Forward		29,459	-
<b>Net Loss Carried to Balance Sheet</b>		<b>29,459</b>	<b>29,459</b>
<b>Basic &amp; Diluted Earning per share of ₹10 each</b>		-	(0.59)
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	8		
<b>NOTES TO ACCOUNTS</b>	9		

**Schedule referred above form an integral part of Profit & Loss Account**

For and on behalf of the Board of Directors

<b>R Rahman</b>	<b>Subir Mulchandani</b>	<b>M.K.Goel</b>
Director	Director	Chairman

**SIGNED IN TERMS OF OUR REPORT OF EVEN DATE**  
**For & On Behalf of**  
**SVP & Associates**  
**(CHARTERED ACCOUNTANTS)**  
**Firm Reg. No: 003838N**  
**CA. Tarun Kansal**  
**(Partner)**  
**M No. 084751**

**Place : New Delhi**  
**Date : 01.06.2011**

**TATIYA ANDHRA MEGA POWER LIMITED**  
**SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS**

**SCHEDULE '1'**  
**SHARE CAPITAL**

PARTICULARS	As at 31st	As at 31st
	March, 2011	March, 2010
	₹	₹
<b>AUTHORISED</b>		
50,000 Equity Shares of ₹ 10/- each	5,00,000	5,00,000
	<u>5,00,000</u>	<u>5,00,000</u>
<b>ISSUED, SUBSCRIBED &amp; PAID UP</b>		
50,000 Equity Shares of ₹ 10/- each Fully Paid up (Refer Note No.1 of Schedule-9 on Notes to Accounts)	5,00,000	5,00,000
<b>Total</b>	<b>5,00,000</b>	<b>5,00,000</b>

**SCHEDULE '2'**  
**UNSECURED LOANS**

PARTICULARS	As at 31st	As at 31st
	March, 2011	March, 2010
	₹	₹
Commitment Advance received from Procurers	18,15,00,000	-
Power Finance Corporation Ltd.	-	82,74,978
<b>Total</b>	<b>18,15,00,000</b>	<b>82,74,978</b>

**SCHEDULE '3'**  
**FIXED ASSETS**

FIGURES IN ₹

PARTICULARS	GROSS BLOCK				DEPRECIATION BLOCK				NET BLOCK	
	Opening Balance As At 01-04-2010	Ajustments during the year	Deductions/ Adjustments during the year	Closing Balance As At 31.03.2011	Opening Balance As At 01-04-2010	Additions/ Adjustments during the year	Deductions/ Adjustments during the year	Closing Balance As At 31.03.2011	As At 31.03.2011	As At 31.03.2010
	-	-	-	-	-	-	-	-	-	-
<b>TOTAL</b>	-	-	-	-	-	-	-	-	-	-
<b>PREVIOUS YEAR</b>	-	-	-	-	-	-	-	-	-	-

**SCHEDULE '4'**  
**CAPITAL WORK IN PROGRESS**

PARTICULARS	As at 31st	As at 31st
	March, 2011	March 2010
	₹	₹
Opening Balance	1,02,21,374	-
CWIP: Transferred from Expenditure During Construction Period (Schedule-7)	2,62,37,392	1,02,21,374
	<b>3,64,58,766</b>	1,02,21,374
Expenditure for Land Acquisition	1,82,10,000	-
<b>Total</b>	<b>5,46,68,766</b>	1,02,21,374

**SCHEDULE '5'**  
**CURRENT ASSETS, LOANS & ADVANCES**

PARTICULARS	As at 31st	As at 31st
	March, 2011	March 2010
	₹	₹
<b>a. Cash and Bank Balances</b>		
Cash Balance	-	-
Balance with Scheduled Bank in Current Accounts (Allahabad Bank)	94,565	99,934
	<b>94,565</b>	99,934
<b>b. Other Current Assets</b>		
Interest Receivable from PFC	72,07,266	-
	<b>72,07,266</b>	-
<b>c. Loans and Advances</b>		
(Unsecured, Considered Good)		
Advance for Consultancy Assignments	-	10,10,000
Power Finance Corporation Limited (Holding Company)	13,19,52,706	-
	<b>13,19,52,706</b>	10,10,000
<b>Total (a+b+c)</b>	<b>13,92,54,537</b>	11,09,934

**SCHEDULE '6'**  
**CURRENT LIABILITIES AND PROVISIONS**

PARTICULARS	As at 31st	As at 31st
	March, 2011	March 2010
	₹	₹
Interest Accrued but not due	1,05,59,394	4,93,403
<b>Others</b>		
Amount Payable to PFCCCL	-	17,68,171
Audit Fee Payable	43,430	34,744
TDS Payable	11,38,905	3,861
Expenses Payable	2,11,033	2,85,610
<b>Total</b>	<b>1,19,52,762</b>	<b>25,85,789</b>

**SCHEDULE '7'**  
**EXPENDITURE DURING CONSTRUCTION PERIOD**

PARTICULARS	As at 31st	As at 31st
	March, 2011	March 2010
	₹	₹
<b>(a) Expenses</b>		
Manpower Charges	98,58,579	82,01,908
Advertisement Exps.	82,099	-
Audit Fees	48,256	38,605
Legal & Professional Charges	1,08,672	36,320
Tour & Travelling Expenses	16,73,769	14,19,569
Consultancy Charges	8,80,169	21,853
Interest Expenses on utilized portion	39,92,804	4,93,403
Interest Expenses on un-utilized portion	72,07,266	-
Printing & stationery	20,963	2,659
Telephone	13,926	828
Survey & Studies Expenses	94,83,367	-
Other Administration Expenses	74,788	6,229
Total (a)	<b>3,34,44,658</b>	<b>1,02,21,374</b>
<b>(b) Other Income</b>		
Interest Income on un-utilized portion	7,207,266	-
Total (b)	<b>7,207,266</b>	-
<b>Balance (a-b) Carried to CWIP -Schedule-4</b>	<b>26,237,392</b>	<b>1,02,21,374</b>

**Schedule No. '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.

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. Recognition of Income /Expenditure**

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/PFCCCL will be accounted for in the year of transfer of the company to the successful bidder.

**3. Fixed Assets/ Depreciation:**

- 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.
- Depreciation on assets is provided on Written Down Value method, in accordance with the rates prescribed in Schedule XIV of the Companies Act, 1956.
- Items of fixed assets acquired during the year costing up to ₹5,000/- are fully depreciated.

**4. Capital work In Progress:**

Expenditure incurred on Land/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 available/ judgment of the management.**

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

## SCHEDULE – 9

### Notes to Accounts

- 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 financial year 2009-10 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).
- 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 Subir Mulchandani	Director	17.04.2009	Continuing
4.	Shri Yogesh Juneja	Director	30.12.2009	Continuing

- All the work for the Company are executed by PFC Consulting Ltd (PFCCL). Manpower Charges of ₹ 98,58,579/- (Previous Year ₹ 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 ₹10,04,006/- (Previous Year ₹11,64,768/-) charged for Sh.Dinesh Vij (Director) , and ₹1,01,614/- (Previous Year ₹ NIL) charged for Subir Mulchandani (Director). PFC is complying statutory provisions related to deduction of tax at source applicable to expenses allocated by it.
- Pursuant to the Financing Agreement between PFC and the Company, the entire expenditure on development of the Project being developed by the Company were 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.
- The expenses appearing as other Administrative Expenses in the Schedule-7 "Expenditure during Construction period" include Conference & meeting, Official Hospitality, Postage & Telegraph expenses and Vehicle hiring expenses etc.
- Original Supporting bills in respect of expenditure incurred by the PFC/PFCCL 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 etc. as applicable to these expenses.
- 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.
- 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 fees of ₹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.
- The Company has agreed to pay a sum of ₹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 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, the same will be charged in the year of transfer of the company to successful bidder.

- As per decision of Ministry of Power, Procurers are required to pay commitment advance against their respective share of allocated power to them @ ₹1 Crore for every 100 MW. 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.
- During the year, the Commitment advance of ₹18,15,00,000/- received from procurers was given to the Holding Company PFC to meet expenditures for the project on behalf of the company and to invest/retain remaining unutilized portion of commitment advance. The company pay interest to PFC on the expenses incurred by them on behalf of the company and also to procure on Commitment Advance bifurcating into fund unutilized for the project and funds unutilized at Interest rate as per the Policy of the company/holding company. Total interest expense amounting to ₹1,12,00,070/- has been accounted in the books of account for the year which includes interest of ₹ 72,07,266/- on unutilized portion and ₹ 39,92,804/- on utilized portion. The rate of interest charged / paid on the utilized amount of funds is as applicable in PFC for the Project Loan/Schemes (Generation) for Borrowers under category "State Sector Borrowers (Category 'A') 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 respectively and the same is payable to procurers. Interest on utilized portion has been capitalized. Interest payable has been shown under Current Liabilities.
- The application for requisition of 980.30 acres of land (726.51 acres of private land and 253.79 acres of government land) was submitted to the district collector, Prakasam District, through APGENCO on 27.11.09. Payment of ₹1.82 Crores towards miscellaneous expenditure, publication charges and other administrative cost incurred towards land acquisition. Section 4(1) notification was published in local newspapers on 15.11.10 to an extent of 726.51 acres of private land. Application for alienation of Government land was submitted to District Collector, Ongole on 01.12.10. Further, process of land Acquisition is under process.
- (i) Estimated amount of contracts remaining to be executed on capital account and not provided for is ₹ 1,85,77,500/- (Previous Year ₹ 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.
- Auditors Remuneration ( including service tax )

Particulars	2010-11	2009-10
Statutory Audit Fees	₹ 48,256/-	₹ 38,605/-
Professional fees	₹ 28,954/-	-

- 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.

Detail of maximum debit balance during the year 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 ₹ 13,63,31,404/-
	Previous Year ₹ NIL

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	Financial Year 2010-11		Financial Year 2009-10	
		PFC	PFCL	PFC	PFCL
1.	Equity Contribution	Nil/-	Nil/-	5,00,000/-	5,00,000/-
2.	Interest Expense	96,568/-	Nil/-	4,93,403/-	Nil
3.	Interest Income	72,07,266/-	Nil/-	Nil/-	Nil/-
4.	Manpower Charges (PFCL)	98,58,579/-	Nil/-	82,01,908/-	Nil/-
5.	Closing Balance				
a)	Unsecured Loan	Nil/-	Nil/-	82,74,978/-	Nil
b)	Interest Payable	5,89,971/-	Nil/-	4,93,403/-	Nil
c)	Loans & Advances	13,19,52,706/-	Nil/-	Nil/-	Nil/-

16. 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.
17. Since there are no employees in the company, the obligation as per Accounting Standard-15 (Revised) do not arises.
18. In the opinion of the Board, on realization 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.
19. The company has sent letters to various parties included under the head Unsecured Loans (Commitment advance), interest payable, interest receivables for confirmation of their balances as per the books of accounts of the company for which confirmations is yet to be received from the respective parties.

20. In terms of Accounting Standard 20 on "Earnings per Share" notified under the Companies Act 1956, Earning per share (Basic & Diluted) is worked out as follows: -

S. No.	Particulars	2010-11	2009-10
1.	Nominal Value of share ₹	10	10
2.	Number of Equity shares (No.)	50,000	50,000
3.	Net Profit after tax ₹	Nil	(29,459)
4.	Earning per share ₹	Nil	(0.59)

21. 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"
22. 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
23. 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.
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

<b>R Rahman</b>	<b>Subir Mulchandani</b>	<b>M.K. Goel</b>
(Director)	(Director)	(Chairman)

**Signed in terms of our report of even date  
For SVP & Associates  
Chartered Accountants  
(Firm Reg. No.: 003838N)  
CA. Tarun Kansal  
(Partner)  
M. No. 084751**

**Place: Delhi  
Date: 01.06.2011**

**TATIYA ANDHRA MEGA POWER LIMITED**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2011**

PARTICULARS	Year ended	Period ended
	31st March, 2011	31st March 2010
	₹	₹
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit/(Loss) as per Profit & Loss A/c	-	(29,459)
Operating profit before working capital changes	-	(29,459)
<b>Adjustment For Increase/Decrease in:</b>		
Other Current Assets	<b>(72,07,266)</b>	-
Loans & Advances	<b>(13,09,42,706)</b>	(10,10,000)
Current Liabilities & Provisions	<b>93,66,973</b>	25,85,789
<b>Net Inflow from Operating Activities (A)</b>	<b>(12,87,82,999)</b>	15,46,330
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Capital Work in Progress	<b>(4,44,47,392)</b>	(1,02,21,374)
<b>Net Inflow from Investing Activities (B)</b>	<b>(4,44,47,392)</b>	(1,02,21,374)
<b>C. CASH FLOW FROM FINANCIAL ACTIVITIES</b>		
Issue of Share Capital	-	5,00,000
Unsecured Loans	<b>17,32,25,022</b>	82,74,978
<b>Net Inflow from Financing Activities (C)</b>	<b>17,32,25,022</b>	87,74,978
NET INCREASE/(DECREASE) IN CASH FLOW(A+B+C)	<b>(5,369)</b>	99,934
CASH & CASH EQUIVALENT AT THE BEGINNING OF THE YEAR	<b>99,934</b>	-
CASH & CASH EQUIVALENT AT THE END OF THE YEAR	<b>94,565</b>	99,934
Cash on hand and balance with banks	<b>94,565</b>	99,934
Other Cash and Cash Equivalents	-	-

For and on behalf of the Board of Directors

<b>R Rahman</b>	<b>Subir Mulchandani</b>	<b>M.K.Goel</b>
Director	Director	Chairman

**SIGNED IN TERMS OF OUR REPORT OF EVEN DATE**

**For & On Behalf of**  
**SVP & Associates**  
**(CHARTERED ACCOUNTANTS)**  
**Firm Reg. No: 003838N**  
**CA. Tarun Kansal**  
**(Partner)**  
**M No. 084751**

Place : New Delhi  
Date : 01.06.2011

**TATIYA ANDHRA MEGA POWER LIMITED**  
**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

**I Registration details**

Registration No :	<b>U40200DL2009GOI189476</b>		State Code: 55
Balance Sheet Date :	31	3	2011
	Date	Month	Year

**II Capital raised uring the year (Amount in Rupees Thousands)**

Public Issue	-	Right issue	-
	[ ]		[ ]
Bonus Issue	-	Private Placement	500
	[ ]		[ ]

**III Position of Mobilisation and Deployment of Funds (Amount in Rupees Thousands)**

Total Liabilities	1,93,953	Total Assets	1,93,953
Sources of Funds			
Paid up capital	500	Reserve and Surplus	-
	[ ]		[ ]
Unsecured Loans	1,81,500	Current Liabilities	11,953
	[ ]		[ ]
Net Fixed Assets	-	Capital Work In Progress	54,669
Application of Funds			
Investments	-	Current Assets	1,39,255
	[ ]		[ ]
Misc. Expenditure	-	Accumulated Losses	29
	[ ]		[ ]

**IV Performance of Company (Amount in Rupees Thousands)**

Turnover	-	Total Expenditure	-
	[ ]		[ ]
Profit/ Loss before Tax	-	Profit/ Loss after Tax	-
	[ ]		[ ]
Earning per Share	-	Dividend	-
	[ ]		[ ]

**V Generic Names of Three Principles 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 2011**

The preparation of financial statements of Tatiya Andhra Mega Power Limited, New Delhi, for the year ended 31 March 2011 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The statutory auditors appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 01 June 2011.

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 2011 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**

**(M.K. BISWAS)**

**Principal Director of Commercial Audit &**

**Ex-official Member Audit Board – III,**

**New Delhi**

**Place: New Delhi**

**Dated: 28<sup>th</sup> June 2011**



**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 25th ANNUAL GENERAL MEETING OF THE COMPANY BEING HELD ON WEDNESDAY THE 28th OF SEPTEMBER, 2011 AT 10.00 AM AT MANEKSHAW CENTRE, PARADE ROAD, DELHI CANTT., 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 25th Annual General Meeting of the Company to be held at **10.00 a.m. on Wednesday, the 28th September, 2011**, and at any adjournment thereof.

Signed this \_\_\_\_ day of \_\_\_\_\_ 2011

\_\_\_\_\_  
(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.**



**Shri Setnam Singh, CMD, PFC receiving the "3rd PSU Award 2011" jointly of Datal Street and KPMG in the category of "Gentle Giants, The Largest Navratna (Non-Manufacturing)" award from Shri Sushilkumar Shinde, Hon'ble Union Power Minister on 21st April, 2011.**



**Shri Setnam Singh, CMD, PFC receiving "ICT for India Award 2010" jointly of SKOCH Consultancy and Department of Information Technology, Government of India for excellence in performance for R-APDRP on "Digital Inclusion Day", La. on 22nd Sept, 2010 from Hon'ble Union Minister Shri S. Jaipal Reddy.**



The seeds have started bearing fruits; PFC subsidiaries are also establishing their worth and ready to deliver the desired results to strengthen India's Power Infrastructure.



**POWER FINANCE CORPORATION LTD.**  
(A Govt. of India Undertaking)

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