

## SUBSIDIARY COMPANIES

### NTPC ELECTRIC SUPPLY COMPANY LIMITED

(A wholly owned subsidiary of NTPC Limited)

#### DIRECTORS' REPORT

To

Dear Members,

Your Directors have pleasure in presenting the Twelfth Annual Report on the working of the Company for the financial year ended on 31<sup>st</sup> March 2014 together with Audited Financial Statement, Auditors' Report and Review by the Comptroller & Auditor General of India for the reporting period.

#### FINANCIAL RESULTS

(₹ Crore)

|                                 | 2013-14      | 2012-13        |
|---------------------------------|--------------|----------------|
| <b>Total Revenue</b>            | <b>38.89</b> | <b>28.92</b>   |
| Total Expenses                  | 19.13        | 53.58          |
| <b>Profit/(Loss) before Tax</b> | <b>19.76</b> | <b>(24.66)</b> |
| Tax expenses                    | -            | (0.07)         |
| <b>Profit/(Loss) after Tax</b>  | <b>19.76</b> | <b>(24.59)</b> |

#### DIVIDEND

Your Directors have recommended a dividend of ₹6 Crore @ ₹741.56 per equity share on the face value of fully paid-up equity share capital of ₹10/- each. The dividend shall be paid after your approval at the Annual General meeting.

#### OPERATIONAL REVIEW

Your Company is engaged in the electricity distribution sector in various capacities.

Your Company's distribution Joint Venture Company, KINESCO Power and Utilities Private Limited, engaged in retail distribution of electricity in an industrial area of Kochi, Kerala, recorded net sales of ₹40.06 crore during the financial year 2013-14. KINESCO has earned a profit of ₹0.42 crore during the financial year 2013-14.

During the financial year, your Company has undertaken rural electrification projects on deposit work basis under the Rajiv Gandhi Grameen Vidyutikaran Yojana in the States of West Bengal, Jharkhand, Chhattisgarh, Orissa and Madhya Pradesh. During this period, 1442 villages were electrified and 24742 Below Poverty Line (BPL) connections were provided. The cumulative achievement till March 31, 2014 is 33,807 villages and 26,27,485 BPL connections.

Your Company has also undertaken turnkey execution job on deposit work basis for setting up electrical distribution network within 5 kms of NTPC projects/stations.

Your Company has developed a comprehensive Corporate Plan mapping out business opportunities in short, medium and long term period and for outlining an operating model to galvanize your Company into a well-directed action path.

A detailed discussion on operations and performance for the year is given in "Management Discussion and Analysis", Annexure - I included as a separate section to this report.

#### FIXED DEPOSITS

The Company has not accepted any fixed deposit during the financial year ending 31<sup>st</sup> March 2014.

#### AUDITORS' REPORT AND MANAGEMENT COMMENTS THEREON

The Comptroller & Auditor General of India (C&AG) has appointed M/s Bhudladia & Company, Chartered Accountants as the Statutory Auditors of the Company for the financial year 2013-14.

In their report, the Statutory Auditors of the Company have drawn attention of the members on two issues. The first issue pertains to the Accounting Policy of the Company by which the Company recognizes revenue from project management services for service charges alone, without considering the gross value of the project cost. In their report, the Auditors have mentioned that such practice is in alignment with an expert opinion from Institute of Chartered Accountants of India (ICAI) on the matter but they are not in agreement with such expert opinion. The practice adopted by the Company is in line with the opinion of the Expert Advisory Committee of the ICAI.

The second issue highlighted by the Auditors pertains to the Note relating to Employee Benefits expenses, wherein the Auditors have stated that apportionment of liability towards employee benefits are made on the basis of allocation made by the holding company i.e. NTPC Limited, according to actuarial valuation prescribed in Accounting Standard 15 (AS 15). The auditors have further stated that related disclosures in Note 17 of the financial statements are not in compliance of paragraph 33-35 of AS 15, although it is unlikely to have any impact of material misstatement so far as the expenses and liability recognized are concerned. The aforesaid treatment has been given as the parent company has allocated superannuation and provident fund liabilities on a fixed percentage basis and since the Company has no further liability apart from such annual charge to its accounts, the scheme, as it applies to the Company, is a defined contribution plan which does not need such disclosures as suggested by the Auditors. However, the matter was referred to the Expert Advisory Committee of the ICAI by NTPC Limited. The opinion on the reference has been

received, as per which the scheme is a defined contribution plan for the Company and detailed disclosures applicable to defined benefit plans are not required to be made.

#### C&AG REVIEW

A Supplementary Audit was conducted by the Comptroller & Auditor General (C&AG) of India under Section 619(3) (b) of the Companies Act, 1956. C&AG vide its letter dated July 15, 2014 have given comments under Section 619 (4) of the Companies Act, 1956. The comments of C&AG and management replies thereto on the accounts for the year 2013-14 are being placed with the report of Statutory Auditors of your Company elsewhere in this Annual Report.

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

There are no significant particulars, relating to conservation of energy, technology absorption under the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, as your Company does not own any manufacturing facility. During the period under review, there are no foreign exchange earnings and outgo.

#### PARTICULARS OF EMPLOYEES

As per Notification No. GSR 289(E) dated 31 March, 2011 issued by the Ministry of Corporate Affairs, amending the provisions of the Companies (Particulars of Employees) Rules, 1975 issued in terms of section 217(2A) of the Companies Act, 1956, it is not necessary for Government companies to include the particulars of employees drawing salaries of ₹ 60 lakh or more per annum, employed throughout the financial year or, ₹5 lakh per month, if employed for part of the financial year. As your company is a Government company, the information has not been included as a part of the Directors' Report. However, during the period under review the Company had no employees of the category, falling, under section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

#### 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, 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 2013-14 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 provisions 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 a going concern basis.

#### DIRECTORS

During the financial year under review Shri A.K. Singhal, (DIN: 00011085) consequent upon resignation from services of NTPC Limited, has tendered his resignation and accordingly ceased to be Director of the Company w.e.f. October 8, 2013 (A/N).

The Board of Directors, consequent upon nomination received from NTPC Limited, appointed Shri G.K. Sadhu, (DIN: 02312601) Executive Director (Finance), NTPC Limited as an Additional Director of the Company. Subsequently, NTPC Limited nominated Shri Kulamani Biswal, (DIN: 03318539) Director (Finance), NTPC Limited in place of Shri G.K. Sadhu, w.e.f. May 3, 2014. The Board of Directors accordingly appointed Shri Kulamani Biswal as Additional Director who holds office up to the date of this Annual General Meeting and is eligible for appointment. The Company has received a requisite notice in writing from NTPC Limited, proposing his candidature for the office of Director liable to retire by rotation.

In accordance with the provisions of Companies Act, 2013, Shri N.N. Misra, (DIN: 00575501) Director shall retire by rotation at this Annual General Meeting of your Company and, being eligible, offers himself for re-appointment.

#### ACKNOWLEDGEMENT

The Board of Directors wishes to place on record its appreciation for the support, contribution and co-operation extended by the Ministry of Power, various state governments, state utilities, customers, contractors, vendors, the Auditors, the Bankers, NTPC Limited and the untiring efforts made by all employees to ensure that the company continues to perform and excel.

For and on behalf of the Board of Directors

(Dr. Arup Roy Choudhury)  
Chairman  
DIN: 00659908

Place : New Delhi

Date : 18<sup>th</sup> July 2014

**ANNEXURE-1  
MANAGEMENT DISCUSSION AND ANALYSIS**

**INDUSTRY STRUCTURE AND DEVELOPMENTS**
**DISTRIBUTION**

The Electricity Act, 2003 requires the state governments to set up State Electricity Regulatory Commissions for rationalization of energy tariffs and formulation of policy within each state. As of March 31, 2014, all the states have set up their Regulatory Commission. In addition, two Joint Electricity Regulatory Commissions have been set up for Manipur & Mizoram and Goa & UTs. Except Kerala and Jharkhand, all other state's electricity boards have so far been unbundled into separate generation, transmission and distribution companies. The aim is to bring in reforms in sector for efficient operation of the state electricity boards.

In India, the power transmission and distribution system is a three-tier structure comprising of distribution networks, state grids and regional grids. The distribution networks are owned by the distribution licensees and the state grids are primarily owned and operated by respective state utilities. In order to facilitate the transmission of power among neighboring states, state grids are interconnected to from regional grids.

Despite unbundling and corporatizing, the state governments are reluctant for giving away the license and acquisition of the state owned Discoms by other players and thus there has not been any substantial initiative or action towards this objective. The service quality till last mile connectivity still remains poor. Revenue realization in distribution sector continues to be low, causing poor financial health of state owned Discoms. Franchisee model is an option which the state governments have been considering. On the whole, even franchisee model has not thrown up any major opportunity on a large scale.

There is substantial potential for reform and growth in distribution sector where industrial and commercial consumers are willing to pay commensurate tariffs for quality and reliable power whereas Discoms due to their poor financial condition unable to purchase power and service the customers. Keeping this in mind, your Company is contemplating for acquisition of distribution circles either through franchisee bidding mode or through acquiring.

**Development of Renewable Energy Sources (RES)**

Today, the total installed capacity of the nation stands at 2,43,029 MW and RES at 31,707 MW, accounts for 13.05% of this total. The Electricity Regulators have made it mandatory for the Discoms to source certain percentage of its input power requirement through Renewable Energy sources, to be increased progressively each year. The Government, in its quest for long-term energy and environmental security, is seeking to enhance the share of renewable power in the overall energy basket. Over longer term, the importance of RES would be more strategic in view of its important role in mitigating the effects of climate change. It is imperative for India to build a certain level of self-reliance in renewable technologies of the future. 67% of renewable energy is contributed by wind power generation where potential exists for 45000 to 65000 MW of on-shore wind power. Going by emerging trends, it is amply clear that green technology is set to be the next growth sector.

**STRENGTH AND WEAKNESS**

Your Company's strength lies in its association with a strong promoter viz. NTPC Limited having a formidable track record in power project, engineering, construction, commissioning, operation and maintenance for the last 40 years. NTPC's formidable network, rapport and credibility with customer utilities, Discoms, its down stream power market and trading arm are added advantages to your Company.

The professional manpower from NTPC Ltd., on secondment at your Company, has been able to leverage the knowledge gained from power project engineering and execution to the distribution sector as well.

Your Company is exposed to the risk arising out of (i) delay in release of funds from owners /clients in the execution of deposit works on their behalf. (ii) Project taking over by the client and (iii) the risk of reduction in profit margins in case of time overrun of such projects.

**OPPORTUNITIES AND OUTLOOK**

The Electricity Act, 2003 and Government of India scheme for Financial Restructuring of State owned Distribution Companies for financial turnaround by restructuring their debt with support through a Transitional Finance Mechanism, has provided an opportunity to your Company to get involved aggressively in distribution business in cities and other areas. In the Financial Restructuring program, involvement of private participation in any mode has been made a mandatory condition for getting financial assistance from government.

To bring in competition and efficiency in the supply of electricity with more than one supply licensee offering supply of electricity to consumers in the same area, separation of carriage (wire network) and content (electricity) in the distribution sector is being looked at by the Government of India. Ministry of Power is planning to introduce multiple supply licensees in the content (electricity supply business) based on market principles. In this regard Power Ministry has proposed various amendments in certain sections of the Electricity Act, 2003. The proposed amendments will mandate distribution licensees to only operate and maintain the distribution system (wire business) with no concern for commercial supply of electricity. Your Company is continuously looking into these opportunities for making a footprint in this changed scenario of electricity distribution business as Distribution Network Operator and supply licensee as well.

With a major increase in capacity addition in generation sector in the country, there is an imminent requirement of extensive capacity addition in transmission/sub-transmission sector also for evacuation of this power. Another great opportunity is foreseen in development of transmission/sub-transmission infrastructure in different

states of the country on Build-Operate-Own mode. Your Company is watching development in this sector closely so as to take advantage of the opportunity which it may offer in near future.

With the uncertainty in privatization and acquisition of state owned Discoms by other players, the Company feels that growing need of various industrial and SEZs in the country offer excellent opportunities in electricity distribution. A recent amendment to Electricity Act, 2003, provides that a developer of a SEZ shall be deemed to be a licensee for the purpose of distribution of electricity within the SEZ. Towards this, your Company may foray into distribution of electricity as a licensee by forging alliances with developers wherein pre-identified group of industrial and commercial consumers can be serviced by arranging required input power from upcoming power plants of NTPC and its JVs. Your Company is also exploring the possibility of alliance with Government owned SEZs for retail distribution of power in these SEZs. Exploratory actions have been initiated in this direction. If successful, this model can be replicated in various such places across the country.

With the implementation of the R-APDRP Part - B scheme being taken up by various Discoms, your Company is looking forward to the business in the distribution strengthening projects.

The above opportunities shall also mitigate concerns towards proper utilization and deployment of experienced manpower resource available with the Company.

With the increasing demand gap, the power sector is looking towards large infusion of investments. State owned transmission companies are seeking to augment bulk power transmission capacity. Your Company sees opportunities in not only the EPC area but in ownership model as well where prospects of dedicated transmission lines exist.

**RISKS AND CONCERNS**

So far the main thrust area of your Company has been project implementation on deposit work basis under RGGVY. This activity, in its current scope, is expected to last another 12 months after which a sudden decline in revenue stream is foreseen which is perceived as a major concern.

Although new Electricity Act, 2003 provides ample opportunities to new players in the field of retail distribution but in reality the state owned Discoms have not implemented the same in spirit. The Act envisaged growth of electricity distribution business through private licensees, introduction of open access and phased withdrawal of cross subsidy. But, so far, these regulations are quite far from realization. Therefore, one of the major risks anticipated by your Company is inability to make a perceptible presence in the distribution sector under prevalent scenario.

Today, total manpower strength of the Company is 85 spread over more than 16 locations across the country. In the event of a sharp decline in revenue stream on completion of RGGVY and other consultancy assignments, it may not be possible to sustain such large manpower resource. The frittering away of manpower which has gathered experience and capability in distribution engineering and execution, is another concern. In absence of any sustainable revenue source your Company, to address this concern, has been repatriating manpower back to NTPC Limited.

**INTERNAL CONTROL**

Your Company has adequate internal control systems and procedures in place commensurate with the size and nature of its business. Your Company has adopted the internal control system of its holding company viz. NTPC Limited. The authorities vested in various levels are exercised within framework of appropriate checks and balances. The effectiveness of the checks and balances and internal control systems are reviewed during internal audit carried out by Internal Audit Department of NTPC Limited. An independent internal audit is also carried out by experienced firm of Chartered Accountants in close co-ordination with departments of the Company and Internal Audit Department of NTPC Limited.

**PERFORMANCE DURING THE YEAR**
**Operations**

During the year under review, your Company has undertaken rural electrification projects under RGGVY in the states of Madhya Pradesh, Chhattisgarh, Orissa, Jharkhand and West Bengal.

The scheme was launched in April 2005 by merging all ongoing rural electrification schemes. The programme aims at electrifying all villages and habitations, providing access to electricity to all rural households and providing electricity connection to Below Poverty Line (BPL) families free of charge. Under the programme, 90% grant is provided by the Govt. of India and 10% as loan by Rural Electrification Corporation Limited (REC) to the State Governments. REC has been appointed as a nodal agency for the program by the Government of India.

NTPC Limited had entered into a Memorandum of Understanding (MoU) with REC for implementing and achieving objectives of the programme. Your Company, on behalf of NTPC, is working as an implementing agency.

During the financial year 2013-14, against target of 11 un-electrified and de-electrified villages (UE/DE) villages set by the Govt. of India in the MoU, your Company achieved 13 UE/DE villages. Against revised target of 26,731 BPL connections, your Company achieved a performance of 24,742 connections. Further, against the target of energisation of 488 UE/DE villages, energisation of 443 UE/DE villages completed during the year. Energisation of balance 45 villages could not be achieved due to slow work progress in Left Wing Extremism (LWE) affected areas of Ranchi district in the state of Jharkhand. Energisations of these UE/ DE villages are proposed to be taken up progressively in coordination with state government.

In the implementation of electrical distribution network within 5 kms radius of NTPC projects/ stations, work has been completed in 4 projects/stations and balance 4 projects are expected to be completed in next financial year 2014-15.

Your Company has undertaken turnkey execution job on deposit work basis for

setting up sub-station, transmission line and associated system along with street lighting for the coal mining project of NTPC at Pakri Barwadih, Chatti-Bariatu and Kerandari in the state of Jharkhand.

Your Company also provided Third Party Inspection Agency (TPIA) services of rural electrification projects for PGCL. Your Company has also completed the assignment of Quality Monitors of RGGVY works on behalf of REC in the states of Andhra Pradesh and Gujarat won through competitive bidding. Your Company has carried out R&D activity in the field of AMR (Automatic Meter Reading) Technologies on pilot basis at NTPC residential Township, Noida and has also carried out a technical study for efficiency improvement in the distribution area around NTPC Kahalgaon STPs.

#### Project Management Consultancy Services

Your Company, during the year, has also provided Project Management Consultancy Services for the following assignments:

- Construction power supply arrangement for upcoming plants of NTPC at Gadarwara, Lara & Darlipalli.
- Construction and augmentation of 66/11 KV sub-stations for UT of Chandigarh.
- Power evacuation for Faridabad & Rajgarh solar PV projects of NTPC.
- Power supply arrangement for equipment manufacturing plant of NBPL, a JV Company of NTPC and BHEL.
- Evaluation work of SCADA portion of R-APDRP scheme under implementation in Northern region on behalf of NTPC Consultancy Wing.

#### Financial Performance

The main revenue of your Company has been realized by consultancy, project management and supervision fees.

|              | (₹ Crore)    |         |
|--------------|--------------|---------|
|              | 2013-14      | 2012-13 |
| Sales        | <b>28.20</b> | 16.34   |
| Other income | <b>10.69</b> | 12.58   |
| <b>Total</b> | <b>38.89</b> | 28.92   |

Revenue from RGGVY projects during the financial year 2013-14 contributed approx. 44.77% of total sales as compared to 37.05% in the previous financial year. Interest from banks contributed 100% of the total other income as compared to 93% in the previous financial year.

The expenditure incurred by your Company on account of Employee benefits expense and Administration & other expenses for the current financial year as well as previous financial year is as follows:

|                                 | (₹ Crore)    |         |
|---------------------------------|--------------|---------|
|                                 | 2013-14      | 2012-13 |
| Employee benefits expense       | <b>12.62</b> | 41.27   |
| Administration & other expenses | <b>6.34</b>  | 12.13   |
| <b>Total operating expenses</b> | <b>18.96</b> | 53.40   |

The decrease in total operating expenses was mainly due to closing of a number of sites on completion of scope of some projects, rationalization of manpower as well as reimbursement from NTPC of expenditure incurred over and above income from RGGVY projects from REC.

The total expenses including operating expenses of the Company are as follows:-

|  | (₹ Crore)    |         |
|--|--------------|---------|
|  | 2013-14      | 2012-13 |
| Total operating expenses                           | <b>18.96</b> | 53.40   |
| Depreciation and amortization expense              | <b>0.17</b>  | 0.18    |
| <b>Total expenses including operating expenses</b> | <b>19.13</b> | 53.58   |

The depreciation cost as compared to total expense is negligible since the fixed assets are represented by furniture and fixtures, EDP machines etc. and the Gross Block was of the order of ₹1.94 Crore as on 31.3.2014.

|                                   | (₹ Crore)    |         |
|-----------------------------------|--------------|---------|
|                                   | 2013-14      | 2012-13 |
| Profit/(Loss) before tax          | <b>19.76</b> | (24.66) |
| Tax expenses                      | -            | (0.07)  |
| <b>Profit/(Loss) for the year</b> | <b>19.76</b> | (24.59) |

During the current financial year, the Company has earned a profit of ₹19.76 Crore as compared to loss of ₹24.59 Crore during the previous financial year. The Company during the current financial year has earned a profit due to higher revenue as compared to the previous year as well as reimbursement from NTPC of expenditure incurred over and above income from RGGVY projects from REC.

#### Reserves & Surplus

During the current financial year a sum of ₹12.74 Crore has been added to Reserves and Surplus after appropriating dividend and dividend tax as compared to loss of ₹24.59 Crore transferred during the previous year.

#### Current Assets

The current assets at the end of the current year were ₹670.90 Crore as compared to

₹821.30 Crore in previous year.

|                               | (₹ Crore)     |            |
|-------------------------------|---------------|------------|
|                               | 31.03.2014    | 31.03.2013 |
| Trade receivables             | <b>8.09</b>   | 11.94      |
| Cash and bank balances        | <b>650.65</b> | 786.96     |
| Short-term loans and advances | <b>0.66</b>   | 1.02       |
| Other current assets          | <b>11.50</b>  | 21.38      |
| <b>Total Current Assets</b>   | <b>670.90</b> | 821.30     |

The decrease in current assets was mainly on account of utilization of cash and bank balances for progressive contract payments.

#### Current Liabilities

During the financial year 2013-14, current liabilities have decreased to ₹679.24 Crore as compared to ₹824.88 Crore in the financial year 2012-13 mainly on account of decrease in other current liabilities relating to deposit works.

|                                  | (₹ Crore)     |            |
|----------------------------------|---------------|------------|
|                                  | 31.03.2014    | 31.03.2013 |
| Trade payables                   | <b>5.78</b>   | 10.31      |
| Other current liabilities        | <b>666.44</b> | 814.57     |
| Short-term provisions            | <b>7.02</b>   | -          |
| <b>Total Current Liabilities</b> | <b>679.24</b> | 824.88     |

#### Cash Flow Statement

|   | (₹ Crore)       |          |
|---|-----------------|----------|
|   | 2013-14         | 2012-13  |
| Opening Cash and cash equivalents       | <b>786.96</b>   | 920.54   |
| Net cash from operating activities      | <b>(152.02)</b> | (134.36) |
| Net cash from investing activities      | <b>15.71</b>    | 6.59     |
| Net cash flow from financing activities | -               | (5.81)   |
| Net Change in Cash and cash equivalents | <b>(136.31)</b> | (133.58) |
| Closing cash and cash equivalents       | <b>650.65</b>   | 786.96   |

The closing cash and cash equivalents for the financial year ended March 31, 2014 has decreased to ₹650.65 Crore from ₹786.96 Crore.

#### Financial Indicators

The various performance indicators for the current year as compared to previous year are as under:

|                                     | (₹ Crore)      |           |
|-------------------------------------|----------------|-----------|
|                                     | 2013-14        | 2012-13   |
| Capital employed in ₹Crore          | <b>40.73</b>   | 28.00     |
| Net worth in ₹Crore                 | <b>40.73</b>   | 28.00     |
| Return on capital employed (PBT/CE) | <b>48.50%</b>  | (88.07%)  |
| Return on net worth (PAT/NW)        | <b>48.50%</b>  | (87.82%)  |
| Dividend as % of equity capital     | <b>7415.65</b> | -         |
| Earning per share in ₹              | <b>2441.95</b> | (3038.77) |

The capital employed as well as net worth has increased due to profit earned during the financial year 2013-14.

#### Human Resources

As on 31<sup>st</sup> March 2014, there were 85 employees posted on secondment basis from holding company viz. NTPC Limited. To achieve the ambitious targets, the Company has drawn professional manpower from NTPC who have rich experience in dealing in various technical, financial and commercial issues. Today, your Company is proud to state that it has built a competent manpower base required for its growth in the distribution sector.

#### CAUTIONARY STATEMENT

Statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectations are "forward-looking" statements within the meaning of applicable laws and regulations. Actual results may vary materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting demand/supply and price conditions in the markets in which the Company operates, changes in Government regulations & policies, tax laws and other statutes and incidental factors.

For and on behalf of the Board of Directors

(Dr. Arup Roy Choudhury)  
Chairman  
DIN: 00659908

Place : New Delhi  
Date : 18<sup>th</sup> July 2014

**NTPC ELECTRIC SUPPLY COMPANY LIMITED  
BALANCE SHEET AS AT**

| Particulars                    | Note | (Amount in ₹)     |                   |
|--------------------------------|------|-------------------|-------------------|
|                                |      | 31.03.2014        | 31.03.2013        |
| <b>EQUITY AND LIABILITIES</b>  |      |                   |                   |
| <b>Shareholders' funds</b>     |      |                   |                   |
| Share capital                  | 2    | 809100            | 809100            |
| Reserves and surplus           | 3    | 406531777         | 279150280         |
|                                |      | 407340877         | 279959380         |
| <b>Non-current liabilities</b> |      |                   |                   |
| Deferred tax liabilities (net) | 4    | -                 | -                 |
| <b>Current liabilities</b>     |      |                   |                   |
| Trade payables                 | 5    | 57737346          | 103117041         |
| Other current liabilities      | 6    | 6664415082        | 8145672235        |
| Short-term provisions          | 7    | 70215407          | 18407             |
|                                |      | 6792367835        | 8248807683        |
| <b>TOTAL</b>                   |      | <b>7199708712</b> | <b>8528767063</b> |
| <b>ASSETS</b>                  |      |                   |                   |
| <b>Non-current assets</b>      |      |                   |                   |
| Fixed assets                   |      |                   |                   |
| Tangible assets                | 8    | 6732301           | 9124148           |
| Intangible assets              | 8    | 106167            | -                 |
| Non-current investments        | 9    | 3100000           | 3100000           |
| Long Term Loan & Advances      | 10   | 480792465         | 303562589         |
|                                |      | 490730933         | 315786737         |
| <b>Current assets</b>          |      |                   |                   |
| Trade receivables              | 11   | 80895178          | 119440482         |
| Cash and bank balances         | 12   | 6506531374        | 7869551438        |
| Short-term loans and advances  | 13   | 6544034           | 10150633          |
| Other current assets           | 14   | 115007193         | 213837773         |
|                                |      | 6708977779        | 8212980326        |
| <b>TOTAL</b>                   |      | <b>7199708712</b> | <b>8528767063</b> |

Significant accounting policies 1

The accompanying notes form an integral part of these financial statements.

For &amp; on behalf of the Board of Directors

|                         |                   |                          |
|-------------------------|-------------------|--------------------------|
| (R K Bhatnagar)         | (Kulamani Biswal) | (Dr. Arup Roy Choudhury) |
| Chief Executive Officer | Director          | Chairman                 |

This is the Balance Sheet referred to in our report of even date.

 For Bhudladia & Company  
Chartered Accountants  
Firm Reg No. 002511N

 (Puneet Singla)  
Partner  
M No. 506277

 Place : New Delhi  
Dated : 03 May 2014

**NTPC ELECTRIC SUPPLY COMPANY LIMITED  
STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED**

| Particulars  | Note | (Amount in ₹)    |                    |
|--|------|------------------|--------------------|
|  |      | 31.03.2014       | 31.03.2013         |
| Revenue from operations                              | 15   | 281982132        | 163452184          |
| Other income   | 16   | 106910386        | 125770574          |
| <b>Total revenue</b>                                 |      | <b>388892518</b> | <b>289222758</b>   |
| <b>Expenses</b>                                      |      |                  |                    |
| Employee benefits expense                            | 17   | 126221916        | 412713545          |
| Depreciation and amortization expense                | 8    | 1713095          | 1811667            |
| Administration & other expenses                      | 18   | 63379010         | 121278017          |
| <b>Total expenses</b>                                |      | <b>191314021</b> | <b>535803229</b>   |
| <b>Profit before tax</b>                             |      | <b>197578497</b> | <b>(246580471)</b> |
| <b>Tax expense:</b>                                  |      |                  |                    |
| Current tax  |      |                  |                    |
| Current year (MAT)                                   |      | 41413440         | -                  |
| Less : MAT credit entitlement                        |      | (41413440)       | -                  |
| Net Current Tax                                      |      | -                | -                  |
| Deferred tax   |      |                  |                    |
| Current year   |      | -                | (713226)           |
| Earlier years  |      | -                | -                  |
| <b>Total tax expense</b>                             |      | <b>-</b>         | <b>(713226)</b>    |
| <b>Profit for the year</b>                           |      | <b>197578497</b> | <b>(245867245)</b> |
| Earnings per equity share (Par value of ₹ 10/- each) |      |                  |                    |
| Basic  |      | 2441.95          | (3038.77)          |
| Diluted  |      | 2441.95          | (3038.77)          |

The accompanying notes form an integral part of these financial statements.

There are no exceptional or extraordinary items in the above periods.

For &amp; on behalf of the Board of Directors

|                         |                   |                          |
|-------------------------|-------------------|--------------------------|
| (R K Bhatnagar)         | (Kulamani Biswal) | (Dr. Arup Roy Choudhury) |
| Chief Executive Officer | Director          | Chairman                 |

This is the Statement of Profit and Loss referred to in our report of even date.

 For Bhudladia & Company  
Chartered Accountants  
Firm Reg No. 002511N

 (Puneet Singla)  
Partner  
M No. 506277

 Place : New Delhi  
Dated : 03 May 2014

**NTPC ELECTRIC SUPPLY COMPANY LIMITED**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2014**  
(Amount in ₹)

|   | 31.03.2014          | 31.03.2013          |
|---|---------------------|---------------------|
| <b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>   |                     |                     |
| Net Profit/(Loss) before tax  | 197578497           | (246580471)         |
| <b>Adjustment for:</b>  |                     |                     |
| Depreciation  | 1713095             | 1811667             |
| Provisions  | 741485              | -                   |
| Interest Received   | (106910386)         | (117142574)         |
| <b>Operating Profit before Working Capital Changes</b>  | <b>93122691</b>     | <b>(361911378)</b>  |
| <b>Adjustment for:</b>  |                     |                     |
| Trade & Other Receivables   | 38545304            | (39395326)          |
| Trade Payables & Other Liabilities  | (1474819418)        | (855192102)         |
| Other Current Assets  | (3426415)           | 54476               |
| Loans & Advances  | 3606599             | (4394208)           |
| <b>Cash generated from operations</b>   | <b>(1342971239)</b> | <b>(1260838538)</b> |
| <b>Direct Taxes Paid</b>  | <b>177229876</b>    | <b>82745904</b>     |
| <b>Net Cash from Operating Activities - A</b>   | <b>(1520201115)</b> | <b>(1343584442)</b> |
| <b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>   |                     |                     |
| Purchase of Fixed Assets  | (168900)            | (825619)            |
| Interest Received   | 157349951           | 66703009            |
| <b>Net cash flow from Investing Activities - B</b>  | <b>157181051</b>    | <b>65877390</b>     |
| <b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>   |                     |                     |
| Dividend Paid   | -                   | (50000000)          |
| Tax on Dividend   | -                   | (8111250)           |
| <b>Net Cash flow from Financing Activities - C</b>  | <b>-</b>            | <b>(58111250)</b>   |
| <b>Net Increase/Decrease in Cash &amp; Cash equivalents (A + B + C)</b>   | <b>(1363020064)</b> | <b>(1335818302)</b> |
| <b>Cash &amp; cash equivalents (Opening balance) (see Note below)</b>   | <b>7869551438</b>   | <b>9205369740</b>   |
| <b>Cash &amp; cash equivalents (Closing balance) (see Note below)</b>   | <b>6506531374</b>   | <b>7869551438</b>   |
| Notes:  |                     |                     |
| Cash & Cash equivalents consist of Balance with Banks. Cash and cash equivalent included in the cash flow statement comprise of following balance sheet amounts as per Note 12. |                     |                     |
| Cash and cash equivalents   | -                   | -                   |
| Demand deposit included in other bank balance   | 6506531374          | 7869551438          |
|   | <b>6506531374</b>   | <b>7869551438</b>   |

For & on behalf of the Board of Directors

(R K Bhatnagar) (Kulamani Biswal) (Dr. Arup Roy Choudhury)  
Chief Executive Officer Director Chairman

This is the cash flow statement referred to in our Report of even date.

For Bhudladia & Company  
Chartered Accountants  
Firm Reg No. 002511N

(Puneet Singla)  
Partner  
M No. 506277

Place : New Delhi  
Dated : 03 May 2014

**Note No. 1 - Significant Accounting Policies**
**1 BASIS OF PREPARATION**

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

**2 USE OF ESTIMATES**

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

**3 FIXED ASSETS**

- 1 Tangible Assets are carried at historical cost less accumulated depreciation/amortisation.
- 2 Intangible assets are stated at their cost of acquisition less accumulated amortisation.

**4 INVESTMENTS**

- 1 Long term investments are carried at cost. Provision is made for diminution, other than temporary, in the value of such investments.

**5 PROFIT AND LOSS ACCOUNT**
**5.1 Income Recognition**

5.1.1 Income from consultancy, project management and supervision services is accounted for on the basis of actual progress / technical assessment of work executed, in line with the terms of respective consultancy contracts. Claims for reimbursement of incidental expenditure are recognised as other income, as per the terms of consultancy service contracts. Income from Project Management Services is accounted for on the service charges earned.

5.1.2 Interest / surcharge recoverable on advances to suppliers as well as warranty claims / liquidated damages wherever there is uncertainty of realization / acceptance are not treated as accrued and are therefore accounted for on receipt / acceptance.

**5.2 Expenditure**

5.2.1 Depreciation is charged on straight line method following the rates specified in Schedule XIV of the Companies Act, 1956.

5.2.2 Depreciation on the following assets is provided based on their estimated useful life:

|   |          |
|---|----------|
| a) Personal Computers and Laptops including peripherals | 5 years  |
| b) Photocopiers and Fax Machines                        | 5 years  |
| c) Water Coolers, Refrigerators and Air Conditioners    | 12 years |

5.2.3 Depreciation on additions to/deductions from fixed assets during the year is charged on pro-rata basis from/up to the month in which the asset is available for use/disposal.

5.2.4 Assets costing up to ₹ 5,000/- are fully depreciated in the year of acquisition.

5.2.5 Cost of software recognized as intangible asset is amortised on straight line method over a period of legal right to use or 3 years, whichever is less.

5.2.6 Where the cost of depreciable assets has undergone a change during the year due to increase/decrease in long term liabilities on account of exchange fluctuation, price adjustment, change in duties or similar factors, the unamortised balance of such asset is charged off prospectively over the remaining useful life determined based on rates specified in Schedule XIV of the Companies Act, 1956.

5.2.7 Expenses on ex-gratia payments under voluntary retirement scheme and training and recruitment are charged to revenue in the year incurred.

5.2.8 Amount received from the holding company (NTPC Limited) towards reimbursement of expenditure incurred over and above the service charges from REC Limited in respect of projects implemented under the RGGVY scheme has been recognised as reduction in expenditure.

5.2.9 Preliminary expenses on account of new projects incurred prior to approval of feasibility report/techno economic clearance are charged to revenue.

5.2.10 Pre-paid expenses and prior period expenses/income of items of ₹ 1,00,000/- and below are charged to natural heads of accounts.

5.2.11 The liabilities towards employee benefits are ascertained by the Holding Company i.e., NTPC Limited on actuarial valuation. The company provides for such employee benefits as apportioned by the Holding Company.

**6 PROVISIONS AND CONTINGENT LIABILITIES**

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 are determined based on management estimate required to settle the obligation at the balance sheet date and are not discounted to present value. Contingent liabilities are disclosed on the basis of judgment of the management/independent experts. These are reviewed at each balance sheet date and are adjusted to reflect the current management estimate.

**7 CASH FLOW STATEMENTS**

Cash flow statement is prepared in accordance with the indirect method prescribed in Accounting Standard (AS) 3 on 'Cash Flow Statements'.

**8 TAXES ON INCOME**

Current tax is determined on the basis of taxable income in accordance with the provisions of the Income Tax Act, 1961. Deferred tax liability/asset resulting from 'timing difference' between accounting income and taxable income is accounted for considering the tax rate & tax laws that have been enacted or substantively enacted as on the reporting date. Deferred tax asset is recognized and carried forward only to the extent that there is reasonable certainty that the asset will be realized in future. Deferred tax assets are reviewed at each reporting date for their realisability.

**Note No. 2 - Share Capital**

| As at   | (Amount in ₹)    |            |
|---|------------------|------------|
|   | 31.03.2014       | 31.03.2013 |
| <b>EQUITY SHARE CAPITAL</b>   |                  |            |
| <b>AUTHORISED</b>   |                  |            |
| 10,000,000 shares of par value of ₹ 10/- each (previous year 10,000,000 shares of par value of ₹ 10/- each)   | <b>100000000</b> | 100000000  |
| <b>ISSUED, SUBSCRIBED AND FULLY PAID-UP</b>   |                  |            |
| 80,910 shares of par value of ₹ 10/- each (previous year 80,910 shares of par value of ₹ 10/- each) are held by the holding company, NTPC Ltd. and its nominees | <b>809100</b>    | 809100     |

- a) During the year, the Company has not issued/bought back any shares.
- b) The Company has only one class of equity shares having a par value of ₹ 10/- per share. The holders of the equity shares are entitled to receive dividends as declared from time to time and are entitled to voting rights proportionate to their share holding at the meetings of shareholders.
- c) **All the 80,910 equity shares** valuing ₹ 8,09,100 (previous year 80,910 equity shares valuing ₹ 8,09,100 ) are held by the holding Co. i.e. NTPC Ltd. and its nominees.

**Note No. 3 - Reserves and Surplus**

| As at  | (Amount in ₹)    |             |
|--|------------------|-------------|
|  | 31.03.2014       | 31.03.2013  |
| <b>Reserves</b>  |                  |             |
| General reserve  |                  |             |
| As per last balance sheet  | <b>74859000</b>  | 74859000    |
| Add: Transfer from surplus balance in the statement of profit & loss | <b>19758000</b>  | -           |
| Closing balance  | <b>94617000</b>  | 74859000    |
| <b>Surplus</b>   |                  |             |
| As per last balance sheet  | <b>204291280</b> | 450158525   |
| Add: Profit for the year from statement of profit & loss             | <b>197578497</b> | (245867245) |
| Less: Transfer to general reserve                                    | <b>19758000</b>  | -           |
| Proposed dividend  | <b>60000000</b>  | -           |
| Tax on proposed dividend   | <b>10197000</b>  | -           |
| Net surplus  | <b>311914777</b> | 204291280   |
| <b>Total</b>   | <b>406531777</b> | 279150280   |

**Note No. 4 - Deferred Tax Liabilities (Net)**

The item-wise details of deferred tax liability are as under:

|  | As at<br>01.04.2013 | Additions/<br>(Adjustments)<br>during the year | As at<br>31.03.2014 |
|--|---------------------|--|---------------------|
| Difference of book depreciation and tax depreciation | 600634              | (187906)                                       | <b>412728</b>       |
| Less: Deferred tax assets on unabsorbed depreciation | (600634)            | 187906   | <b>(412728)</b>     |
| <b>Total</b>   | -                   | -  | -                   |

- a) The net decrease during the year in the deferred tax liability of ₹ 1,87,906 (previous year decrease ₹1,12,592) has been credited to statement of Profit & Loss.
- b) Deferred tax assets on unabsorbed depreciation and carried forward losses has not been recognised to the extent there is no virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. The net decrease during the year in the deferred tax assets of ₹ 1,87,906 (previous year increase ₹ 6,00,634) has been debited to statement of Profit & Loss.

**Note No. 5 - Trade Payables**

| As at                  | (Amount in ₹)   |            |
|------------------------|-----------------|------------|
|                        | 31.03.2014      | 31.03.2013 |
| For goods and services | <b>57737346</b> | 103117041  |
| <b>Total</b>           | <b>57737346</b> | 103117041  |

- a) Amounts payable to Micro, Small and Medium Enterprises are NIL. (Previous year -NIL).

**Note No. 6 - Other Current Liabilities**

| As at   | (Amount in ₹)     |            |
|---|-------------------|------------|
|   | 31.03.2014        | 31.03.2013 |
| Advances from customers and others              | <b>89762204</b>   | 159061650  |
| Other payables                                  |                   |            |
| Tax deducted at source and other statutory dues | <b>8018804</b>    | 1321963    |
| Amount received against deposit works           | <b>6302134442</b> | 7602172277 |
| Payables to Employees                           | <b>26835157</b>   | 28717980   |
| Payable to NTPC Ltd.                            | <b>237631645</b>  | 354380435  |
| Others  | <b>32830</b>      | 17930      |
| <b>Total</b>                                    | <b>6664415082</b> | 8145672235 |

- a) Amounts payable to Micro, Small and Medium Enterprises are NIL. (Previous year - NIL).

**Note No. 7 - Short Term Provisions**

| As at  | (Amount in ₹)   |            |
|--|-----------------|------------|
|  | 31.03.2014      | 31.03.2013 |
| Provision for proposed dividend                              |                 |            |
| As per last balance sheet                                    | -               | 50000000   |
| Additions during the year                                    | <b>60000000</b> | -          |
| Amounts used during the year                                 | -               | 50000000   |
| Closing balance  | <b>60000000</b> | -          |
| Provision for tax on proposed dividend                       |                 |            |
| As per last balance sheet                                    | -               | 8111250    |
| Additions during the year                                    | <b>10197000</b> | -          |
| Amounts paid during the year                                 | -               | 8111250    |
| Closing balance  | <b>10197000</b> | -          |
| Provision for shortage in fixed assets pending investigation |                 |            |
| As per last balance sheet                                    | <b>18407</b>    | 18,407     |
| Additions during the year                                    | -               | -          |
| Closing balance  | <b>18407</b>    | 18407      |
| <b>Total</b>   | <b>70215407</b> | 18407      |

**Note No. 8 - Tangible & Intangible Assets**  
**TANGIBLE ASSETS**

(Amount in ₹)

|  | Gross Block         |              |                            | As at<br>31.03.2014 | Depreciation / Amortisation |                 |                            | Net Block          |                     |                     |
|--|---------------------|--------------|----------------------------|---------------------|-----------------------------|-----------------|----------------------------|--------------------|---------------------|---------------------|
|  | As at<br>01.04.2013 | Additions    | Deductions/<br>Adjustments |                     | Upto<br>01.04.2013          | For<br>the year | Deductions/<br>Adjustments | Upto<br>31.03.2014 | As at<br>31.03.2014 | As at<br>31.03.2013 |
| Temporary erection                       | 190550              | -            | 190550                     | -                   | 190550                      | -               | 190550                     | -                  | -                   | -                   |
| Furniture and fixtures                   | 6501575             | -            | 1157893                    | <b>5343682</b>      | 3840285                     | 251900          | 745751                     | <b>3346434</b>     | <b>1997248</b>      | 2661290             |
| Office equipment                         | 5587202             | -            | 442160                     | <b>5145042</b>      | 1457558                     | 357328          | 153342                     | <b>1661544</b>     | <b>3483498</b>      | 4129644             |
| EDP, WP machines and satcom<br>equipment | 8729323             | 21900        | 834846                     | <b>7916377</b>      | 6396109                     | 1063034         | 794321                     | <b>6664822</b>     | <b>1251555</b>      | 2333214             |
| <b>Total</b>                             | <b>21008650</b>     | <b>21900</b> | <b>2625449</b>             | <b>18405101</b>     | <b>11884502</b>             | <b>1672262</b>  | <b>1883964</b>             | <b>11672800</b>    | <b>6732301</b>      | <b>9124148</b>      |
| Previous year                            | 20183031            | 825619       | -                          | <b>21008650</b>     | 10072835                    | 1811667         | -                          | <b>11884502</b>    | <b>9124148</b>      | 10110196            |

**INTANGIBLE ASSETS**

|               | Gross Block         |               |                            | As at<br>31.03.2014 | Depreciation / Amortisation |                 |                            | Net Block          |                     |                     |
|---------------|---------------------|---------------|----------------------------|---------------------|-----------------------------|-----------------|----------------------------|--------------------|---------------------|---------------------|
|               | As at<br>01.04.2013 | Additions     | Deductions/<br>Adjustments |                     | Upto<br>01.04.2013          | For<br>the year | Deductions/<br>Adjustments | Upto<br>31.03.2014 | As at<br>31.03.2014 | As at<br>31.03.2013 |
| Software      | 936895              | 147000        | 58552                      | <b>1025343</b>      | 936895                      | 40833           | 58552                      | <b>919176</b>      | <b>106167</b>       | -                   |
| <b>Total</b>  | <b>936895</b>       | <b>147000</b> | <b>58552</b>               | <b>1025343</b>      | <b>936895</b>               | <b>40833</b>    | <b>58552</b>               | <b>919176</b>      | <b>106167</b>       | -                   |
| Previous year | 936895              | -             | -                          | <b>936895</b>       | 936895                      | -               | -                          | <b>936895</b>      | -                   | -                   |

**Deduction/adjustments from gross block and amortisation for the year includes:**

|                    | Gross Block      |            | Depreciation/Amortisation |            |
|--------------------|------------------|------------|---------------------------|------------|
|                    | 31.03.2014       | 31.03.2013 | 31.03.2014                | 31.03.2013 |
| Disposal of assets | (2684001)        | -          | (1942516)                 | -          |
|                    | <b>(2684001)</b> | -          | <b>(1942516)</b>          | -          |

**Note No. 9 - Non-Current Investment**

(Amount in ₹)

| As at   | 31.03.2014  |   | 31.03.2013     |         |
|---|---|---|----------------|---------|
|   | Number<br>of shares<br>Current Year<br>/ (Previous<br>Year) | Face value<br>per share<br>Current Year<br>/ (Previous<br>Year) (₹) |                |         |
| <b>Trade</b>  |   |   |                |         |
| <b>Equity instruments<br/>(fully paid up -<br/>unless otherwise<br/>stated)</b> |   |   |                |         |
| <b>Unquoted<br/>Joint Venture<br/>Companies</b>                                 |   |   |                |         |
| KINESCO Power<br>and Utilities Pvt. Ltd.  | 50000<br>(50000)  | 10<br>(10)  | <b>500000</b>  | 500000  |
| <b>Share application<br/>money pending<br/>allotment in:</b>                    |   |   |                |         |
| KINESCO Power and Utilities Pvt. Ltd.   |   |   | <b>2600000</b> | 2600000 |
| <b>Total</b>  |   |   | <b>3100000</b> | 3100000 |

- a) Investments have been valued considering the significant accounting policy no. 4 disclosed in Note no. 1 to these financial statements.
- b) The Company has further commitment to invest in the Joint Venture Company to the extent of ₹ 9,00,000, disclosed under other commitment, under Note - 26.

**Note No. 10 - Long Term Loans and Advances**

(Considered good, unless otherwise stated) (Amount in ₹)

| As at  | 31.03.2014       |  | 31.03.2013 |  |
|--|------------------|--|------------|--|
| <b>ADVANCES</b>                              |                  |  |            |  |
| Advance tax deposit & tax deducted at source | <b>732586458</b> |  | 513943142  |  |
| Less: Provision for current tax              | <b>251793993</b> |  | 210380553  |  |
| <b>Total</b>                                 | <b>480792465</b> |  | 303562589  |  |

**Note No. 11 - Trade Receivables**

(Considered good, unless otherwise stated) (Amount in ₹)

| As at  | 31.03.2014      |  | 31.03.2013 |  |
|--|-----------------|--|------------|--|
| Outstanding for a period exceeding six<br>months from the date they are due for<br>payment |                 |  |            |  |
| Unsecured  | <b>26754543</b> |  | 36236669   |  |
| Others - Unsecured   | <b>54140635</b> |  | 83203813   |  |
| <b>Total</b>   | <b>80895178</b> |  | 119440482  |  |

**Note No. 12 - Cash & Bank Balances**

(Amount in ₹)

| As at   | 31.03.2014        |  | 31.03.2013        |  |
|---|-------------------|--|-------------------|--|
| <b>Cash &amp; cash equivalents</b>  |                   |  |                   |  |
| Balances with banks   |                   |  |                   |  |
| <b>Other bank balances</b>  |                   |  |                   |  |
| Deposits with original maturity of<br>more than three months but not more<br>than twelve months | <b>6510161897</b> |  | 7880725638        |  |
| Less : Cheque Issued against CLTD   | <b>(3630523)</b>  |  | (11174200)        |  |
| <b>Total</b>  | <b>6506531374</b> |  | 7869551438        |  |
|   | <b>6506531374</b> |  | <b>7869551438</b> |  |

- a) Other bank balances - deposits include ₹ 544,55,19,150 (Previous year ₹ 645,98,05,664) towards advances received from REC Ltd. for RGGVY works.

**Note No. 13 - Short-Term Loan and Advances**

(Considered good, unless otherwise stated) (Amount in ₹)

| As at                                 | 31.03.2014     |  | 31.03.2013 |  |
|---------------------------------------|----------------|--|------------|--|
| <b>ADVANCES</b>                       |                |  |            |  |
| Others (unsecured)                    |                |  |            |  |
| Cervat credit receivables             | <b>6390376</b> |  | 6042904    |  |
| Recoverable from JV Company (KINESCO) | <b>153658</b>  |  | 4107729    |  |
| <b>Total</b>                          | <b>6544034</b> |  | 10150633   |  |

**Note No. 14 - Other Current Assets**

|                                 | (Amount in ₹)    |                  |
|---------------------------------|------------------|------------------|
| As at                           | 31.03.2014       | 31.03.2013       |
| Interest accrued on :           |                  |                  |
| - Term deposits                 |                  |                  |
| Deposit Work Amount of REC Ltd. | 110628829        | 162446259        |
| Others                          | -                | 50439565         |
| - Advance to Contractors        | 4360442          | 934027           |
|                                 | 114989271        | 213819851        |
| Assets held for disposal        | 17922            | 17922            |
| <b>Total</b>                    | <b>115007193</b> | <b>213837773</b> |

**Note No. 15 - Revenue from Operations**

|  | (Amount in ₹)    |                  |
|--|------------------|------------------|
| For the period ended   | 31.03.2014       | 31.03.2013       |
| Consultancy, project management and supervision fees (including turnkey construction projects) | 281982132        | 163452184        |
| <b>Total</b>   | <b>281982132</b> | <b>163452184</b> |

**Note No. 16 - Other Income**

|                                   | (Amount in ₹)    |                  |
|-----------------------------------|------------------|------------------|
| For the period ended              | 31.03.2014       | 31.03.2013       |
| <b>Interest from</b>              |                  |                  |
| Others                            |                  |                  |
| Indian banks                      | 106910386        | 117142574        |
| <b>Other non-operating income</b> |                  |                  |
| EMD forfeited                     | -                | 8628000          |
| <b>Total</b>                      | <b>106910386</b> | <b>125770574</b> |

- a) Interest from Indian bank is net of ₹ 65,10,39,448 (previous year ₹ 66,20,53,855) towards interest earned on investment of advances received from REC Ltd. which is not the income of the Company as it is attributable to REC Ltd. and has been transferred to amount received against deposit works under Other Current Liabilities - Other payables - Amount received against deposit works (Note No. 6).

**Note No. 17 - Employee Benefits Expense**

|  | (Amount in ₹)    |                  |
|--|------------------|------------------|
| For the period ended   | 31.03.2014       | 31.03.2013       |
| Salaries and wages   | 212156300        | 238307387        |
| Contribution to provident fund and other Superannuation benefits | 25893067         | 162682687        |
| Staff welfare expenses   | 10225830         | 11723471         |
| Reimbursement from NTPC  | (122053281)      | -                |
| <b>Total</b>   | <b>126221916</b> | <b>412713545</b> |

- a) All the employees of the Company are on secondment from the Holding Company, i.e. NTPC Ltd.

**Note No. 18 - Administration and Other Expenses**

|  | (Amount in ₹) |            |
|--|---------------|------------|
| For the period ended                       | 31.03.2014    | 31.03.2013 |
| Power charges                              | 705304        | 794303     |
| Rent                                       | 4050121       | 3674966    |
| Repairs & maintenance                      | 477882        | 148390     |
| Insurance                                  | 21884         | 27909      |
| Training & recruitment expenses            | 316140        | 376800     |
| Communication expenses                     | 7469628       | 7178403    |
| Travelling expenses                        | 24944187      | 28104488   |
| Tender expenses                            | 3234800       | 6961137    |
| Less: Receipt from sale of tenders         | 101250        | 379125     |
|  | 3133550       | 6582012    |
| Payment to auditors (refer details below)  | 137600        | 196650     |
| Advertisement and publicity                | -             | 10,000     |
| Security expenses                          | 3470127       | 3840212    |
| Entertainment expenses                     | 1207270       | 1319093    |
| Expenses for guest house                   | 356215        | 436434     |
| Community development and welfare expenses | 624035        | 2298107    |

**Note No. 18 - Administration and Other Expenses**

|   | (Amount in ₹)   |                  |
|---|-----------------|------------------|
| For the period ended                          | 31.03.2014      | 31.03.2013       |
| Books and periodicals                         | 80446           | 95885            |
| Professional charges and consultancy fees     | 65947050        | 46940507         |
| Legal expenses                                | 275283          | 10500            |
| EDP hire and other charges                    | 843525          | 762949           |
| Printing and stationery                       | 818215          | 871321           |
| Hiring of vehicles                            | 11847681        | 15095287         |
| Bank charges                                  | 9684            | 1803             |
| Miscellaneous expenses                        | 1694178         | 2508803          |
| Loss on disposal/write-off of fixed assets    | -               | 3195             |
| Reimbursement from NTPC                       | (65050995)      | -                |
|   | 63379010        | 121278017        |
| <b>Total</b>                                  | <b>63379010</b> | <b>121278017</b> |
| a) Details in respect of payment to auditors: |                 |                  |
| <b>As auditor</b>                             |                 |                  |
| Audit fee                                     | 90000           | 80000            |
| Tax audit fee                                 | 27000           | 26000            |
| <b>Reimbursement of expenses</b>              | <b>20600</b>    | <b>90650</b>     |
|   | 137600          | 196650           |

**Other Notes:**

- 19 Some of the balances of trade / other payables and loans and advances are subject to confirmation / reconciliation. Adjustments, if any will be accounted for on confirmation / reconciliation of the same, which in the opinion of the management will not have a material impact.
- 20 The Company is operating in a single segment, that is providing consultancy, project management and supervision services.
- 21 **Disclosure as per Accounting Standard - 20 on 'Earnings Per Share'**  
The elements considered for calculation of Earning Per Share (Basic & Diluted) are as under:

|  | (Amount in ₹) |               |
|--|---------------|---------------|
|  | Current Year  | Previous Year |
| Net Profit after Tax used as numerator                       | 197,578,497   | (245,867,245) |
| Weighted average number of equity shares used as denominator | 80,910        | 80,910        |
| Earning Per Share (Basic & Diluted)                          | 2,441.95      | (3,038.77)    |
| Face value per share   | 10.00         | 10.00         |

**22 Disclosure as per Accounting Standard - 19 on 'Leases'**
**Operating Leases:**

The company's significant leasing arrangements are in respect of operating leases of premises for residential use of employees, offices and transit camps. These leasing arrangements are usually renewable on mutually agreed terms but are not non-cancellable. Note No. 17 - Employees' benefit expenses include ₹ 1,37,25,866 (Previous year ₹ 1,94,61,405) towards lease payments, net of recoveries, in respect of premises for residential use of employees. Lease payments in respect of premises for offices and transit camps amounting to ₹ 40,50,121 (Previous year ₹ 36,74,966) are shown as Rent in Note No. 18 - Administration and other expenses.

**23 Disclosure as per Accounting Standard - 27 on 'Financial Reporting of Interests in Joint Ventures'**
**Joint Venture Entities:**

| Company                               | Proportion of ownership interest as on (excluding Share Application Money) |            |
|---------------------------------------|--|------------|
|                                       | 31.03.2014   | 31.03.2013 |
| KINESCO Power and Utilities Pvt. Ltd. | 50%  | 50%        |

The above entity is incorporated in India. The Company's share of the assets, liabilities, contingent liabilities and capital commitment as at 31<sup>st</sup> March 2014



and income and expenses for the year based on unaudited accounts are given below:

| (Amount in ₹) |                                 |                     |               |
|---------------|---------------------------------|---------------------|---------------|
| <b>A</b>      | <b>Assets</b>                   | <b>31.03.2014</b>   | 31.03.2013    |
|               | Non-current assets              | <b>85,213,166</b>   | 106,132,451   |
|               | Current assets                  | <b>26,306,971</b>   | 26,038,842    |
|               | <b>Total</b>                    | <b>111,520,137</b>  | 132,171,294   |
| <b>B</b>      | <b>Equity &amp; liabilities</b> |                     |               |
|               | Shareholders' funds             | <b>(4,985,482)</b>  | 11,914,857    |
|               | Non-current liabilities         | <b>11,736,232</b>   | 11,275,965    |
|               | Current liabilities             | <b>104,769,387</b>  | 108,980,472   |
|               | <b>Total</b>                    | <b>111,520,137</b>  | 132,171,294   |
| <b>C</b>      | <b>Contingent liabilities</b>   | <b>5,392,045</b>    | 8,464,414     |
| <b>D</b>      | <b>Capital commitments</b>      | <b>28,353,681</b>   | 34,467,456    |
|               |                                 | <b>Current Year</b> | Previous Year |
| <b>E</b>      | <b>Income</b>                   | <b>201,910,598</b>  | 152,751,509   |
| <b>F</b>      | <b>Expenses</b>                 | <b>199,618,894</b>  | 166,684,718   |

- 24 The common services being utilized by the Company for office at NOIDA are provided without any charges by the Holding Company.
- 25 Information in respect of consultancy contracts on deposit work basis:

| (Amount in ₹) |  |                      |               |
|---------------|--|----------------------|---------------|
| Sl.           | Particulars  | Current Year         | Previous Year |
| 1             | Amount of revenue recognised on consultancy contract on deposit work basis                   | <b>242,444,621</b>   | 128,567,204   |
| 2             | Amount disbursed for consultancy contracts on deposit work basis                             | <b>2,030,255,218</b> | 2,767,266,090 |
| 3             | Amount of advance received from customers for consultancy contracts on deposit work basis    | <b>607,151,271</b>   | 825,125,009   |
| 4             | Gross amount due from customers for consultancy contracts on deposit work as an asset        | <b>Nil</b>           | Nil           |
| 5             | Gross amount due to customers for consultancy contracts on deposit work basis as a liability | <b>Nil</b>           | Nil           |

- 26 Estimated amount of contracts remaining to be executed on capital account and not provided for is ₹ Nil (Previous year ₹ Nil). Company has a commitment to further invest in the JV to the extent of ₹ 9,00,000.

**27 Contingent Liabilities:**

According to the order No. 29/commissioner/Noida/2012-13 dated 10.10.2012 of Commissioner Service Tax, an amount of ₹ 4,62,15,07,284 (including ₹ 2,31,07,53,642 as penalty) is imposed as additional service tax payable for the period 2006-07 to 2010-11. This is a pass through item the liability of which is on REC Ltd as per terms of contract. The order of the Commissioner is challenged before CESTAT and is pending disposal. Also Service Tax order for the year 2011-12 of Commissioner of Customs, Central Excise and Service Tax, Noida amounting to ₹ 20,85,97,984 has been challenged before the CESTAT.

- 28 Other disclosures as per Schedule VI of the Companies Act, 1956

| (Amount in ₹)                       |                |               |     |
|-------------------------------------|----------------|---------------|-----|
| Particulars                         | Current Year   | Previous Year |     |
| a) Expenditure in foreign currency: |                |               |     |
| Others                              | <b>164,093</b> |               | Nil |

- 29 Previous year's figures have been regrouped/rearranged wherever necessary.

For & on behalf of the Board of Directors

(R K Bhatnagar) (Kulamani Biswal) (Dr. Arup Roy Choudhury)  
 Chief Executive Officer Director Chairman

These are the notes referred to in Balance Sheet and Statement of Profit and Loss.

For Bhudladia & Company  
Chartered Accountants  
Firm Reg No - 002511N

(Puneet Singla)  
Partner  
M No. 506277  
Place : New Delhi  
Dated : 03 May 2014

## AUDITOR'S REPORT

To,  
The Members of  
**NTPC ELECTRIC SUPPLY COMPANY LIMITED.**

**Report on the Financial Statements**

We have audited the accompanying financial statements of M/s NTPC Electric Supply Company Limited, New Delhi (a wholly owned subsidiary of NTPC Ltd.) which comprise the Balance Sheet as at 31<sup>st</sup> March 2014, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to section 211(3C) of the Companies Act, 1956("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**

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

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

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

**Opinion**

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

- In the case of Balance sheet, of the state of affairs of the Company as at 31<sup>st</sup> March 2014;
- In the case of the Statement of Profit and Loss, of the Profit for the year ended on that date; and
- In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**Emphasis of Matter**

We draw attention to :

- Note-1 'Accounting policies' para No. E.1 related to recognition of revenue from Project Management Services only for the service charges alone, without considering the gross value of the project cost recovered. This policy is in alignment with an expert opinion from ICAI on the matter which states that the Project Management Services rendered by the company are covered under the scope of Accounting Standard-7, yet the income from the same needs to be recognized only for the service charges alone. We are not in agreement with the said Expert Opinion as AS-7 does not prescribe any revenue recognition on net basis for a construction contract, falling with in AS 7; instead it has to be accounted on gross basis. However the difference in presentation is unlikely to result in any material misstatement so far as the net profit of the company is concerned;
- Note-1 'Accounting policies' para No. E.1 of recognizing revenue from Project Management Services on the basis of actual progress / technical assessment. We have relied upon the estimates given by the technical experts about the percentage of completion of each of the project.
- Note-1 'Accounting policies' para F.11 related to 'Employee benefits' which describes that the company has followed apportionment of liability towards employee benefits on the basis of allocation made by the holding company i.e. NTPC Limited according to actuarial valuation prescribed in AS 15 (Employee benefits). However the related disclosures in Note-17 of

the financial statements are not in compliance of paragraph 33-35 of AS 15, although it is unlikely to have any impact of material misstatement so far as the expenses and liability recognized are concerned.

Our opinion is not qualified in respect of the aforesaid matters.

#### Report on Other Legal and Regulatory Requirements

2. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a Statement on the matters specified in paragraph 4 and 5 of the Order.
3. As required by section 227(3) of the Act, we report that:
  - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the 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 appears from our examination of those books;
  - c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
  - d) In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to section 211(3C) of the Companies Act, 1956, except for items covered by point 3 below;
  - e) Being a Government Company, pursuant to the Notification No. GSR 829(E) dated 17.07.2003 issued by Government of India, provisions of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956, are not applicable to the Company;
  - f) Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

For Bhudladia & Company  
Chartered Accountants  
Firm's Reg. No. 002511N

(CA. Puneet Singla)  
(Partner)  
Membership No. 506277

Place : New Delhi  
Date : 03/05/2014

#### ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 1 under the heading of "Report on Other Legal and Regulatory Requirements" of our report of even date on the financial statements M/s NTPC Electric Supply Company Ltd.)

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The fixed assets of the Company are verified by the management at the intervals of two years. Physical verification of fixed assets has been carried out by an internal committee, appointed for the purpose, which is in our opinion considered reasonable having regard to the size and nature of its assets. No material discrepancies were noticed on such verification.
- (c) In our opinion and according to the explanations given to us, there is no substantial disposal of fixed assets during the year.
- (ii) The Company does not have any inventory. Consequently, clauses (ii) (a) to (ii) (c) of paragraph 4 of the Order are not applicable.
- (iii) According to information and explanations given to us, the Company has not granted or taken any secured or unsecured loans, to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Consequently, clauses (iii)(a) to (g) of paragraph 4 of the Order are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the Company and nature of its business for purchase of fixed assets and for sale of services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control systems.
- (v) (a) According to the information and explanations given to us, we are of the opinion that there are no contracts or arrangement of the Company, referred to in Section 301 of the Companies Act, 1956, which requires to be entered in the register required to be maintained under that section.  
In view of (v) (a) above, the clause (v) (b) of paragraph 4 of the Order is not applicable.

- (vi) The Company has not accepted any public deposits during the year.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) The maintenance of cost records under section 209(1) (d) of the Companies Act, 1956 is not applicable to the Company, as the Company has not commenced any activities related to distribution of electricity.
- (ix) (a) The Company has been generally regular in depositing undisputed statutory dues including Income Tax, Sales Tax, Wealth Tax, Service tax, Custom duty, Excise duty, Cess and other statutory dues, with appropriate authorities Being a wholly owned subsidiary of M/s NTPC Ltd. all the employees are on secondment basis, therefore Provident fund on their salaries is being deposited by the holding company.
- (b) According to the information and explanations given to us, there are no undisputed statutory dues outstanding for a period of more than six months from the date they became payable, as per books of accounts as at 31<sup>st</sup> March, 2014.
- (c) According to the information and explanations given to us, there are disputed statutory dues, which have not been deposited as on 31<sup>st</sup> March, 2014 as given herein below:

| Statue               | Nature of Dues               | Amount (₹)      | Forum where disputes are pending |
|----------------------|------------------------------|-----------------|----------------------------------|
| Income Tax Act, 1961 | Tax Demanded u/s 143(3)      | 14,20,92,750/-  | CIT (Appeals), Delhi             |
| Finance Act, 1994    | Service Tax on Deposit works | 462,15,07,284/- | CESTAT, Delhi                    |
| Finance Act, 1994    | Service Tax on Deposit works | 20,85,97,984/-  | CESTAT, Delhi                    |

- (x) The Company has no accumulated losses as at the end of the relevant year and immediately preceding financial year. The company has not incurred cash losses during the financial year covered under audit, however in the immediately preceding year cash losses were incurred.
- (xi) The Company has not taken any loans from any financial institution, bank or by way of issue of debentures. Consequently clause (xi) of paragraph 4 of Order is not applicable.
- (xii) According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, clause (xiii) of paragraph 4 of Order is not applicable to the Company.
- (xiv) The Company is not dealing in or trading in shares, securities, debentures and other investments. Consequently, clause (xiv) of paragraph 4 of the Order is not applicable to the Company.
- (xv) The Company has not given any guarantees for loans taken by others from banks or financial institutions.
- (xvi) The Company has not raised any term loans.
- (xvii) According to the information and explanations given to us, the Company has not raised any short term or long-term funds.
- (xviii) According to the information and explanations given to us, the Company has not made preferential allotment of shares to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- (xix) According to the information and explanations given to us, the Company has not issued any debentures during the year.
- (xx) According to the information and explanations given to us, the Company has not raised money through a public issue during the year.
- (xxi) To the best of our knowledge and belief and according to the information and explanations given to us, we report that no fraud on or by the Company has been noticed or reported during the year.

For Bhudladia & Company  
Chartered Accountants  
Firm's Reg. No. 002511N

(CA. Puneet Singla)  
(Partner)  
Membership No. 506277

Place : New Delhi  
Date : 03/05/2014

**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619 (4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF NTPC ELECTRIC SUPPLY COMPANY LIMITED, NEW DELHI, FOR THE YEAR ENDED 31 MARCH 2014 AND MANAGEMENT REPLIES THEREON**

| Comment   | Management Reply                         |
|---|--|
| <p>The preparation of financial statements of NTPC Electric Supply Company Limited, New Delhi, for the year ended 31<sup>st</sup> March 2014 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 3 May 2014.</p> <p>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 NTPC Electric Supply Company Limited, New Delhi, for the year ended 31 March 2014. The 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. Based on my supplementary audit, I would like to highlight the following significant matters under section 619 (4) of the Companies Act, 1956, which has come to my attention and which in my view, are necessary for enabling a better understanding of the financial statements and the related Audit Report:</p> <p><b>1. General</b></p> <p><b>Other Notes</b></p> <p><b>Contingent Liabilities (Note No. 27)</b></p> <p>The above does not include:</p> <p>(a) Amount of ₹ 22.56 crore of Income Tax demand raised by Assistant Commissioner of Income Tax under section 156 of Income Tax Act, 1961.</p> <p>(b) Amount of interest of ₹ 138.30 crore on Service Tax amounting to ₹ 231 crore alongwith the amount of penalty of ₹ 231 crore raised by the Commissioner of Customs, Central Excise &amp; Service tax for period April 2007 to March 2014.</p> <p>(c) Penalty of ₹ 5 crore and interest of ₹ 4.94 crore on Service Tax of ₹ 20.86 crore demanded by the Commissioner of Customs, Central Excise &amp; Service Tax for the period from April 2012 to March 2014.</p> <p>Thus the Contingent Liabilities are understated to the extent of ₹170.80 crore.</p> | <p style="text-align: center;">Noted</p> |
| <p><b>2. Independent Auditor's Report</b></p> <p><b>Annexure to the Auditors' Report (ix) (C)</b></p> <p>The Statutory Auditors have not reported the following disputed Statutory dues not deposited by the company as required by Para 4 (ix) (b) of Companies (Auditor's Report) Order, 2003:</p> <p>(d) Amount of interest of ₹138.30 crore on Service Tax amounting to ₹ 231 crore along-with the amount of penalty of ₹ 231 crore raised by the Commissioner of Customs, Central Excise &amp; Service Tax for April 2007 to March 2014.</p> <p>(e) Penalty of ₹ 5 crore and interest of ₹ 4.94 crore on Service Tax of ₹ 20.86 crore demanded by the Commissioner of Customs, Central Excise &amp; Service Tax for the period from April 2012 to March 2014.</p>  | <p style="text-align: center;">Noted</p> |

For and on behalf of Comptroller & Auditor General of India

(Tanuja S. Mittal)  
Principal Director of Commercial Audit &  
Ex-officio Member, Audit Board – III,  
New Delhi

Dated : 15.7.2014  
Place : New Delhi

For and on behalf of the Board of Directors

(Dr. Arup Roy Choudhury)  
Chairman

Dated : July 18, 2014  
Place : New Delhi

**NTPC VIDYUT VYAPAR NIGAM LIMITED**

(A wholly owned subsidiary of NTPC Limited)

**DIRECTORS' REPORT**

To

Dear Members,

Your Directors have pleasure in presenting the Twelfth Annual Report on the working of the Company for the financial year ended on 31st March 2014 together with Audited Financial Statement, Auditors' Report and Review by the Comptroller and Auditor General of India for the reporting period.

**FINANCIAL RESULTS**

(₹ in Crore)

|  | 2013-14        | 2012-13  |
|--|----------------|----------|
| Total Revenue  | <b>3532.32</b> | 3075.32  |
| Total Expenses   | <b>3441.04</b> | 3012.28  |
| Profit/(Loss) before exceptional and extraordinary items | <b>91.28</b>   | 63.04    |
| Exceptional Items  | -              | (115.82) |
| Profit/(Loss) before Tax                                 | <b>91.28</b>   | (52.78)  |
| Tax expenses   | <b>31.04</b>   | (17.94)  |
| Profit/(Loss) for the year                               | <b>60.24</b>   | (34.84)  |

**DIVIDEND**

During the financial year 2013-14, Directors have not recommended any dividend.

**ENERGY TRADING-BUSINESS**

In accordance with Central Electricity Regulatory Commission (CERC) notification, your Company is a trading Licensee under Category I (highest category).

During the financial year under review margin from trade of energy was ₹52.47 Crore from trade of 9322 million units including 1997 million units traded under SWAP arrangements and 4390 million units traded under Solar & Thermal Bundled energy, as compared to margin of ₹43.04 Crore from trade of energy of 8382 million units including 1520 million units traded under SWAP arrangements and 1590 million units traded under Solar & Thermal Bundled energy in the financial year 2012-13. The overall volume of energy traded by Company during the financial year 2013-14 has increased by 11.21% over last financial year 2012-13.

**BUSINESS INITIATIVES**

The Government of India has designated your company as the Nodal Agency for Phase I of Jawaharlal Nehru National Solar Mission (JNNSM) with a mandate for purchase of power from the solar power projects connected to grid at 33 KV and above at tariff regulated by CERC and for sale of such power bundled with the power sourced from NTPC coal power stations to Distribution Utilities under Phase I (2010-2013) of JNNSM which envisages setting up of 1000 MW solar capacity.

Your company had successfully conducted the process of Selection of the Solar Power Developers based on Guidelines issued by the Ministry of New and Renewable Energy.

As on 31<sup>st</sup> March 2014, a total solar capacity of 548 MW (498 MW of Solar PV and 50 MW of Solar Thermal) has been commissioned and corresponding allocation of NTPC coal power has been made by Ministry of Power. During the Financial Year 2013-14, a total of 4390MUs of bundled power (including 913 MUs of Solar Power) has been supplied by your company to Discoms/Utilities of States of Punjab, Uttar Pradesh, Odisha, West Bengal, Karnataka, Rajasthan, Andhra Pradesh, Tamil Nadu, Maharashtra, Assam and DVC, the power being supplied to all the 5 Electricity Regions of India.

Your Company has also been designated as the nodal agency for cross border trading of power with Bangladesh and Bhutan. The Power Purchase Agreement (PPA) for supply of 250 MW power from NTPC stations for 25 years was signed on Feb 28, 2012 between NVVN and Bangladesh Power Development Board (BPDB).

With the setting up of HVDC link between India and Bangladesh, First Cross-Border transfer of power (Testing power of 50 MW to 175 MW) took place from 27<sup>th</sup> to 30<sup>th</sup> Sept'2013. Regular power flow to Bangladesh from NTPC's coal stations has started with power capacity of 175 MW from 5<sup>th</sup> Oct'2013 and power capacity of 250 MW from 4<sup>th</sup> Dec'2013 during the year.

Your Company has excelled in many fields including expanding customer base, selling captive power, selling power of Independent Power Producers (IPPs), entering into power banking arrangements etc. The customer base of the Company has increased to 100 which include private Discoms and also utilities. The Company has maintained a strong presence in all the five Electricity regions of India.

The business initiative for sale of Fly ash and Cenosphere were started during the year 2005-06. During the financial year 2013-14, 4653424 MT of Fly Ash was sold as compared to 4198471 MT of Fly Ash sold in the Financial Year 2012-13. The Ash sale revenue contributes to Ash Fund constituted in line with MOEF Notification of November 3, 2009. Addition to Ash Fund in 2013-14 was ₹91.30 crore (including an interest of ₹17.01 crore) as compared to ₹107.96 crore (including an interest of ₹19.69 crore) in the financial year 2012-13.

The domestic sale of Cenosphere is being conducted through E-auction portal of MSTC Limited, a public sector company. During the year under review the Company has sold 225 MT of Cenosphere as compared to 240 MT of Cenosphere in the financial year 2012-13.

**FIXED DEPOSITS**

The Company has not accepted any fixed deposit during the financial year ending 31st March 2014.

**MANAGEMENT DISCUSSION AND ANALYSIS**

Management Discussion and Analysis is enclosed at Annexure-1.

**AUDITORS' REPORT**

The Comptroller and Auditor General of India (C&AG) appointed M/s Aiyar & Co., Chartered Accountants as Statutory Auditors of the Company for the financial year

2013-14. The Auditors have expressed their qualified opinion on the accounts and emphasized on certain issues. The Management replies to the auditor's qualifications/ observations are as under:

**Auditor's qualifications/ observations No.1**

The company contends that, since the Fly Ash Utilization Fund does not belong to the company, the interest income earned on Fly Ash Utilization Fund being an accretion to the said fund also belongs to the fund.

The company, however, has accounted for interest income on Fly Ash Utilization Fund as its income under other Income in the Statement of Profit & Loss. The company thereafter transferred the said interest income (net of tax) to the Fly Ash Utilization Fund through appropriation out of the surplus in the Statement of Profit and Loss. [Refer Note No. 3 (a) & 4(b)].

In our opinion the interest income on Fly Ash Utilization Fund ab-initio does not belong to the company and accounting for such income in the Statement of Profit & Loss has resulted in profit after tax for the year being overstated to the extent of ₹17,01,18,786 being interest earned on Fly Ash Utilization Fund (net of tax) with consequent effect on Provision for taxation overstated by ₹5,40,18,706, MAT credit entitlement understated by ₹3,35,79,196, Fly Ash Utilization Fund understated by ₹8,75,97,902 & Tax deducted at source overstated by ₹2,57,71,669.

**Management reply**

Gazette notification No. 1799 dated 03.11.2009 of Ministry of Environment & Forest (MoEF), Government of India (GoI) states that the amount collected from sale of fly ash and fly ash based products should be kept in a separate account head and shall be utilized only for the development of infrastructure or facility, promotion and facilitation activities for use of fly ash until 100 percent fly ash utilisation level achieved. The said notification does not specify regarding the account of any accretions (in the form of interest) to the amounts so collected from sale of fly ash. The company has taken up the matter with MoEF for clarifications and a reply is awaited.

In the absence of any clarification from MoEF, on the advice of an Independent Tax Consultant, the company has accounted the interest income on the ash utilisation fund to avoid any penal or other consequences.

**Auditor's qualifications/ observations No.2**

In our opinion since the Fly Ash Utilization Fund has been created vide notification dated 3rd November, 2009 by the Ministry of Environment & Forests (MoEF)- Govt. of India and NVVN is only administering the fund it is incumbent that the policy guidelines as framed by NTPC/NVVN dated 25th March 2014 be approved/ confirmed by the said Ministry. [Refer Note 4(c)]

**Management reply**

As per the MoEF notification, the amounts collected from sale of fly ash can be utilized only for the development of infrastructure or facility, promotion and facilitation activities for use of fly ash. The said notification does not mention any requirement to obtain prior consent/approval of MoEF/GoI for guidelines on utilisation of fly ash fund. Further, an opinion of an Independent Legal Counsel was also sought on the requirement of approval from the administrative ministry (MoEF) and it was opined that it does not require any approval from MoEF.

The policy guidelines formulated in this regards by NTPC Limited have been adopted by the Board of the Company.

**Auditor's qualifications/ observations No.3**

The amount collected from the sale of fly ash/ fly ash products and amount realized from encashment of bank guarantees are not considered as income of the company and amount is held by the NVVN in the Fly Ash Utilization Fund/Retention on Account BG Encashment (Solar) and as such no provision for taxation has been made on said fund/retention account. We have however, not been produced any general or specific exemption on the taxability of these fund/retention account and impact it may have, on NVVN on the balances shown under the respective heads in the accounts. [Refer Note 4 (e) & 8 (e)].

**Management reply**

As per Gazette Notification amendment dated 03.11.2009 of MoEF, the company, being 100% subsidiary of NTPC Limited, is permitted for sale of fly ash and the amount collected from sale of fly ash and fly ash based products shall be kept in a separate account head and shall be utilized only for the development of infrastructure or facility, promotion and facilitation activities for use of fly ash until 100 percent fly ash utilisation level is achieved; thereafter as long as 100% fly ash utilisation level is maintained, the thermal power station would be free to utilize the amount collected for the other development programmes also.

Therefore, the amounts collected from sale of fly ash are being kept in a separate account by NVVN known as Fly Ash Utilisation Fund. Since the said notification is silent on the taxability to the amounts collected through sale of fly ash, NVVN sought an opinion from Independent Tax Consultant. The consultant opined that "there is a transfer of sale proceeds (income) by overriding effect because the sale proceeds do not belong to the company since it has to be used for specified purposes. The amounts collected shall be a liability being collected as a trustee and there will be no tax liability." Accordingly, all receipts from the sale of fly ash are held separately since date of applicability of the notification i.e. w.e.f. 3rd Nov 2009.

As per the directions received from Ministry of New and Renewable Energy (MNRE) and clarifications thereafter, it is stated that the amount received from encashment of Bank Guarantees (BG's) is to be kept separately in maximum interest bearing accounts. Further this money is not to be treated as income of NVVN. The matter related to the taxability of the above receipts was also referred to the Independent Tax Consultant and as per his opinion, the amounts received from the encashment of BG's will not be liable for tax in the hands of the company in view of the letter/ clarifications issued by MNRE.

**Auditor's qualifications/ observations No.4**

The Gross interest accrued on Retention on Account BG encashment (solar) is credited to the said account, however the company has considered the Tax deducted at source on such interest as TDS of the company, thereby overstating the tax deducted at source to the extent of ₹62,74,891 [Refer Note No. 8 (b)].

The net impact of para 1 to 4 above has resulted in profit after tax for the year overstated by ₹17,01,18,786, Long term loans & advances understated by ₹ 5,40,18,706, Short term loans & advances understated by ₹ 3,35,79,196 and Fly Ash Utilization Fund understated by ₹8,75,97,902.

**Management reply**

The interest on amounts received from the encashment of BG's is not liable for tax in the hands of company in view of the letter/ clarifications issued by MNRE. However, since the tax deduction at source is being made by the banks in the name of the company, the gross interest accrued on this BG retention account has been shown as income and the same is transferred to Solar BG Retention A/c by deducting from the said income, so that company becomes entitled to claim the TDS as its advance tax paid.

The above is supported by the opinion of an Independent Tax Consultant.

**Emphasis of matter**

The auditors have also supplied emphasis to note no. 4(c) regarding utilisation from Fly Ash Utilisation Fund and note no. 22(c) regarding disclosure of employee benefits as per AS-15. The issues have been adequately explained in the relevant notes to the accounts.

**REVIEW OF ACCOUNTS BY THE COMPTROLLER & AUDITOR GENERAL OF INDIA**

The Comptroller and Auditor General of India, through letter dated 22nd July 2014 has given 'NIL' comments on the Financial Statements of your company for the year ended 31st March 2014 under section 619(4) of the companies Act, 1956. As advised by the office of the Comptroller and Auditor General of India (C&AG), the comments of C&AG for the year 2013-14 are being placed with the report of Statutory Auditors of your company elsewhere in this Annual Report.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING AND OUTGO**

There are no significant particulars, relating to conservation of energy, technology absorption under the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, as your Company does not own any manufacturing facility. During the financial year under review the Company has earned ₹211.85 crore in foreign currency as compared to ₹ nil foreign currency earned during the financial year 2012-13. An expenditure of ₹0.08 crore in foreign currency has been incurred mainly towards travelling of employees and other payments/ reimbursements during the financial year under review as compared to ₹0.02 crore expenses incurred towards travelling of employees during the financial year 2012-13.

**PARTICULARS OF EMPLOYEES**

As per Notification No. GSR 289(E) dated 31 March, 2011 issued by the Ministry of Corporate Affairs, amending the provisions of the Companies (Particulars of Employees) Rules, 1975, it is not necessary for the Company being a Government company to include the particulars of employees drawing salaries of ₹60 lakh or more per annum, employed throughout the financial year or ₹5 lakh per month, if employed for part of the financial year. However, such particulars shall be made available to the shareholders on a specific request made by them during the course of this Annual General Meeting.

**AUDIT COMMITTEE**

As per the provisions of Section 292A of the Companies Act, 1956, your Company has an Audit Committee of the Board comprising of Shri I.J. Kapoor, Shri K. Biswal and Shri N.N. Misra, Directors of the Company. Three meetings of the Audit Committee were held during the financial year 2013-14. The senior-most Director on the Audit Committee Chaired the meeting and quorum is of two Directors.

**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, 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 2013-14 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 provisions of the Companies Act, 1956 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.

**BOARD OF DIRECTORS**

During the financial year under review Shri A.K. Singhal, (DIN: 00011085), consequent upon resignation from services of NTPC Limited, has tendered his resignation and accordingly ceased to be Director of the Company w.e.f. October 8, 2013 (A/N). The Board of Directors, consequent upon nomination received from NTPC Limited, appointed Shri Sudhir Arya, (DIN: 05135780) Executive Director (Finance), NTPC Limited as an Additional Director of the Company. Subsequently, NTPC Limited nominated Shri Kulamani Biswal, (DIN: 03318539) Director (Finance), NTPC Limited in place of Shri Sudhir Arya w.e.f. June 17, 2014. NTPC Limited also nominated Mrs. A. Sathyabhama, (DIN: 06904946) on the Board of the Company. The Board of Directors accordingly appointed Shri Kulamani Biswal and Mrs. A. Sathyabhama as Additional Directors who holds office up to the date of this Annual General Meeting and are eligible for appointment. The Company has received a requisite notice in writing from NTPC Limited, proposing their candidature for the office of Director liable to retire by rotation.

In accordance with the provisions of Companies Act, 2013, Shri N.N. Misra, Director (DIN: 00575501) shall retire by rotation at this Annual General Meeting of your Company and, being eligible, offers himself for reappointment.

**ACKNOWLEDGMENT**

The Board of Directors wish to place on record their appreciation for the support and co-operation extended by NTPC Limited, the Central Electricity Regulatory Commission, the valued customers of the Company, various State Electricity Boards, Statutory Auditors, Office of the Comptroller and Auditor General of India and the Bankers of the Company.

For and on behalf of the Board of Directors

(Dr. ARUP ROY CHOUDHURY)

CHAIRMAN

DIN: 00659908

Place : New Delhi

Date : July 23, 2014

**Annexure-I**
**MANAGEMENT DISCUSSION AND ANALYSIS**
**INDUSTRY STRUCTURE AND DEVELOPMENTS**

Trading is an essential tool for optimisation of resources and plays an important role in the current market scenario of deficit power as it enables the state utilities to fully utilise the existing and captive sources of generation. The quantum of power being traded in short term has been increasing over the years along with declining trend of prices. With the Electricity Act 2003, recognising Trading as a distinct activity, Trading of Electricity has been growing since then. The multi-buyer and multi-seller market model has helped in the growth of trading business with increasing number of trading licensees.

Short term Trading is also essential for balancing the demand with supply besides meeting the contingency demand of States.

The grant of Trading License for Inter-state trading is governed by CERC Regulations, 2009 including its Amendment issued from time to time.

CERC has fixed a ceiling trading margin for short term trade at 7 paise per kWh in case the sale price is exceeding ₹3 per kWh and 4 paise per kWh where sale price is less than or equal to ₹3 per kWh. However, Transactions through power swapping/ banking are out of purview of the CERC Regulations for Short Term Trading.

During the last four years, 65 traders have obtained licenses for serving the needs of the various clients, out of which 22 nos. of licensees have been surrendered/ cancelled. The traders are issued license under categories I, II or III depending on the volume of units proposed to be traded and net worth. During 2013-14 out of the electricity generation of approximately 963 billion units, approximately 83 billion units were traded, representing 8.62% of trading to total generation.

Structure of Power Market in India\*

|       |                             |              |
|-------|-----------------------------|--------------|
| (i)   | Long -Term (89.1%)          | 858 BU       |
| (ii)  | Power Trading (8.6%)        | 83 BU        |
| (iii) | Balancing Market (UI)(2.2%) | 22BU         |
|       | <b>Total</b>                | <b>963BU</b> |

The trading of Power in India\*

|       |                        |              |
|-------|------------------------|--------------|
| (i)   | Bilateral Trading      | 36 BU        |
| (ii)  | Bilateral Direct       | 17 BU        |
| (iii) | Through Power Exchange | 30 BU        |
|       | <b>Total</b>           | <b>83 BU</b> |

\*Source: CERC (2013-14)

**STRENGTH AND WEAKNESS**

Your Company's strength lies in its association with strong promoter viz. NTPC Limited having formidable network, established rapport, credibility with potential buyers & sellers and backed with professional manpower from NTPC.

Your Company is exposed to credit risk due to buyer's inability to make timely payments without any strong payment security mechanism in place.

**OPPORTUNITIES AND THREATS**

Ministry of Power, Government of India plans to enhance the existing inter regional power transfer capacity of 40050 MW to 72250 MW by end of 12th Plan period. This would provide considerable opportunities for enhancement of trading volumes. Many Independent Power Producers are setting up generation capacities reserved as merchant capacity for sale in the market. This will provide opportunity to the Company for capturing such merchant capacity for trading.

In recent times the number of private traders has increased and they are trading power without proper back-to-back payment security mechanism. In view of the above your company is having the threat of non timely payment by buyers.

**OUTLOOK**

Your Company has been designated as one of the nodal agencies for cross border trading of power with Bhutan and Bangladesh. The Power Purchase Agreement between NVVN and BPDB for supply of 250 MW power from NTPC stations for 25 years was signed on Feb 28, 2012. The Power supply to Bangladesh has commenced from 5th October 2013. Cross border trading of power from Bhutan is expected to commence from 2016-17 with the commissioning of new projects.

Your Company has also been designated as nodal agency for buying power from solar power developers in India and selling to distribution utilities after bundling with unallocated capacity from NTPC power stations. The business of selling bundled power to Discoms have commenced from FY 2011-12.

Your Company is also selling fly ash from NTPC plant at Dadri, Unchahar Kahalgao, Ramagundam, Farakka and Badarpur.

**RISKS AND CONCERNS**

The trading margin capped by CERC for electricity trading limits revenues of trading companies. The risk gets further enhanced due to large number of private players offering lower trading margin than the capped trading margin. Your Company continues to focus on increasing its market share in power trading with emphasis on back-to-back arrangements in order to mitigate risks while making endeavors to increase the business.

**INTERNAL CONTROL**

Your Company has adequate internal control systems and procedures in place commensurate with the size and nature of its business. Your Company has adopted the internal control system of its holding company viz. NTPC Limited. The authorities vested in various levels are exercised within framework of appropriate checks and balances. Effectiveness of all checks and balances and internal control systems is reviewed during internal audit carried out by Internal Audit Department of NTPC Limited. An independent internal audit is also carried out by experienced firm of Chartered Accountants in close co-ordination with departments of the Company and Internal Audit Department of NTPC Limited. The Internal Audit Reports are

regularly reviewed by the Audit Committee of the Board of Directors.

**PERFORMANCE DURING THE YEAR**
**Operations**

Your company has been issued license under category "I" which allows trading of 1000 million units and above every year without any upper limit.

The details of the energy traded by the Company are as follows:

|                         | Fiscal 2014   | Fiscal 2013 |
|-------------------------|---------------|-------------|
| Trading of energy       | Million units |             |
| Power                   | 3635          | 5279        |
| Solar Bundled Power     | 4390          | 1590        |
| Power SWAP Arrangements | 1297          | 1520        |
| <b>Total</b>            | <b>9322</b>   | <b>8382</b> |

During the Financial Year 2013-14, your company traded 9322 million units of power, which includes 4390 MUs of bundled solar power under Jawaharlal Nehru National Solar Mission. The overall volume of power traded by Company has increased by 11.21% over last year.

In the past three years your company has developed a good customer base and has served over 100 customers including State Government/Private Power Utilities, Captive Power Generators etc. in all five regions in the country.

In addition to energy trading, your Company is also trading fly ash and cenosphere. The details of the fly ash and cenosphere traded by the Company are as follows:

|            | Fiscal 2014 | Fiscal 2013 |
|------------|-------------|-------------|
|            | Metric Ton  |             |
| Fly ash    | 4653424     | 4198471     |
| Cenosphere | 225         | 240         |

**Financial Performance**

The main revenue of your Company has been realized by trading of energy of 9322 million units contributing to 98% of total revenue.

|  | 2013-14 |                | 2012-13 |                |
|--|---------|----------------|---------|----------------|
| <b>Sales</b>                               |         |                |         |                |
| Bilateral energy                           | 1447.32 |                | 2244.49 |                |
| Solar & Thermal Bundled Energy             | 1989.22 |                | 756.47  |                |
| Energy under SW/AP Arrangements            | 4.99    | 3441.53        | 5.78    | 3006.74        |
| Other operating income                     |         | 34.18          |         | 36.22          |
| Fly Ash and Cenosphere                     | 122.55  |                | 108.86  |                |
| Less: Transfer to Fly Ash Utilization Fund | 122.55  | -              | 108.86  |                |
| Other income                               |         | 56.61          |         | 32.36          |
| <b>Total</b>                               |         | <b>3532.32</b> |         | <b>3075.32</b> |

The Ministry of Environment and Forest, Government of India, through its notification dated November 3, 2009, directed that the amount collected from sale of fly ash and fly ash based products should be kept in a separate account head and shall be utilized only for development of infrastructure or facilities, promotion and facilitation activities for use of fly ash until 100% fly ash utilization level is achieved; thereafter as long as 100% fly ash utilization levels are maintained, the thermal power station would be free to utilize the amount collected for other development programmes also and in case, there is a reduction in the fly ash utilization levels in the subsequent year(s), the use of financial return from fly ash shall get restricted to development of infrastructure or facilities and promotion or facilitation activities for fly ash utilization until 100% fly ash utilization level is again achieved and maintained.

The amount transferred during the current financial year to the fly ash utilization fund net of amounts utilized as per the above notification is of ₹74.29 Crore as compared to ₹88.27 Crore transferred during the previous financial year.

The Total operating expenses of the Company are as follows:-

|                                 | 2013-14        |  | 2012-13        |  |
|---------------------------------|----------------|--|----------------|--|
| Purchase of energy              | 3389.06        |  | 2963.70        |  |
| Rebate on energy sale           | 28.97          |  | 36.40          |  |
| Employee benefits expense       | 8.59           |  | 7.98           |  |
| Administration & other expenses | 14.31          |  | 4.15           |  |
| <b>Total operating expenses</b> | <b>3440.93</b> |  | <b>3012.23</b> |  |

Due to notification by the Ministry of Environment and Forest, Government of India, the operating expenses of fly ash business during 2013-14 have been met out of the Fly Ash Utilization Fund, hence not included in operating expenses.

The total expenses including operating expenses of the Company are as follows:-

|  | 2013-14        |  | 2012-13        |  |
|--|----------------|--|----------------|--|
| Total operating expenses                           | 3440.93        |  | 3012.23        |  |
| Finance cost                                       | 0.04           |  | -              |  |
| Depreciation & amortization expense                | 0.07           |  | 0.05           |  |
| <b>Total expenses including operating expenses</b> | <b>3441.04</b> |  | <b>3012.28</b> |  |

The depreciation cost as compared to total expense is negligible since the fixed assets in the company are represented by furniture and fixtures, EDP machines etc. and the Gross Block was of the order of ₹0.92 Crore as on 31.3.2014.

(₹ in Crore)

|  | 2013-14      | 2012-13        |
|--|--------------|----------------|
| Profit/(Loss) before exceptional and extraordinary items & tax | 91.28        | 63.04          |
| Exceptional items  | -            | (115.82)       |
| <b>Profit/(Loss) before tax</b>                                | <b>91.28</b> | <b>(52.78)</b> |

During the financial year under review the Company does not have any Exceptional item as compared to recognition of loss, in the previous year, of ₹115.82 Crore under the head "Exceptional Items", as per the directions received from the Ministry of New and Renewable Energy (MNRE) and clarifications sought thereafter.

(₹ in Crore)

|                                   | 2013-14      | 2012-13        |
|-----------------------------------|--------------|----------------|
| Profit/(Loss) before tax          | 91.28        | (52.78)        |
| Tax expenses                      | 31.04        | (17.94)        |
| <b>Profit/(Loss) for the year</b> | <b>60.24</b> | <b>(34.84)</b> |

**Dividend**

During the financial year 2013-14, Directors have not recommended any dividend.

**Reserves & Surplus**

During the financial year 2013-14, a sum of ₹9 Crore have been added to General Reserve as compared to ₹19.69 Crore transferred in the previous year from Reserves & Surplus to Fly Ash Utilization Fund.

**Current Assets**

The current assets at the end of the financial year 2013-14 were ₹1194.19 Crore as compared to ₹935.60 Crore in financial year 2012-13 registering an increase of 27.64%.

(₹ in Crore)

|                              | 31.03.2014     | 31.03.2013    |
|------------------------------|----------------|---------------|
| Inventories                  | 0.01           | 0.01          |
| Trade receivables            | 268.28         | 158.36        |
| Cash and Bank balances       | 637.60         | 523.03        |
| Short term loan and advances | 7.80           | 2.92          |
| Other current assets         | 280.50         | 251.28        |
| <b>Total Current Assets</b>  | <b>1194.19</b> | <b>935.60</b> |

The increase was mainly on account of increase in trade receivables and cash and bank balance. During the financial year under review, trade receivables has increased to ₹268.28 Crore from ₹158.36 Crore. The major amount of receivables has now been recovered from various buyers and balance amount would be realized soon. The Cash and Bank Balance has increased to ₹637.60 Crore from ₹523.03 Crore due to increase in CLTDs/FD and the Other Current assets has increased to ₹280.50 Crore from ₹251.28 Crore mainly due to increase in unbilled revenue.

**Current Liabilities**

During the financial year 2013-14, Current Liabilities have increased to ₹710.89 Crore as compared to ₹603.94 Crore in the financial year 2012-13, mainly on account of increase in other current liabilities.

(₹ in Crore)

|                                  | 31.03.2014    | 31.03.2013    |
|----------------------------------|---------------|---------------|
| Trade payables                   | 477.11        | 438.38        |
| Other current liabilities        | 233.78        | 165.56        |
| <b>Total Current Liabilities</b> | <b>710.89</b> | <b>603.94</b> |

**Cash Flow Statement**

(₹ in Crore)

|   | 31.03.2014 | 31.03.2013 |
|---|------------|------------|
| Opening cash and cash equivalents       | 523.03     | 339.55     |
| Net cash from operating activities      | 82.67      | 186.92     |
| Net cash from investing activities      | 31.90      | 19.80      |
| Net cash flow from financing activities | -          | (23.24)    |
| Net change in cash and cash equivalents | 114.57     | 183.48     |
| Closing cash and cash equivalents       | 637.60     | 523.03     |

The closing cash and cash equivalent for the financial year ended March 31, 2014 has increased by 21.90% from ₹523.03 Crore in the previous year to ₹637.60 Crore in the current year.

**Financial Indicators**

The various performance indicators for the financial year 2013-14 as compared to financial year 2012-13 are as under:-

(₹ in Crore)

| Description  | 2013-14 | 2012-13 |
|--|---------|---------|
| A i) Capital employed                                  | 186.28  | 143.06  |
| ii) Net worth  | 186.28  | 143.06  |
| B i) Return on Capital Employed (PBT/CE)               | 49%     | (37%)   |
| ii) Return on net worth (PAT/NW)                       | 32%     | (24%)   |
| C Dividend as % of Equity Capital                      | -       | -       |
| D Earning per share in ₹ (EPS) before exceptional item | 30.12   | 21.30   |
| E Earning per share in ₹ (EPS) after exceptional item  | 30.12   | (17.42) |

The capital employed as well as net worth has increased due to addition of profit earned during the current financial year and such increase has also resulted increase in Return on Capital Employed, Return on Net Worth and EPS of the Company.

**Human Resources**

As on 31st March 2014, there were 53 employees posted on secondment basis from holding company viz. NTPC Limited. To achieve the ambitious growth targets, the company has drawn professional manpower from NTPC who have rich experience in dealing in various technical, financial and commercial issues. Continual training and up-gradation of skills of employees is ensured through mandatory training every year.

**Corporate Social Responsibility**

Your company is presently collaborating and contributing through NTPC CSR, which is following global practice of addressing CSR issues in an integrated multi stakeholder approach covering environmental and social aspects. During the financial year 2013-14, a total expenditure of ₹10.33 crore was incurred towards Corporate Social Responsibility.

**CAUTIONARY STATEMENT**

Statements in the Management Discussion and Analysis describes the Company's objectives, projections, estimates, expectations may be "forward-looking statements" within the meaning of applicable laws and regulations. Actual results

may vary materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting demand/supply and price conditions in the markets in which the Company operates, changes in Government regulations & policies, tax laws and other statutes and incidental factors.

For and on behalf of the Board of Directors

(Dr. ARUP ROY CHOUDHURY)

CHAIRMAN

DIN: 00659908

Place: New Delhi

Date: July 23, 2014

**NTPC VIDYUT VYAPAR NIGAM LIMITED  
BALANCE SHEET AS AT**

| Particulars                     | Note | 31.03.2014            | 31.03.2013    |
|---------------------------------|------|-----------------------|---------------|
| (Amount in ₹)                   |      |                       |               |
| <b>EQUITY AND LIABILITIES</b>   |      |                       |               |
| <b>Shareholders' funds</b>      |      |                       |               |
| Share capital                   | 2    | 200,000,000           | 200,000,000   |
| Reserves and surplus            | 3    | 1,662,832,414         | 1,230,591,152 |
|                                 |      | <b>1,862,832,414</b>  | 1,430,591,152 |
| <b>Fly Ash Utilization Fund</b> | 4    | <b>3,262,301,631</b>  | 2,349,334,677 |
| <b>Non-current liabilities</b>  |      |                       |               |
| Deferred tax liability (net)    | 5    | 463,641               | -             |
| Other Long-term liabilities     | 6    | 9,857,306             | 9,906,036     |
|                                 |      | <b>10,320,947</b>     | 9,906,036     |
| <b>Current liabilities</b>      |      |                       |               |
| Trade payables                  | 7    | 4,771,151,370         | 4,383,807,302 |
| Other current liabilities       | 8    | 2,337,765,785         | 1,655,595,363 |
| Short-term provisions           | 9    | -                     | -             |
|                                 |      | <b>7,108,917,155</b>  | 6,039,402,665 |
| <b>TOTAL</b>                    |      | <b>12,244,372,147</b> | 9,829,234,530 |
| <b>ASSETS</b>                   |      |                       |               |
| <b>Non-current assets</b>       |      |                       |               |
| <b>Fixed assets</b>             |      |                       |               |
| Tangible assets                 | 10   | 4,375,144             | 4,207,524     |
| Intangible assets               | 10   | 8,400                 | 14,700        |
| Capital work in progress        | 11   | 340,811               | -             |
| Deferred tax assets (net)       | 5    | -                     | 179,268,996   |
| Long-term loans and advances    | 12   | 297,723,497           | 289,761,188   |
|                                 |      | <b>302,447,852</b>    | 473,252,408   |
| <b>Current assets</b>           |      |                       |               |
| Inventories                     | 13   | 111,244               | 134,246       |
| Trade receivables               | 14   | 2,682,838,753         | 1,583,544,255 |
| Cash and bank balances          | 15   | 6,376,004,726         | 5,230,290,672 |
| Short-term loans and advances   | 16   | 78,011,339            | 29,205,705    |
| Other current assets            | 17   | 2,804,958,233         | 2,512,807,244 |
|                                 |      | <b>11,941,924,295</b> | 9,355,982,122 |
| <b>TOTAL</b>                    |      | <b>12,244,372,147</b> | 9,829,234,530 |

Significant accounting policies 1

The accompanying notes form an integral part of these financial statements.

For and on behalf of Board of Directors

(Nitin Mehra) (N.K.Sharma) (K. Biswal) (Dr. Arup Roy Choudhury)  
Company Secretary Chief Executive Officer Director Chairman

This is the Balance Sheet referred to in our report of even date.

**For Aiyar & Co.**

Chartered Accountants  
Firm Registration No.001174N

(C. Chuttani)

Partner  
M.No.90723

Place : New Delhi

Dated : 17 June, 2014

**NTPC VIDYUT VYAPAR NIGAM LIMITED  
STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED**

| Particulars   | Note | 31.03.2014            | 31.03.2013      |
|---|------|-----------------------|-----------------|
| (Amount in ₹)   |      |                       |                 |
| Revenue from operations   | 18   | 34,757,159,048        | 30,429,610,119  |
| Other income  | 19   | 566,088,263           | 323,571,108     |
| <b>Total Revenue</b>  |      | <b>35,323,247,311</b> | 30,753,181,227  |
| <b>Expenses</b>   |      |                       |                 |
| Purchase of energy  | 20   | 33,890,629,901        | 29,637,035,567  |
| Rebate on energy sale   |      | 289,745,050           | 363,962,495     |
| Cost of fly ash/ash products  | 21   | -                     | -               |
| Employee benefits expense   | 22   | 85,920,961            | 79,769,148      |
| Finance costs   | 23   | 437,750               | 2,629           |
| Depreciation and amortization expense   | 10   | 696,270               | 573,782         |
| Administration & other expenses   | 24   | 143,063,887           | 41,469,043      |
| <b>Total expenses</b>   |      | <b>34,410,493,819</b> | 30,122,812,664  |
| Profit/(Loss) before exceptional and extraordinary items and tax              |      | 912,753,492           | 630,368,563     |
| Exceptional items   | 25   | -                     | (1,158,216,659) |
| <b>Profit/(Loss) before extraordinary items and tax</b>                       |      | <b>912,753,492</b>    | (527,848,096)   |
| Extraordinary Items   |      | -                     | -               |
| <b>Profit/(Loss) before tax</b>   |      | <b>912,753,492</b>    | (527,848,096)   |
| <b>Tax expense:</b>   |      |                       |                 |
| Current tax   |      | 191,289,024           | -               |
| Deferred tax  |      | 179,732,637           | (179,408,903)   |
| MAT credit entitlement  |      | (60,628,217)          | -               |
| <b>Total Tax expense</b>  |      | <b>310,393,444</b>    | (179,408,903)   |
| <b>Profit/(Loss) for the year</b>   |      | <b>602,360,048</b>    | (348,439,193)   |
| Significant Accounting Policies   | 1    |                       |                 |
| Earnings per equity share (Par value of ₹ 10/- each) before Exceptional items |      |                       |                 |
| Basic   |      | 30.12                 | 21.30           |
| Diluted   |      | 30.12                 | 21.30           |
| Earnings per equity share (Par value of ₹ 10/- each) after Exceptional items  |      |                       |                 |
| Basic   |      | 30.12                 | (17.42)         |
| Diluted   |      | 30.12                 | (17.42)         |

The accompanying notes form an integral part of these financial statements.

For and on behalf of Board of Directors

(Nitin Mehra) (N.K.Sharma) (K. Biswal) (Dr. Arup Roy Choudhury)  
Company Secretary Chief Executive Officer Director Chairman

This is the Statement of Profit and Loss referred to in our report of even date

**For Aiyar & Co.**

Chartered Accountants  
Firm Registration No.001174N

(C. Chuttani)

Partner  
M.No.90723

Place : New Delhi

Dated : 17 June, 2014

**NTPC VIDYUT VYAPAR NIGAM LIMITED  
CASH FLOW STATEMENT FOR THE YEAR ENDED**

(Amount in ₹)

|   | 31.03.2014           | 31.03.2013           |
|---|----------------------|----------------------|
| <b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>                       |                      |                      |
| Net profit/(loss) before tax  | 912,753,492          | (527,848,096)        |
| <b>Adjustment for:</b>  |                      |                      |
| Depreciation  | 696,270              | 573,782              |
| Interest Charges  | 437,750              | 2,629                |
| Interest income   | (408,628,689)        | (303,520,421)        |
| Profit on disposal of fixed asset                                   | (405)                | -                    |
| Loss on disposal of fixed asset                                     | 85,789               | -                    |
| Increase in Fly Ash Utilization Fund                                | 742,848,168          | 882,637,126          |
|   | <b>335,438,883</b>   | <b>579,693,116</b>   |
| <b>Operating Profit before Working Capital Changes</b>              | <b>1,248,192,375</b> | <b>51,845,020</b>    |
| <b>Adjustment for:</b>  |                      |                      |
| Trade and other receivables   | (1,348,995,767)      | (735,043,233)        |
| Inventories   | 23,002               | 18,489               |
| Trade payable and other liabilities                                 | 1,069,465,760        | 2,612,020,663        |
| Loans and advances  | 10,134,793           | 251,262,295          |
|   | <b>(269,372,212)</b> | <b>2,128,258,214</b> |
| <b>Cash generated from operations</b>                               | <b>978,820,163</b>   | <b>2,180,103,234</b> |
| Direct taxes paid   | <b>(152,153,447)</b> | <b>(310,853,283)</b> |
| <b>Net Cash from Operating Activities-A</b>                         | <b>826,666,716</b>   | <b>1,869,249,951</b> |
| <b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>                       |                      |                      |
| Purchase of fixed assets  | (1,329,665)          | (2,352,927)          |
| Disposal of fixed assets  | 45,880               | 28,776               |
| Interest on Investments Received                                    | 367,866,759          | 240,176,092          |
| Income Tax on Interest on Investments                               | (47,534,877)         | (39,847,596)         |
| <b>Net Cash used in Investing Activities -B</b>                     | <b>319,048,097</b>   | <b>198,004,345</b>   |
| <b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>                       |                      |                      |
| Dividend paid   | -                    | (200,000,000)        |
| Tax on dividend   | -                    | (32,445,000)         |
| Interest Paid   | (759)                | (2,629)              |
| <b>Net Cash flow from Financing Activities-C</b>                    | <b>(759)</b>         | <b>(232,447,629)</b> |
| <b>Net Increase/(Decrease) in Cash and Cash equivalents (A+B+C)</b> | <b>1,145,714,054</b> | <b>1,834,806,667</b> |
| <b>Cash and Cash equivalents (Opening balance) *</b>                | <b>5,230,290,672</b> | <b>3,395,484,005</b> |
| <b>Cash and Cash equivalents (Closing balance)*</b>                 | <b>6,376,004,726</b> | <b>5,230,290,672</b> |

NOTES 1. Cash and Cash Equivalents consist of Cash in Hand & Balance with Banks.  
2. Previous year figures have been regrouped/rearranged wherever necessary.

\*Includes ₹ 25000/- (Previous year ₹ 25000/-) deposited as security with Sales Tax Authority which is not available for use.

For and on behalf of Board of Directors

|                   |                         |             |                          |
|-------------------|-------------------------|-------------|--------------------------|
| (Nitin Mehra)     | (N.K.Sharma)            | (K. Biswal) | (Dr. Arup Roy Choudhury) |
| Company Secretary | Chief Executive Officer | Director    | Chairman                 |

This is the cash flow statement referred to in our report of even date

**For Aiyar & Co.**

Chartered Accountants  
Firm Registration No.001174N

**(C. Chuttani)**

Partner  
M.No.90723

Place : New Delhi  
Dated : 17 June, 2014

**Notes to the financial statement for the year ended 31<sup>st</sup> March 2014**
**1. Significant accounting policies**
**A. Basis of preparation**

The financial statements are prepared on accrual basis of accounting under historical cost convention in accordance with generally accepted accounting principles in India and the relevant provisions of the Companies Act, 2013 (to the extent notified) and the Companies Act, 1956 (to the extent applicable) including accounting standards notified there under.

**B. Use of estimates**

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

**C. Fly Ash Utilisation Fund**

1. Sale of fly ash/ ash products are accounted for based on rates agreed with the customers. Amounts collected are kept under separate account head "Fly Ash Utilization Fund" in accordance with the gazette notification dated 3<sup>rd</sup> November 2009 issued by Ministry of Environment and Forests (MoEF), Government of India.
2. Interest earned (net of Income Tax) on "Fly Ash Utilization Fund" is credited to the fund.
3. Expenses incurred by the company/ holding company in relation to utilisation of fly ash are charged to the "Fly Ash Utilization Fund".

**D. Fixed Assets**

1. Tangible Assets are carried at historical cost less accumulated depreciation.
2. Intangible assets are stated at their cost of acquisition less accumulated amortisation.
3. Fixed Assets acquired out of fly ash utilization fund are directly charged to the fly ash utilization fund.

**E. Foreign currency transactions**

1. Foreign currency transactions are initially recorded at the rates of exchange ruling at the date of transaction.
2. At the balance sheet date, foreign currency monetary items are reported using the closing rate.

**F. Inventories**

1. Inventories are valued at the lower of, cost determined on weighted average basis, and net realizable value.
2. The diminution in value of obsolete / unserviceable items is ascertained on review and provided for.

**G. Income recognition**

1. Sale of energy is accounted for based on the rates agreed with the customers.
2. Interest earned on "Fly Ash utilization fund" is credited to other income.
3. The surcharge on late payment/overdue trade receivables for sale of energy and liquidated damages are recognized when no significant uncertainty as to measurability or collectability exists.

**H. Expenditure**
**a) Depreciation /amortisation**

1. Depreciation is charged on straight line method at the rates specified in Schedule XIV of the Companies Act, 1956 except for the following assets, depreciation on which is charged based on their estimated useful life as mentioned below:

|   |          |
|---|----------|
| a) Personal Computers and Laptops including peripherals | 5 Years  |
| b) Photocopiers and Fax Machines                        | 5 Years  |
| c) Air Conditioners, Water coolers and Refrigerators    | 12 Years |

2. Depreciation on additions to/ deductions from fixed assets during the year is charged on pro-rata basis from/up to the month in which the asset is available for use/disposal.



3. Assets costing up to ₹ 5,000/- are fully depreciated in the year of acquisition.
4. Cost of software recognized as intangible asset, is amortized on straight line method over a period of legal right to use or 3 years, whichever is less.

**b) Other expenditure**

1. Expenses on training & recruitment and research & development are charged to revenue in the year incurred.
2. Prepaid expenses and prior period expenses/income of items of ₹ 1,00,000/- and below are charged to natural heads of accounts.

**I. Employee benefits**

The contributions in respect of liabilities for employee benefits expense towards leave, provident fund, superannuation and all other benefits in respect of employees posted on secondment basis are accounted for as determined and apportioned by the holding company i.e. NTPC Limited at a fixed percentage as per the stated policy.

**J. Operating lease**

Assets acquired on lease where a significant portion of the risk and rewards of the ownership are retained by the lessor are classified as operating leases. Lease rentals are charged to revenue.

**K. Provision and contingent liabilities**

A provision is recognized 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 are determined based on management estimate required to settle the obligation at the balance sheet date and are not discounted to present value. Contingent liabilities are disclosed on the basis of judgment of the management/ independent experts. These are reviewed at each balance sheet date and are adjusted to reflect the current management estimate.

**L. Cash flow statement**

Cash flow statement is prepared in accordance with the indirect method prescribed in Accounting Standard (AS) 3 on 'Cash Flow Statements'.

**M. Taxes on Income**

Current tax is determined on the basis of taxable income in accordance with the provisions of the Income Tax Act, 1961.

Deferred tax liability/asset resulting from 'timing difference' between accounting income and taxable income is accounted for considering the tax rate & tax laws that have been enacted or substantively enacted as on the reporting date. Deferred tax asset is recognized and carried forward only to the extent that there is reasonable / virtual certainty that the asset will be realized in future. Deferred taxes are reviewed at each reporting date.

Minimum Alternate Tax (MAT) paid in a year is charged to the statement of profit and loss as current tax. The company recognizes MAT credit available as an asset only to the extent there is convincing evidence that company will pay normal income tax during the specified period i.e. the period for which MAT credit is allowed to be carried forward. The company reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent the company does not have convincing evidence that it will pay normal tax during the specified period.

**2 SHARE CAPITAL**

(Amount in ₹)

| As at  | 31.03.2014         | 31.03.2013  |
|--|--------------------|-------------|
| <b>Equity Share Capital</b>  |                    |             |
| <b>Authorised</b>  |                    |             |
| 2,00,00,000 shares of par value of ₹ 10/- each<br>(Previous year 2,00,00,000 shares of par value of ₹ 10/- each) | <b>200,000,000</b> | 200,000,000 |
| <b>Issued, subscribed and fully paid-up</b>  |                    |             |
| 2,00,00,000 shares of par value of ₹ 10/- each<br>(Previous year 2,00,00,000 shares of par value of ₹ 10/- each) | <b>200,000,000</b> | 200,000,000 |

- a) During the year, the company has not issued/bought back any equity shares.
- b) The holders of the equity shares are entitled to receive dividends as declared from time to time and are entitled to voting rights proportionate to their shareholding at the meetings of its shareholders subject to approval of the shareholders.

- c) All shares are held by the Holding Company i.e. NTPC Limited and its nominees.

**d) Details of shareholders holding more than 5% shares in the company:**

| Particulars                   | 31.03.2014        |               | 31.03.2013    |               |
|-------------------------------|-------------------|---------------|---------------|---------------|
|                               | No. of shares     | %age holdings | No. of shares | %age holdings |
| NTPC Limited and its nominees | <b>20,000,000</b> | <b>100</b>    | 20,000,000    | 100           |

**3. RESERVES AND SURPLUS**

(Amount in ₹)

| As at  | 31.03.2014           | 31.03.2013    |
|--|----------------------|---------------|
| <b>General Reserve</b>   |                      |               |
| As per last financial statements   | <b>1,567,938,002</b> | 1,764,883,956 |
| Add/(Less) : Transfer from/ to Surplus in the Statement of Profit and Loss                                       | <b>90,000,000</b>    | (120,649,969) |
| (Less) : Transfer to Fly Ash Utilisation Fund (interest) (Note 4)  | -                    | (76,295,985)  |
| Closing balance  | <b>1,657,938,002</b> | 1,567,938,002 |
| <b>Surplus in the Statement of Profit and Loss</b>   |                      |               |
| As per last financial statements   | <b>(337,346,850)</b> | 11,092,343    |
| Add : Profit/(Loss) after tax for the year from Statement of Profit & Loss                                       | <b>602,360,048</b>   | (348,439,193) |
| (Less)/ Add : Transfer to/from General Reserve (Less) : Transfer to Fly Ash Utilisation Fund (interest) (Note 4) | <b>(90,000,000)</b>  | 120,649,969   |
|  | <b>(170,118,786)</b> | (120,649,969) |
| Net surplus/(deficit)  | <b>4,894,412</b>     | (337,346,850) |
| <b>Total</b>   | <b>1,662,832,414</b> | 1,230,591,152 |

- a) During the current year, interest of ₹ **17,01,18,786/-** (net of income tax) (previous year ₹19,69,45,954/- net of income tax) on Fly Ash Utilisation Fund has been transferred to the fund (Note 4).

**4. FLY ASH UTILIZATION FUND**

(Amount in ₹)

| As at  | 31.03.2014           | 31.03.2013    |
|--|----------------------|---------------|
| As per last financial statements                         | <b>2,349,334,677</b> | 1,269,751,597 |
| Add: Transfer from sales (Note 18)                       | <b>1,225,513,224</b> | 1,088,620,403 |
| Transfer from reserve and surplus (Interest) (Note 3)    | <b>170,118,786</b>   | 196,945,954   |
| Less: Utilized during the year                           |                      |               |
| Capital expenditure (Note 10)                            | <b>4,915,087</b>     | 466,999       |
| Cost of fly ash/ash products (Note 21)                   | <b>28,905,770</b>    | 23,438,456    |
| Employee benefits expense (Note 22)                      | <b>57,327,339</b>    | 69,405,332    |
| Administration & other expenses (Note 24)                | <b>51,313,853</b>    | 55,950,600    |
| Fly ash utilisation expenses incurred by holding company | <b>340,203,007</b>   | 56,721,890    |
|  | <b>482,665,056</b>   | 205,983,277   |
| <b>Total</b>   | <b>3,262,301,631</b> | 2,349,334,677 |

- a) The Company sells fly ash and cenosphere given free of cost by its holding company NTPC Limited. As per the gazette notification dated 3rd November 2009 issued by Ministry of Environment and Forests (MoEF), Government of India, the amounts collected from sale of fly ash and fly ash based products shall be kept in a separate account head and be utilized only for development of infrastructure or facilities, promotion and facilitation activities for use of fly ash until 100% fly ash utilization level is achieved. In compliance with the said notification, the company has created a fly ash utilization fund in its books of accounts to which the entire sale proceeds of fly ash and cenosphere for the year amounting to ₹ **1,22,55,13,224/-** (previous year ₹1,08,86,20,403/-) has been transferred.

- b) Further, during current year, interest earned on the fund amounting to ₹ **17,01,18,786/-** (net of income tax) (previous year ₹ 19,69,45,954/-, net of income tax) has been transferred from "Reserve and surplus" (Note 3).

- c) (i) During the current year the holding company framed a policy guideline for utilisation of Ash Fund created from sale of fly ash/ fly ash products, in reference to the above notification dated 03.11.2009, including employee cost and other administrative expenditure incurred at its various coal based generating stations/ offices. These expenses mainly pertain to the development of infrastructure or facilities, promotion and facilitation activities so as to increase the utilisation of fly ash. Therefore, during the current year company has charged an amount of

₹ 48,26,65,056/- (previous year ₹20,59,83,277/-) to the fund as fly ash utilisation expenses, which includes ₹34,02,03,007/- (previous year ₹5,67,21,890/-) incurred by holding company.

- (ii) Out of ₹ 34,02,03,007/-, the holding company incurred an expenditure towards employee and other related costs of ₹ 15,48,16,093/- (previous year ₹ Nil).
- (iii) The above amount incurred by holding company is netted by ₹ 87,38,760/- collected against sale proceeds at NTPC Farakka.
- d) The indirect expenses incurred by the company amounting to ₹ 6,06,34,412/- on account of employee cost, administration and other expenses have been allocated in the ratio of gross margin on sale of power and fly ash & its products.
- e) Considering the opinion of the tax consultant, there is a transfer of sale proceeds(income) by overriding effect because the sale proceeds do not belong to the company since it has to be used for specified purposes. The amounts collected shall be a liability being collected as a trustee and there will be no tax liability. Hence, no provision has been made for Income Tax on the net receipts arising on account of sale of fly ash and cenosphere.

#### 5. DEFERRED TAX LIABILITIES (NET)

(Amount in ₹)

| As at  | 31.03.2014     | 31.03.2013           |
|--|----------------|----------------------|
| Deferred tax liability                               |                |                      |
| Difference of book depreciation and tax depreciation | 463,641        | 277,721              |
| <b>Less: Deferred tax asset</b>                      |                |                      |
| On account of carry forward losses for tax purposes  | -              | 179,546,717          |
| <b>Total</b>   | <b>463,641</b> | <b>(179,268,996)</b> |

- a) The net change in deferred tax of ₹ 17,97,32,637/- [Previous year (₹ 17,94,08,903/-)] has been charged to Statement of Profit and Loss.
- b) Deferred tax asset and deferred tax liability have been offset as they relate to the same governing law.

#### 6. OTHER LONG-TERM LIABILITIES

(Amount in ₹)

| As at                   | 31.03.2014       | 31.03.2013       |
|-------------------------|------------------|------------------|
| Deposits from customers | 9,857,306        | 9,906,036        |
| <b>Total</b>            | <b>9,857,306</b> | <b>9,906,036</b> |

Disclosure with respect to Micro, Small and Medium Enterprises as required by Micro, Small and Medium Enterprises Development Act, 2006 is made in Note 30.

#### 7. TRADE PAYABLES

(Amount in ₹)

| As at                      | 31.03.2014           | 31.03.2013           |
|----------------------------|----------------------|----------------------|
| - Energy                   | 4,687,911,818        | 4,363,829,303        |
| - Open access charges(OAC) | 74,431,233           | 14,652,495           |
| - Other services           | 8,808,319            | 5,325,504            |
| <b>Total</b>               | <b>4,771,151,370</b> | <b>4,383,807,302</b> |

Disclosure with respect to Micro, Small and Medium Enterprises as required by Micro, Small and Medium Enterprises Development Act, 2006 is made in Note 30.

#### 8. OTHER CURRENT LIABILITIES

(Amount in ₹)

| As at  | 31.03.2014           | 31.03.2013           |
|--|----------------------|----------------------|
| Advances from customers and others               | 74,778,233           | 35,752,127           |
| Payable for capital expenditure                  | 340,811              | 106,850              |
| Other payables                                   |                      |                      |
| -Tax deducted at source and other statutory dues | 15,170,725           | 3,813,614            |
| - Deposits from customers and others             | 39,045,369           | 21,876,854           |
| - Payable to holding company                     | 270,359,888          | 88,217,273           |
| - Payable to employees                           | 18,404,539           | 19,912,266           |
| - Retention on A/c BG encashment (Solar)         | 1,618,161,629        | 1,378,038,503        |
| - Payable to Solar Payment Security Account      | 183,598,578          | -                    |
| - Others   | 117,906,013          | 107,877,876          |
| <b>Total</b>                                     | <b>2,337,765,785</b> | <b>1,655,595,363</b> |

- a) Other payables-Payable to holding company and payable to employees includes payable on account of Fly Ash Utilisation Fund.
- b) Other payables-Retention on A/c BG encashment (solar)comprises of:

| Particulars   | As at<br>31.03.2013 | For the<br>year ended<br>31.03.2014 | As at<br>31.03.2014 |
|---|---------------------|-------------------------------------|---------------------|
| Amount received as liquidated damages on late commissioning of solar power plants | 1,287,640,000       | 186,649,003                         | 1,474,289,003       |
| Add: Interest accrued on above (Note 19)  | 94,147,106          | 62,748,914                          | 156,896,020         |
| Less: Legal expenses  | 3,748,603           | 9,274,791                           | 13,023,394          |
| Net Balance- Retention on A/c BG encashment (Solar)                               | 1,378,038,503       | 240,123,126                         | 1,618,161,629       |

- The above treatment in "Retention on A/c BG encashment (Solar)" is made as per the directions received from the Ministry of New and Renewable Energy (MNRE) vide letter ref. no. 29/5/2010-11/JNNSM(ST) dated 29.06.2012 and clarifications thereafter.
- During the year, company utilised ₹ 97,79,06,201/- (previous year ₹ Nil) from "Retention on A/c BG encashment (Solar)" for non payment of dues by its customers under JNNSM scheme .
- Interest on refund, if any received from the income tax department on account of above shall be credited to "Retention on A/c BG encashment (Solar)".
- c) Other payables-Payable to Solar Payment Security Account : During the current year , the company has withdrawn an amount of ₹ 18,35,98,578/- (net) on account of default by its customers from Solar Payment Security Account as per the directions received from the Ministry of New and Renewable Energy (MNRE).
- d) Other payables- Others include the amount received on encashment of the Bank Guarantee of ₹ 9,50,65,000/- on 02.11.2011 invested in Fixed Deposit as per the directive from the Hon'ble High Court of Delhi till the matter is settled through Arbitration. Further, interest accrued thereon upto current year amounting to ₹ 2,28,41,013/- ( upto previous year ₹ 1,28,03,887/-) also stands credited in the said account.
- e) Considering the directions received from MNRE and opinion of the tax consultant, there is a transfer of proceeds from BG encashment by overriding effect because the proceeds from BG encashment do not belong to the company since it has to be used for specified purposes and there will be no tax liability. Hence, no provision has been made for Income Tax on the proceeds from BG encashment.

#### 9. SHORT-TERM PROVISIONS

(Amount in ₹)

| As at                                  | 31.03.2014 | 31.03.2013  |
|--|------------|-------------|
| Provision for current tax              |            |             |
| Opening balance                        | -          | 88,004,813  |
| Additions during the year              | -          | -           |
| Less: Set off against taxes paid       | -          | 88,004,813  |
| Closing balance                        | -          | -           |
| Provision for proposed dividend        |            |             |
| Opening balance                        | -          | 200,000,000 |
| Additions during the year              | -          | -           |
| Amounts paid during the year           | -          | 200,000,000 |
| Closing balance                        | -          | -           |
| Provision for tax on proposed dividend |            |             |
| Opening balance                        | -          | 32,445,000  |
| Additions during the year              | -          | -           |
| Amounts paid during the year           | -          | 32,445,000  |
| Closing balance                        | -          | -           |
| <b>Total</b>                           | <b>-</b>   | <b>-</b>    |

**10. FIXED ASSETS**

(Amount in ₹)

|  | Gross Block         |           |                            | Depreciation/Amortisation |                    |              | Net Block          |                     |                     |           |
|--|---------------------|-----------|----------------------------|---------------------------|--------------------|--------------|--------------------|---------------------|---------------------|-----------|
|  | As At<br>01.04.2013 | Additions | Deductions/<br>Adjustments | As at<br>31.03.2014       | Upto<br>01.04.2013 | For the year | Upto<br>31.03.2014 | As at<br>31.03.2014 | As at<br>31.03.2013 |           |
| <b>A. Tangible Assets</b>                              |                     |           |                            |                           |                    |              |                    |                     |                     |           |
| Plant and machinery(including associated civil works)  | 1,195,000           | -         | -                          | 1,195,000                 | 208,129            | 56,762       | -                  | 264,891             | 930,109             | 986,871   |
| Furniture and fixtures                                 | 951,445             | 56,502    | -                          | 1,007,947                 | 229,379            | 58,181       | -                  | 287,560             | 720,387             | 722,066   |
| Office equipment                                       | 1,238,967           | 33,600    | 11,900                     | 1,260,667                 | 879,836            | 90,405       | 11,305             | 958,936             | 301,731             | 359,131   |
| EDP, WP machines and satcom equipment                  | 4,642,326           | 898,752   | 160,275                    | 5,380,803                 | 2,610,936          | 479,343      | 29,606             | 3,060,673           | 2,320,130           | 2,031,390 |
| Communication equipments                               | 111,146             | -         | -                          | 111,146                   | 3,080              | 5,279        | -                  | 8,359               | 102,787             | 108,066   |
| <b>Total (A)</b>                                       | 8,138,884           | 988,854   | 172,175                    | 8,955,563                 | 3,931,360          | 689,970      | 40,911             | 4,580,419           | 4,375,144           | 4,207,524 |
| <b>B. Assets created from fly ash utilization fund</b> |                     |           |                            |                           |                    |              |                    |                     |                     |           |
| Plant & machinery                                      | 3,419,707           | 4,915,087 | -                          | 8,334,794                 | -                  | -            | -                  | 8,334,794           | 3,419,707           |           |
| Furniture and fixtures                                 | 45,754              | -         | -                          | 45,754                    | -                  | -            | -                  | 45,754              | 45,754              |           |
| Office equipment                                       | 135,334             | -         | -                          | 135,334                   | -                  | -            | -                  | 135,334             | 135,334             |           |
| Roads,bridges,culverts                                 | 35,284,854          | -         | -                          | 35,284,854                | -                  | -            | -                  | 35,284,854          | 35,284,854          |           |
| Temporary erection                                     | 2,044,208           | -         | -                          | 2,044,208                 | -                  | -            | -                  | 2,044,208           | 2,044,208           |           |
| <b>Total</b>   | 40,929,857          | 4,915,087 | -                          | 45,844,944                | -                  | -            | -                  | 45,844,944          | 40,929,857          |           |
| Less: Set off against Fly Ash Utilization Fund(Note 4) | 40,929,857          | 4,915,087 | -                          | 45,844,944                | -                  | -            | -                  | 45,844,944          | 40,929,857          |           |
| <b>Total (B)</b>                                       | -                   | -         | -                          | -                         | -                  | -            | -                  | -                   | -                   |           |
| <b>Grand Total (A+B)</b>                               | 8,138,884           | 988,854   | 172,175                    | 8,955,563                 | 3,931,360          | 689,970      | 40,911             | 4,580,419           | 4,375,144           | 4,207,524 |
| Previous year  | 6,290,639           | 2,334,027 | 485,782                    | 8,138,884                 | 3,818,784          | 574,069      | 461,493            | 3,931,360           | 4,207,524           | 2,471,855 |
| <b>C. Intangible Assets</b>                            |                     |           |                            |                           |                    |              |                    |                     |                     |           |
| Software   | 255,491             | -         | -                          | 255,491                   | 240,791            | 6,300        | -                  | 247,091             | 8,400               | 14,700    |
| <b>Total (C)</b>                                       | 255,491             | -         | -                          | 255,491                   | 240,791            | 6,300        | -                  | 247,091             | 8,400               | 14,700    |
| Previous year  | 241,078             | 18,900    | 4,487                      | 255,491                   | 241,078            | (287)        | -                  | 240,791             | 14,700              | -         |

**11. CAPITAL WORK-IN PROGRESS**

(Amount in ₹)

| Particulars                           | As At<br>01.04.2013 | Additions | Deductions/<br>Adjustments | Capitalised | As at<br>31.03.2014 |
|---------------------------------------|---------------------|-----------|----------------------------|-------------|---------------------|
| EDP, WP machines and satcom equipment | -                   | 340,811   | -                          | -           | 340,811             |
| <b>Total</b>                          | -                   | 340,811   | -                          | -           | 340,811             |
| Previous year                         | -                   | -         | -                          | -           | -                   |

**12. LONG-TERM LOANS AND ADVANCES**

(Amount in ₹)

| As at   | 31.03.2014    | 31.03.2013  |
|---|---------------|-------------|
| (Unsecured, considered good, unless otherwise stated) |               |             |
| <b>Deposits*</b>                                      | 2,550,000     | 2,550,000   |
| <b>Advances</b>                                       |               |             |
| Refund due from Income Tax Authority                  | 17,668,864    | 3,671,044   |
| Advance tax & tax deducted at source                  | 1,029,806,426 | 996,464,891 |
| Less:- Provision for taxation                         | 752,301,793   | 712,924,747 |
| <b>Total</b>  | 297,723,497   | 289,761,188 |

\*Deposit with Sales Tax Authority ₹ 50,000/- (previous year ₹ 50,000/-) and Indian Energy Exchange ( IEX) ₹25,00,000/- (previous year ₹ 25,00,000/-).

**13. INVENTORIES**

(Amount in ₹)

| As at                     | 31.03.2014 | 31.03.2013 |
|---------------------------|------------|------------|
| Stock-in-Trade-Cenosphere | 111,244    | 134,246    |
| <b>Total</b>              | 111,244    | 134,246    |

Stock-in-Trade-Cenosphere has been valued considering the significant accounting policy No. F.1 of Note 1 to these financial statements.

**14. TRADE RECEIVABLES**

(Amount in ₹)

| As at  | 31.03.2014    | 31.03.2013    |
|--|---------------|---------------|
| (Unsecured, Considered good, unless otherwise stated)                                |               |               |
| Outstanding for a period exceeding six months from the date they are due for payment |               |               |
| Energy   | 1,105,877,827 | 845,757,221   |
| Open Access Charges(OAC)   | 9,541,179     | 973,261       |
| <b>Total</b>   | 1,115,419,006 | 846,730,482   |
| Others   |               |               |
| Energy   | 1,406,038,094 | 593,478,695   |
| Open Access Charges(OAC)   | 161,381,653   | 143,335,078   |
| Ash  | -             | -             |
| <b>Total</b>   | 1,567,419,747 | 736,813,773   |
| <b>Total</b>   | 2,682,838,753 | 1,583,544,255 |

Unbilled revenues of ₹ 2,63,51,64,327/- (previous year ₹ 2,38,54,63,058/-) is stated in Note 17.

**15. CASH & BANK BALANCES**

(Amount in ₹)

| As at                              | 31.03.2014  | 31.03.2013  |
|------------------------------------|-------------|-------------|
| <b>Cash &amp; cash equivalents</b> |             |             |
| Balances with banks                |             |             |
| - Current Accounts                 | 571,637,044 | 633,765,481 |
| - Current Account-Fly Ash          | 1,251,682   | 619,825     |

**15. CASH & BANK BALANCES**

|  | (Amount in ₹)        |                      |
|--|----------------------|----------------------|
| As at  | 31.03.2014           | 31.03.2013           |
| <b>Other bank balances</b>   |                      |                      |
| Bank deposits with original maturity of more than three months but not more than twelve months | 5,803,091,000        | 4,595,880,366        |
| Others-Term deposit as security with Sales Tax Authorities, not available for use              | 25,000               | 25,000               |
| <b>Total</b>   | <b>6,376,004,726</b> | <b>5,230,290,672</b> |

Cash & bank balances include fly ash utilization fund balance and retention on A/c of BG encashment (solar) .

**16. SHORT-TERM LOANS AND ADVANCES**

|   | (Amount in ₹)     |                   |
|---|-------------------|-------------------|
| As at   | 31.03.2014        | 31.03.2013        |
| (Unsecured, considered good, unless otherwise stated) |                   |                   |
| Advances  |                   |                   |
| MAT credit entitlement                                | 60,628,217        | -                 |
| Others*   | 7,359,462         | 3,364,305         |
| Deposits  | 10,023,660        | 25,841,400        |
| <b>Total</b>  | <b>78,011,339</b> | <b>29,205,705</b> |

\* Others include advance to Arbitrators ₹ 39,09,454/- (previous year ₹27,37,505/-) , OAC advance ₹ 28,88,208/- (previous year ₹ 65,000/- ) and advance to Indian Energy Exchange ₹ 5,61,800/- (previous year ₹ 5,61,800/-).

**17. OTHER CURRENT ASSETS**

|   | (Amount in ₹)        |                      |
|---|----------------------|----------------------|
| As at   | 31.03.2014           | 31.03.2013           |
| (Unsecured, considered good, unless otherwise stated) |                      |                      |
| Interest accrued on term deposits                     | 168,106,116          | 127,344,186          |
| Amounts recoverable                                   | 1,687,790            | -                    |
| Unbilled revenues*                                    | 2,635,164,327        | 2,385,463,058        |
| <b>Total</b>  | <b>2,804,958,233</b> | <b>2,512,807,244</b> |

\* Unbilled revenues are for sales of energy for which the bills have been raised to customers subsequent to the reporting date.

**18. REVENUE FROM OPERATIONS**

|  | (Amount in ₹)         |                       |
|--|-----------------------|-----------------------|
| For the year ended                                     | 31.03.2014            | 31.03.2013            |
| <b>Sales</b>   |                       |                       |
| Bilateral energy                                       | 14,473,177,562        | 22,444,881,453        |
| Solar & thermal bundled energy                         | 19,892,228,969        | 7,564,750,557         |
| Energy under swap arrangements                         | 49,915,703            | 57,809,715            |
|  | <b>34,415,322,234</b> | <b>30,067,441,725</b> |
| Fly Ash  | 1,212,442,482         | 1,076,166,984         |
| Cenosphere   | 13,070,742            | 12,453,419            |
|  | <b>1,225,513,224</b>  | <b>1,088,620,403</b>  |
| Less: Transferred to Fly Ash Utilization Fund (Note 4) | <b>1,225,513,224</b>  | <b>1,088,620,403</b>  |
|  | <b>-</b>              | <b>-</b>              |
|  | <b>34,415,322,234</b> | <b>30,067,441,725</b> |
| <b>Other Operating Income</b>                          |                       |                       |
| Rebate on energy purchase                              | 341,836,814           | 362,168,394           |
| <b>Total</b>   | <b>34,757,159,048</b> | <b>30,429,610,119</b> |

- Sale of bilateral energy and energy under SWAP arrangements in million units (Mus) are recognized on the basis of monthly Regional Energy Accounts (REA) issued by the concerned Regional Power Committee (RPC).
- Sale of bilateral energy includes compensation received of ₹ 25,75,135/- (previous year ₹2,11,79,344/-) due to lesser supply/drawl of power by the supplier /buyers and open access charges on energy trading borne by the company.
- Sale of Solar and thermal bundled energy in million units are recognized on the basis of monthly Joint meter reading (JMR) / REA issued by the concerned authorities.

- Sale of energy under Swap arrangements is billed by margin only to buyers.

**19. OTHER INCOME**

|  | (Amount in ₹)      |                    |
|--|--------------------|--------------------|
| For the year ended   | 31.03.2014         | 31.03.2013         |
| <b>Interest from</b>   |                    |                    |
| Banks  | 471,377,603        | 387,590,868        |
| Less: transferred to retention on A/c BG encashment (Solar) (Note 8) | <b>62,748,914</b>  | <b>84,070,447</b>  |
|  | <b>408,628,689</b> | <b>303,520,421</b> |
| <b>Other non-operating income</b>                                    |                    |                    |
| Earnest Money/Security Deposit forfeited                             | -                  | 444,653            |
| Surcharge/ other recoveries from Customers                           | 149,637,942        | 5,904,116          |
| Management fees  | 7,743,238          | -                  |
| Profit from disposal of fixed assets                                 | 405                | -                  |
| Miscellaneous Income #   | 77,989             | 13,701,918         |
| <b>Total</b>   | <b>566,088,263</b> | <b>323,571,108</b> |

# Miscellaneous income includes ₹ Nil ( previous year ₹ 1,36,30,994/-) on a/c of sundry balance written back.

**20. PURCHASE OF ENERGY**

|                                | (Amount in ₹)         |                       |
|--------------------------------|-----------------------|-----------------------|
| For the year ended             | 31.03.2014            | 31.03.2013            |
| <b>Purchase of energy</b>      |                       |                       |
| Bilateral energy               | 14,305,684,390        | 22,183,565,757        |
| Solar & thermal bundled energy | 19,584,945,511        | 7,453,469,810         |
| <b>Total</b>                   | <b>33,890,629,901</b> | <b>29,637,035,567</b> |

- Purchase of energy in million units ( Mus) are recognized on the basis of monthly Regional Energy Accounts (REA) issued by the concerned Regional Power Committee (RPC).
- Bilateral energy purchase includes compensation payment of ₹ 25,58,042/- (previous year ₹2,10,87,434/-) due to lesser supply/drawl of power by the Company.
- Purchase of Solar and thermal bundled energy in million units are recognized on the basis of monthly Joint meter reading (JMR) / REA issued by the concerned authorities.

**21. COST OF FLY ASH/ASH PRODUCTS**

|  | (Amount in ₹)     |                   |
|--|-------------------|-------------------|
| For the year ended                                     | 31.03.2014        | 31.03.2013        |
| <b>For the year ended</b>                              |                   |                   |
| Fly Ash-duty & taxes                                   | 28,682,615        | 23,097,658        |
| Cenosphere -collection & packing charges               | 223,155           | 340,798           |
|  | <b>28,905,770</b> | <b>23,438,456</b> |
| Less: Transferred to Fly Ash Utilization Fund (Note 4) | <b>28,905,770</b> | <b>23,438,456</b> |
| <b>Total</b>   | <b>-</b>          | <b>-</b>          |

The Company sells fly ash and cenosphere given free of cost by its holding company NTPC Limited.

**22. EMPLOYEE BENEFITS EXPENSE**

|  | (Amount in ₹)      |                    |
|--|--------------------|--------------------|
| For the year ended                                     | 31.03.2014         | 31.03.2013         |
| <b>For the year ended</b>                              |                    |                    |
| Salaries and wages                                     | 115,251,361        | 113,069,369        |
| Contribution to provident and other funds              | 20,987,717         | 30,518,942         |
| Staff welfare expenses                                 | 7,009,222          | 5,586,169          |
|  | <b>143,248,300</b> | <b>149,174,480</b> |
| Less: Transferred to Fly Ash Utilization Fund (Note 4) | <b>57,327,339</b>  | <b>69,405,332</b>  |
| <b>Total</b>   | <b>85,920,961</b>  | <b>79,769,148</b>  |

- All the employees of the Company are on secondment basis from its Holding Company i.e. NTPC Limited.
- Employee benefits expense includes fixed contribution amounting to ₹ 2,09,87,717/- for the year (previous year ₹3,05,18,942/- which includes ₹ 1,34,00,970/- for earlier years) towards leave, superannuation and all other benefits in respect of employees posted on secondment basis from NTPC Limited.

- c) The contributions in respect of liabilities for employee benefits expense towards leave, provident fund, superannuation and all other benefits in respect of employees posted on secondment basis are accounted for as determined and charged by the holding company at a fixed percentage as per the stated policy, considering the provisions of DPE Guidelines. The fixed contribution of employee benefits expenses are charged to the company by its holding company and thereafter there is no liability of the company. In view of the Management the fixed contribution plan is a defined contribution as per Accounting standard (AS-15) i.e. Employee benefits and as such the disclosure requirement of AS-15 are not attracted in the case of company. However, the holding company makes all the disclosures as per AS-15 in its financial statements. During the year, the holding company has sought the opinion of expert advisory committee of ICAI on the present practice adopted by the subsidiary i.e. company with regard to compliance of AS-15 and the same is still awaited.
- d) Employee benefits expense includes Managerial Remuneration paid/ payable to Chief Executive Officer ₹ 39,23,423/- (previous year ₹ 31,60,492/-).

**23. FINANCE COSTS**

| (Amount in ₹)      |                |              |
|--------------------|----------------|--------------|
| For the year ended | 31.03.2014     | 31.03.2013   |
| Interest on :      |                |              |
| Others*            | 437,750        | 2,629        |
| <b>Total</b>       | <b>437,750</b> | <b>2,629</b> |

\*Others include interest accrued on account of deferment of advance tax under the provisions of the Income Tax Act, 1961 during the previous year.

**24. ADMINISTRATION & OTHER EXPENSES**

| (Amount in ₹)                              |            |            |
|--|------------|------------|
| For the year ended                         | 31.03.2014 | 31.03.2013 |
| Power charges                              | 556,673    | 1,236,904  |
| Rent                                       | 38,124,678 | 35,535,169 |
| Repairs & maintenance                      |            |            |
| Office                                     | 3,409,684  | 1,974,293  |
| Others                                     | 261,928    | 5,222,714  |
|  | 3,671,612  | 7,197,007  |
| Insurance                                  | 27,777     | 17,374     |
| Rates and taxes                            | 4,000,000  | 6,823,146  |
| Training & recruitment expenses            | 115,818    | 173,855    |
| Communication expenses                     | 2,555,354  | 2,191,005  |
| Inland Travel                              | 8,754,300  | 9,027,299  |
| Foreign Travel                             | 807,747    | 263,334    |
| Tender expenses                            | 4,083,650  | 2,764,841  |
| Less: Receipt from sale of tenders         | 1,010,000  | 400,000    |
|  | 3,073,650  | 2,364,841  |
| Payment to auditors                        |            |            |
| Audit fee to statutory auditors            | 84,270     | 112,360    |
| Statutory Auditor-Other capacity           | 33,708     | -          |
|  | 117,978    | 112,360    |
| Advertisement and publicity                | -          | 165,520    |
| Entertainment expenses                     | 827,733    | 706,199    |
| Brokerage & commission                     | 383,108    | 384,015    |
| Community development and welfare expenses | 1,033,222  | 1,175,593  |
| Ash utilisation & marketing expenses       | 371,712    | -          |
| Books and periodicals                      | 20,730     | 10,645     |
| Professional charges                       | 27,420,981 | 24,546,371 |
| Surcharge expenses                         | 96,324,167 | -          |
| Legal expenses                             | 646,949    | 97,914     |
| EDP hire and other charges                 | 77,340     | 288,238    |
| Printing and stationery                    | 292,132    | 653,458    |
| Hiring of vehicles                         | 824,406    | 600,569    |
| Bank charges/LC Charges                    | 2,803,398  | 1,685,025  |
| Miscellaneous expenses                     | 1,460,486  | 2,163,802  |
| Loss on disposal/write-off of fixed assets | 85,789     | -          |

**24. ADMINISTRATION & OTHER EXPENSES**

| (Amount in ₹)  |                    |                   |
|--|--------------------|-------------------|
| For the year ended                                     | 31.03.2014         | 31.03.2013        |
|  | 194,377,740        | 97,419,643        |
| Less: Transferred to Fly Ash Utilization Fund (Note 4) | 51,313,853         | 55,950,600        |
| <b>Total</b>   | <b>143,063,887</b> | <b>41,469,043</b> |

**25. EXCEPTIONAL ITEMS**

| (Amount in ₹)                               |            |                        |
|---|------------|------------------------|
| For the year ended                          | 31.03.2014 | 31.03.2013             |
| Bank guarantee encashment-solar             | -          | (1,148,140,000)        |
| Interest on bank guarantee encashment-solar | -          | (10,076,659)           |
| <b>Total</b>                                | <b>-</b>   | <b>(1,158,216,659)</b> |

\* During the previous year ₹ 7,65,65,000/- (gross) (received in financial year 2010-11) and ₹1,07,15,75,000/- (gross) (received in financial year 2011-12) by way of BG encashment in accordance with the guidelines issued by the Government of India under Jawahar Lal Nehru National Solar Mission (JNNSM) scheme i.e. migration and phase I- Batch I & II along with the interest accrued amounting to ₹1,00,76,659/- (gross) upto 31.03.2012 on the amount invested out of BG encashment (solar) and taken as income in the earlier years under other income/exceptional items by NVVN was reversed and kept as "Retention on A/c BG encashment (solar)" as per the directions received from the Ministry of New and Renewable Energy (MNRE) vide letter ref. no. 29/5/2010-11/JNNSM(ST) dated 29.06.2012 and clarifications thereafter.

26 In the opinion of the management, the value of assets, other than fixed assets and non-current investments, on realisation in the ordinary course of business, will not be less than the value at which these are stated in the Balance Sheet.

27 Disclosure regarding leases:

The Company's significant leasing arrangement are in respect of operating leases of the premises for residential use of the employees amounting to ₹ 89,01,690/- (Previous year ₹ 1,03,58,826/-) and are included in Note 22-"Employees Benefits Expense". Similarly, lease payments in respect of premises for offices amounting to ₹ 3,81,10,072/- (Previous year ₹3,55,35,169/-) are shown in Rent in Note 24-"Administration and Other Expenses". The significant leasing arrangements for such leases are entered into by the Company and its Holding Company i.e. NTPC Limited and these leasing arrangements are usually renewable on mutually agreed terms but are not non-cancelable.

28 Estimated amount of contract remaining to be executed on capital account and not provided for as at 31st March 2014 is ₹ Nil (previous year ₹ 3,57,611).

29 Disclosure as per Accounting Standard - 20 on 'Earnings Per Share' :

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

|  | Current year | Previous year |
|--|--------------|---------------|
| i) Net profit/(loss) after Tax before exceptional items used as numerator(₹) | 602,360,048  | 425,970,673   |
| Weighted average number of equity shares used as denominator                 | 20000000     | 20000000      |
| Earning per share (Basic & Diluted)-(₹)                                      | 30.12        | 21.30         |
| Face Value per share-(₹)   | 10.00        | 10.00         |
| ii) Net profit/(loss) after Tax used as numerator(₹)                         | 602,360,048  | (348,439,193) |
| Weighted average number of equity shares used as denominator                 | 20000000     | 20000000      |
| Earning per share (Basic & Diluted)-(₹)                                      | 30.12        | (17.42)       |
| Face Value per share-(₹)   | 10.00        | 10.00         |

30 Disclosure in respect of Micro, Small and Medium Enterprises as at 31<sup>st</sup> March 2014 as required by Micro, Small and Medium Enterprises Development Act, 2006 is ₹ 'Nil' (previous period ₹ 'Nil').

31 There are no external/internal indicators which leads to any impairment of assets of the company as required by Accounting Standard (AS) 28 'Impairment of Assets' notified under the Companies (Accounting Standards) Rules, 2006.

**32 Contingent Liabilities:**

- a) Liability, if any, on account of late payment to suppliers is unascertainable.
- b) Others:
- Various solar power developers challenged the encashment/ forfeiture of EMD/Bid bond under provisions of PPA before arbitrator/High Courts. The contingent liability of ₹ 97,65,00,510/- and interest claim of ₹ 23,48,98,770/- thereon (previous year contingent liability ₹80,30,43,860/- and interest of ₹9,44,30,478/-) has been estimated. Any possible liability crystallised on the above will be recovered from " Retention on A/c BG encashment (Solar)"( Note 8).
  - One party has challenged the invocation of BG of ₹ 1,00,00,000/- on the ground of non conclusion of contract with the company for Ash Business. Interest on above has been estimated till current year ₹45,51,781/- ( till previous year ₹ 27,51,781/-).
  - The claim for default in power supply has been settled in favour of the company. The contingent liability of ₹ 'Nil' (Previous year ₹ 23,30,55,860/-) .
  - 380 Mus ( previous year 454 Mus) energy supplied by the seller under SWAP arrangements are yet to be returned back by the buyers- Amount uncertainable.

**33 Quantitative information: (As certified by the Management)**

|  | Current year  | Previous year |
|--|---------------|---------------|
| a) Trading of energy (MUs)                 |               |               |
| Bilateral energy                           | 3635          | 5272          |
| Solar & thermal bundled energy             | 4390          | 1590          |
| Energy under swap arrangements             | 1297          | 1520          |
| b) Trading of Fly Ash / Cenosphere (MTs)   |               |               |
| Fly Ash                                    | 4653424       | 4198471       |
| Cenosphere                                 | 225           | 240           |
| 34 a) Expenditure in foreign currency (₹): | Current year  | Previous year |
| i) Travelling Expenses                     | 490,073       | 150,926       |
| ii) Others                                 | 272,650       | -             |
| b) Earning in foreign currency (₹)         |               |               |
| Trading of Power                           | 2,118,538,172 | -             |

**35 Segment information :**

The Company's principal businesses are trading of energy and trading of fly ash/ ash products. The amount collected from sale of fly ash/ash products are dealt with as per significant accounting policy No.C.1. of Note 1. As such there is no reportable segment as at 31.03.2014.

- 36** The company's management is of the opinion that its domestic transactions with related parties are at arms length and will not have any impact on financial statements for the year ended 31.03.2014.
- 37** Figures in the Financial Statements have been rounded off to nearest rupee.
- 38** Previous year figures have been regrouped / rearranged wherever considered necessary.

For and on behalf of Board of Directors

(Nitin Mehra) (N.K.Sharma) Chief (K. Biswal) (Dr. Arup Roy Choudhury)  
Company Secretary Executive Officer Director Chairman

These are the notes referred to in Balance Sheet and Statement of Profit and Loss

**For Aiyar & Co.**

Chartered Accountants  
Firm Registration No.001174N

**(C. Chuttani)**

Partner  
M.No.90723

Place : New Delhi  
Dated : 17 June, 2014

**INDEPENDENT AUDITOR'S REPORT**

To the Members of NTPC VIDYUT VYAPAR NIGAM LIMITED

**Report on the Financial Statements**

We have audited the accompanying financial statements of **NTPC VIDYUT VYAPAR NIGAM LIMITED ("the Company")**, which comprise the Balance sheet as at 31<sup>st</sup> March 2014, the Statement of Profit and Loss and Cash Flow Statement for the year ended, and a summary of significant accounting policies and other explanatory information.

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

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act") read with General Circular 15/2013 dated 13<sup>th</sup> September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

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

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

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

**Basis for Qualified Opinion**

- The company contends that, since the Fly Ash Utilization Fund does not belong to the company, the interest income earned on Fly Ash Utilization Fund being an accretion to the said fund also belongs to the fund.  
The company, however, has accounted for interest income on Fly Ash Utilization Fund as its income under other Income in the Statement of Profit & Loss. The company thereafter transferred the said interest income (net of tax) to the Fly Ash Utilization Fund through appropriation out of the surplus in the Statement of Profit and Loss. [Refer Note No. 3 (a) & 4(b)].  
In our opinion the interest income on Fly Ash Utilization Fund ab-initio does not belong to the company and accounting for such income in the Statement of Profit & Loss has resulted in profit after tax for the year being overstated to the extent of ₹ 17,01,18,786 being interest earned on Fly Ash Utilization Fund (net of tax) with consequent effect on Provision for taxation overstated by ₹ 5,40,18,706 , MAT credit entitlement understated by ₹ 3,35,79,196 , Fly Ash Utilization Fund understated by ₹ 8,75,97,902 & Tax deducted at source overstated by ₹ 2,57,71,669.
- In our opinion since the Fly Ash Utilization Fund has been created vide notification dated 3<sup>rd</sup> November, 2009 by the Ministry of Environment & Forests (MoEF)-Govt. of India and NVVN is only administering the fund it is incumbent that the policy guidelines as framed by NTPC/NVVN dated 25<sup>th</sup> March 2014 be approved/confirmed by the said Ministry.[Refer Note 4(c)]
- The amount collected from the sale of fly ash/ fly ash products and amount realized from encashment of bank guaranteees are not considered as income of the company and amount is held by the NVVN in the Fly Ash Utilization Fund/Retention on Account BG Encashment (Solar) and as such no provision for taxation has been made on said fund/retention account. We have however, not been produced any general or specific exemption on the taxability of these fund/retention account and impact it may have, on NVVN on the balances shown under the respective heads in the accounts. [Refer Note 4 (e) & 8 (e)].

4. The Gross interest accrued on Retention on Account BG encashment (solar) is credited to the said account, however the company has considered the Tax deducted at source on such interest as TDS of the company, thereby overstating the tax deducted at source to the extent of ₹ 62,74,891 [Refer Note No. 8 (b)]

The net impact of para 1 to 4 above has resulted in profit after tax for the year overstated by ₹ 17,01,18,786, Long term loans & advances understated by ₹ 5,40,18,706, Short term loans & advances understated by ₹ 3,35,79,196 and Fly Ash Utilization Fund understated by ₹ 8,75,97,902.

#### Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

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

#### Emphasis of Matter

- The company has appropriated from Fly Ash Utilization Fund, inter-alia, expenses incurred by the holding company i.e. NTPC of ₹ 34,89,41,767 (including employee cost for the year of ₹ 15,48,16,093 which were not being charged in the earlier years) which are stated to have been made on the basis of policy guidelines as framed by NTPC/NVFN dated 25<sup>th</sup> March 2014 in reference to the notification dated 03-11-2009 issued by Ministry of Environment & Forests, Govt. of India. In this regard we have relied upon a certificate issued by one of the Statutory Auditors of the holding company i.e. NTPC, confirming that the above expenditures has been incurred by NTPC for Fly Ash Utilization activities in terms of the above said notification dated 03-11-2009. [Refer Note No. 4(c)]
- Note 22 (c), in regard to Accounting Standards (AS)-15 "Employees Benefits", the company during the year has made fixed contributions as determined and charged by the holding company amounting to ₹ 2,09,87,717 in respect of liabilities for employee benefits expenses in regard to employees posted on secondment basis as per the company's policy. In view of the Management the same is in the nature of defined contribution plan as per Accounting Standard-15 and as such there is no further disclosure requirement as per AS-15.

However holding company i.e. NTPC has referred the matter to the Expert Advisory Committee of the Institute of Chartered Accountants of India for its opinion/ clarification on the present practice adopted by its subsidiaries i.e. company with regard to compliance of AS-15, however the reply from the Expert Advisory Committee of ICAI is still awaited.

#### Report on Other Legal and Regulatory Requirements

- As required by the Companies (Auditor's Report) Order, 2003 ("the Order") as amended, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure (A) a statement on the matters specified in paragraphs 4 and 5 of the Order.
- As required by section 227(3) of the Act, we report that:
  - 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;
  - 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;
  - the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
  - in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956 read with General Circular 15/2013 dated 13<sup>th</sup> September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act 2013;
  - being a Government Company, pursuant to the Notification No. GSR 829 (E) dated 21.10.2003 issued by Government of India, provisions of

clause (g) of sub-section (1) of section 274 of the Companies Act, 1956, are not applicable to the Company;

- since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

For Aiyar & Co.  
Chartered Accountants  
Firm's Reg. No. 001174N

(C.Chuttani)  
Partner  
M.No. 90723

Place : New Delhi

Date : 17<sup>th</sup> June 2014

#### ANNEXURE (A) TO THE INDEPENDENT AUDITOR'S REPORT

Statement referred to in our report of even date to the members of **NTPC VIDYUT VYAPAR NIGAM LIMITED** on the financial statements for the year ended 31<sup>st</sup> March 2014.

We report that:

- The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
  - As explained to us the fixed assets have been physically verified by the management at reasonable intervals having regard to the size of the company and nature of its assets. No material discrepancies were noticed on such physical verification.
  - Substantial part of fixed assets has not been disposed off during the year.
- As explained to us inventories have been physically verified by the management at reasonable intervals during the year.
  - The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
  - The company is maintaining proper records of inventory. No material discrepancies were noticed on physical verification of inventories.
- The company has not granted any loans secured or unsecured to any company, firm or other party listed in the register maintained under section 301 of the Companies Act, 1956.  
In view of clause (iii) (a) above, the clause (iii) (b), (iii) (c) and (iii) (d) are not applicable.
  - The company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.  
In view of the clause (iii) (e) above, the clause (iii) (f) and (iii) (g) are not applicable.
- In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the company and the nature of its business with regard to purchase of inventory, fixed assets and also for sale of goods and services. During the course of audit, we have not observed any continuing failure to correct major weaknesses in internal control systems except the delay in accounting of the expenditures incurred and transferred by the holding company relating to the Fly Ash Utilization Fund.
- According to the information and explanations given to us, during the year under audit there have been no contracts or arrangements which need to be entered in the register maintained under section 301 of the Companies Act, 1956.
  - In view of clause (v) (a) above, the clause (v) (b) is not applicable.
- The company has not accepted deposits from the public.
- In our opinion, the company has an Internal Audit system commensurate with the size and nature of its business.
- The Central Government has not prescribed maintenance of cost accounts and records under section 209 (1) (d) of the Companies Act, 1956.

- (ix) (a) The employees of the company i.e. NVVN are on secondment basis from its holding company i.e. NTPC Ltd. As explained to us, the holding company is regular in depositing statutory dues including dues like Provident Fund with appropriate authorities. Moreover, Income Tax and Sales Tax are being deposited by the company. According to the information and explanations given to us, there are no undisputed Provident Fund, Income Tax, Sales Tax, etc. in arrear as at 31.03.2014 for a period of more than six month from the date they became payable.
- (b) According to the information and explanations given to us, there are no dues of Sales Tax, Income Tax and other applicable statutory dues which have not been deposited on account of any dispute.
- (x) The company has no accumulated losses as at 31<sup>st</sup> March 2014 and it has not incurred cash loss during the financial year covered by our audit, however has incurred cash loss in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the company has not taken any loan from the financial institutions, banks or raised money against debentures. Accordingly, the para (xi) of order is not applicable to the company.
- (xii) According to the information and explanations given to us, company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The company is not a chit fund or a Nidhi / Mutual Benefit Fund/Society. Therefore, the provisions of clause 4 (xiii) (a), (b), (c) & (d) of the order are not applicable to the company.
- (xiv) The company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provision of clause 4(xiv) of the order is not applicable to the company.
- (xv) The company has not given any guarantees for loans taken by others from banks or financial institutions.
- (xvi) The company has not taken term loan during the year and as such provision of para (xvi) of the order is not applicable to the company.
- (xvii) According to the information and explanations given to us and on 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.
- (xviii) According to the information and explanations given to us, the company has not made preferential allotment of shares during the year.
- (xix) According to the information and explanations given to us, the company has not issued debentures during the year, therefore the provision of para (xix) of the order is not applicable to the company.
- (xx) According to the information and explanations given to us, the company has not raised any money by public issue during the year.
- (xxi) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the year.

For Aiyar & Co.  
Chartered Accountants  
Firm's Reg. No. 001174N

(C.Chuttani)  
Partner  
M.No. 90723

Place : New Delhi  
Date : 17<sup>th</sup> June 2014

**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619 (4) OF THE COMPANIES ACT, 1956, ON THE ACCOUNTS OF NTPC VIDYUT VYAPAR NIGAM LIMITED, NEW DELHI FOR THE YEAR ENDED, 31 MARCH, 2014**

The preparation of financial statements of NTPC Vidyut Vyapar Nigam Limited, New Delhi, for the year ended 31<sup>st</sup> March 2014 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 Auditors 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 Standards on Auditing 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 2014.

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 NTPC Vidyut Vyapar Nigam Limited, New Delhi, for the year ended 31 March 2014. 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 behalf of the  
Comptroller & Auditor General of India

(Tanuja S. Mittal)  
Principal Director of Commercial Audit & Ex-officio  
Member Audit Board-III,  
New Delhi

Place : New Delhi  
Dated: 22 July, 2014



## KANTI BIJLEE UTPADAN NIGAM LIMITED

### DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting Eighth Annual Report on the working of the Company together with Audited Accounts and Auditors' Report thereon for year ended on 31<sup>st</sup> March 2014.

#### PERFORMANCE OF THE COMPANY

Pursuant to Memorandum of Agreement dated 26.12.2005 between NTPC, Government of Bihar and Bihar State Electricity Board for reviving and operating Stage-I (2X110 MW), your Company is doing renovation and modernization (R&M) of existing units of Muzaffarpur Thermal Power Plant (MTPP). The work of R&M of main plant has been awarded to Bharat Heavy Electricals Limited (BHEL) and of the balance of plant is being done by the Company itself.

The R&M of Unit#1 of Stage-I has been completed and the unit has been synchronized on 5<sup>th</sup> July 2013. Unit # 1 is under commercial operation since 01.11.2013. The R&M of Unit#2 of Stage-I is in progress and is expected to be completed by Aug 2014.

Your Company is implementing expansion of MTPP by adding 2X195 MW units in the available land. Out of 31 packages, 28 packages have been awarded excluding one annulled package and balance two packages are at different stages of award.

MOU targets of Boiler hydro test of Unit # 4 & TG erection start of Unit # 4 have been achieved in Aug'13 & Sep'13 respectively in excellent category.

Major highlights during the year were:

- 1) Casting have been completed for PA # 3B & FD # 3B Fan decks, TG deck of Unit # 4, PA # 4B & FD # 4B Fan decks, ID # 4A Fan deck, Feeder floor of Unit # 3, All fan deck slab of CT # 3.
- 2) Erection have been completed for Unit # 3 Condenser tube support plate, Condenser - Front lower dome wall, condenser tubing, Condenser tube expansion, HPH 5, HPT Module of Unit # 3, FD Fan of Unit # 3A, FST & Deaerator of Unit # 3
- 3) Mill - A & B Gear Box of Unit # 3 is placed in position.
- 4) All SG & TG ECW Pump & Motor & SG PHE Unit # 3 erected.
- 5) TG bearing pedestal alignment of Unit # 3 completed.
- 6) Joints non drainable of Boiler # 3 & 4 completed.
- 7) Pedestal Grouting of TG # 3 completed.
- 8) Generator Stator of Unit # 3 lifted.
- 9) LP Girder placement of Unit # 3 completed.
- 10) Flue can erection of Unit # 4 completed.
- 11) Erection has been started for ID 3B Fan & LT SWGR Panel of Unit # 3, PA # 3B Fan.

To take care of environmental norms, your Company has awarded to carry out quality checks of ambient air, drinking water, effluent water and stack monitoring. Ambient Air Quality Monitoring, analysis of drinking water and effluent water was done on monthly basis at plant and township area to keep check on emission of pollutants in the air and to maintain the quality of the air and water around the project. Stack monitoring of Unit # 1 is being done regularly w.e.f. Aug'13.

Out of total 1,28,773 MT ash generated from Unit#1 during the period under review, 14,143 m<sup>3</sup> ash has been utilised for civil construction activities.

Your Company organized environmental awareness program amongst employees and people in and around plant. World Environment Day was celebrated on 05.06.2013. On this day, seeds were planted; employees and other people took environment walk, took oath for polythene free environment and distributed eco-friendly carry bags to avoid use of polythene bags.

The Board of your Company has approved the proposal for rehabilitation and resettlement plan for Stage-II for ₹ 20.03 crore which, inter-alia, includes R&R plan, community development activities and infrastructure development activities.

Your Company distributed blankets to 300 persons below poverty line and so called Mahadalit families in Kanti Block and 300 number of sarees were distributed to Chhat Vratī women below poverty line.

#### FINANCIAL REVIEW

The financial highlights of the Company for the year ended on 31<sup>st</sup> March 2014 are as under:-

| Balance Sheet Items as at               | 31.03.2014     | 31.03.2013      |
|---|----------------|-----------------|
| Paid-up Share Capital                   | 7,276,942,050  | 5,49,46,34,360  |
| Reserves and Surplus                    | 3,485,323,618  | 3,64,89,18,572  |
| Share Capital Deposit Pending Allotment | 714,620,938    | 88,61,43,347    |
| Non-current liabilities                 | 16,393,848,768 | 12,00,93,73,109 |
| Current liabilities                     | 3,247,004,653  | 2,39,68,28,220  |
| Non-current assets                      | 30,009,414,562 | 23,64,21,85,583 |
| Current assets                          | 1,108,325,465  | 79,37,12,025    |

| Items from Statement of Profit and Loss for the year ended | 31.03.2014    | 31.03.2013     |
|--|---------------|----------------|
| Total Revenue  | 1,621,508,496 | 9,92,85,679    |
| Total Expenses   | 1,628,119,792 | 24,07,44,185   |
| Profit/ (Loss) before Tax                                  | (6,611,296)   | (14,14,58,506) |
| Total Tax Expenses   | (1,199,206)   | (1,24,10,916)  |
| Profit/ (Loss) for the year                                | (5,412,090)   | (12,90,47,590) |

#### Information under Schedule VI & applicable Accounting Standards:

The information as per schedule VI & applicable Accounting Standards is as under:

- a) Contingent liability related to a contract works out to ₹ 1,50,53,693.
- b) Restructuring of St-II loan is in process due to shifting of COD of Unit#3 & Unit#4. After proposed re-structuring, amount of loan of ₹ 73,04,69,826 would become non-current.

The financial statements of the Company have been discussed in the Management Discussion & Analysis section which is at Annex-1 to this Report.

#### FIXED DEPOSITS

The Company has not accepted any fixed deposit during the financial year ending 31<sup>st</sup> March 2014.

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

Energy audit was done during November 2013 at MTPP for further reduction in Auxiliary power consumption. CFLs have been installed in townships, office and plant for conserving energy. After the R&M of both the units (2X110 MW) is completed, consumption of auxiliary power and fossil fuel would be reduced.

During the period under review, there was no earning in the foreign exchange. The outgo in foreign exchange was INR 1,53,498 (USD 1775 and AED 2010).

#### AUDIT COMMITTEE

As on 31.03.2014, the Audit Committee of the Board of Directors comprised S/ Shri U. P. Pani, Sandeep Poundrik, S. Roy, G. K. Sadhu and J. Srivastav, Directors as members of the Committee. However, due to change in Directors, the Board reconstituted the Audit Committee on 09.07.2014 and presently, the Audit Committee comprises Shri U.P. Pani, Shri P. Amrit, Shri S. Roy, Shri J. Srivastava and Ms. S. Bhatia, Directors as members of the Committee.

Two meetings of the Audit Committee were held during the year on 30.04.2013 and 23.07.2013.

#### AUDITORS' REPORT

The Comptroller & Auditor General of India through letter dated 13.08.2013 had appointed M/s B.B. Mathur & Co., Chartered Accountants as Statutory Auditors of the Company for the financial year 2013-14. The Statutory Auditors has submitted their report on the financial statements and there is no adverse comment or remark in their report.

#### COMPTROLLER & AUDITOR GENERAL OF INDIA REVIEW

The Comptroller & Auditor General of India, through letter dated 02.07.2014, has given 'NIL' Comments on the Financial Statements of your Company for the year ended 31<sup>st</sup> March 2014 under section 619(4) of the Companies Act, 1956. As advised by the Office of the Comptroller & Auditor General of India (C&AG), the contents of letter dated 02.07.2014 of C&AG for the year 2013-14 are being placed with the report of Statutory Auditors of your Company elsewhere in this Annual Report.

#### COST AUDITORS

As per the requirements of the Cost Accounting Records (Electricity Industry) Rules, 2001, the Board, in its meeting held on 30.04.2013, had appointed M/s V.P. Gupta, Cost Accountants, NOIDA as the Cost Auditor of the Company for the financial year 2013-14.

The Board, in its Meeting held on 09.07.2014, had appointed M/s V.P. Gupta, Cost Accountants as the Cost Auditor of the Company for the financial year 2013-14.

The due date for filing consolidated Cost Audit Report in XBRL format for the financial year ended March 31, 2013 was September 27, 2013 and the Cost Audit Report for your Company was filed with the Central Government on 27.09.2013. The due date for filing consolidated Cost Audit Report for the financial year ended March 31, 2014 is September 27, 2014 and the consolidated Cost Audit Report as prescribed for the financial year 2013-14 shall be filed within the prescribed time period.

#### PARTICULARS OF EMPLOYEES

As per provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, every company is required to provide particular of employees whose remuneration is more than ₹ 60 lac per financial year, if employed for whole of the year or more than ₹ 5 lac per month, if employed for part of the year in the Directors' Report.

However, as per notification dated 31.03.2011 issued by Ministry of Corporate Affairs, amending aforesaid provisions of the Companies (Particulars of Employees) Rules, 1975 has exempted Government companies for not including such particular in the Directors' Report. As your Company is a Government Company, such particulars have not been included as part of Director's Report.

Further, any member desirous of obtaining such particulars may write to the Company. Also, such particulars shall be made available to the shareholder(s) on a specific request made by them during Annual General Meeting scheduled for 09.07.2014.

**DIRECTORS' RESPONSIBILITY STATEMENT**

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

1. in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
2. 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 2013-14 and of the loss of the company for that period;
3. the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities; and
4. the Directors had prepared the Annual Accounts on a going concern basis.

**BOARD OF DIRECTORS**

Shri A.K. Singhal tendered his resignation consequent upon his appointment as Member, Central Electricity Regulatory Commission and ceased to be the Director of the Company with effect from 09.10.2013. In his place, Shri G.K. Sadhu, Executive Director, NTPC was nominated to be the Director of the Company and the Board appointed him as the Director of the Company w.e.f. 29.11.2013.

Dr. Arup Roy Choudhury ceased to be the Chairman of the Company w.e.f. 06.12.2013. In his place, NTPC nominated Shri N. N. Misra, Director as the Chairman of the Company. The Board appointed him as the Chairman of the Company w.e.f. 23.12.2013.

Shri U.P. Pani, Director (Human Resources), NTPC was nominated by NTPC as the Director of the Company. The Board appointed him as the Director w.e.f. 23.12.2013.

Shri Anand Kishor ceased to be the Director of the Company w.e.f. 27.01.2014 and in his place BSPGCL nominated Shri J. Srivastava, Managing Director, BSPGCL as the Director of the Company. The Board appointed him as the Director w.e.f. 19.03.2014.

Shri N.N. Misra ceased to be the Chairman of the Company w.e.f. 21.03.2014 consequent upon withdrawal of his nomination by NTPC. In his place, NTPC again

nominated Dr. Arup Roy Choudhury, CMD, NTPC as the Chairman of the Company. The Board appointed him as the Chairman of the Company w.e.f. 28.04.2014.

Shri G.K. Sadhu ceased to be the Director of the Company w.e.f. 29.04.2014 consequent upon withdrawal of his nomination by NTPC. In compliance of the Proviso to Section 149 (1) read with Rule 3 of the Companies (Appointment and Qualification of Directors) Rules, 2014, NTPC had nominated Ms. S. Bhatia, General Manager, NTPC as the Director of the Company. The Board appointed her as the Director of the Company w.e.f. 09.07.2014.

Shri Sandeep Poundrik ceased to be the Director of the Company w.e.f. 07.06.2014 consequent upon withdrawal of his nomination by BSPGCL. In his place, BSPGCL had nominated Shri P. Amrit, CMD, BSPHCL as the Director of the Company. The Board appointed him as the Director of the Company w.e.f. 09.07.2014.

The Board wishes to place on record its deep appreciation for the valuable services rendered by Shri A.K. Singhal, Shri N.N. Misra, Shri Sandeep Poundrik, Shri Anand Kishor and Shri G.K. Sadhu during their association with the Company.

As per the provisions of the Companies Act, 2013, Shri S. Roy, Director shall retire by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

**ACKNOWLEDGEMENT**

Your Directors acknowledge, with deep sense of appreciation, the co-operation extended by Ministry of Power/ Government of India, Government of Bihar, Bihar State Power Generation Company Limited (erstwhile Bihar State Electricity Board), Planning Commission, Central Electricity Regulatory Commission, Ministry of Environment and Forests and Airports Authority of India.

Your Directors also convey their gratitude to the Holding Company i.e. NTPC Ltd., Auditors, Bankers, Contractors, Vendors and Consultants of the Company.

We wish to place on record our appreciation for the untiring efforts and contributions by the employees at all levels to ensure that the Company continues to grow and excel.

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

Place : New Delhi  
 Dated : 9<sup>th</sup> July 2014

(Dr. Arup Roy Choudhury)  
 Chairman

**Annex-1 to the Directors' Report  
 MANAGEMENT DISCUSSION AND ANALYSIS**
**INDUSTRY SECTOR AND DEVELOPMENTS**

Sustained growth of the power sector is critical for enabling the high economic growth targets of India. Government's focus on attaining "Power for All" has accelerated capacity addition in the country.

India ranks among the top 5 countries in terms of electricity generation and is the number 3 electricity generator amongst the BRICS countries next only to China. (Source : CEA) India lags China in generation by almost 5 times inspite of the fact that population size of the two countries is similar.

India has lowest per capita electricity consumption amongst the BRICS nations. The all India per capita consumption of electricity in financial year 2012-13 was 917.18 KWh (provisional). The low per capita electricity consumption suggests a large latent demand in the country.

As per a recent World Bank report India has emerged as the third largest economy ahead of Japan, based on purchasing power. To sustain and achieve higher growth the power sector has to grow in tandem. Hence, the long term outlook for power demand remains strong.

**GENERATION**
**Review of Installed Capacity & Capacity Addition during financial year 2013-14**

The total installed capacity in the country as on March 31, 2014 was 243,028.95 MW with State Sector having a share of 38%, followed by Private Sector with 34% share and balance 28% contributed by Central Sector entities.

| Sector        | Total Capacity (MW) | % share       |
|---------------|---------------------|---------------|
| State         | 92,187.70           | 38.00         |
| Private       | 82,715.30           | 34.00         |
| Central       | 68,125.95           | 28.00         |
| <b>Total*</b> | <b>2,43,028.95</b>  | <b>100.00</b> |

(\*Source: CEA)

Almost 43% (38,447.81 MW) of the XII Plan target of 88,537 MW (excluding RES) has been achieved in two years.

**Existing Generation**

The total power generation in the country during financial year 2013-14 was 967.15 BU as compared to 912.06 BU during last year, registering a growth of 6%.

Sector wise and fuel wise break-up of generation in BU for the financial year 2013-14 and financial year 2012-13 is detailed as under:

| Sector        | FY 2013-14    | FY 2012-13    | Y-o-Y % Change | Fuel          | FY 2013-14    | FY 2012-13    | % of Fuel Mix w.r.t. the total generation |
|---------------|---------------|---------------|----------------|---------------|---------------|---------------|---|
| Central       | 384.91        | 375.97        | 2.38           | Thermal       | 792.48        | 760.68        | 82%                                       |
| State         | 350.40        | 347.15        | 0.94           | Hydro         | 134.85        | 113.72        | 14%                                       |
| Private       | 226.24        | 184.14        | 22.87          | Nuclear       | 34.23         | 32.87         | 3%  |
| Bhutan Import | 5.60          | 4.80          | 16.74          | Bhutan Import | 5.60          | 4.79          | 1%  |
| <b>Total</b>  | <b>967.15</b> | <b>912.06</b> | <b>6.04</b>    | <b>Total</b>  | <b>967.15</b> | <b>912.06</b> |   |

(Source: CEA)

The fuel mix in financial year 2013-14 has remained almost same as in the previous financial year.

**Capacity Utilisation**

Capacity utilisation in the Indian power sector is measured by Plant Load Factor (PLF). Though, the overall generation in the country has increased due to higher capacity, the Plant Load Factor of coal and lignite stations (PLF) has dwindled and fallen below the levels it was a decade back. It was 65.55% in the financial year 2013-14 as compared to 70.13% during the financial year 2012-13.

**Demand, Supply and Consumption Position**

Demand, supply and consumption trends will be key in defining the future of Indian power sector. Of late power sector has been facing a reduction in demand. The energy and peak deficit, which was more than 11% in financial year 2008-09, has dropped to 4.2% and 4.5% respectively in financial year 2013-14 (provisional).

The fall in power demand could be a short term issue mainly arising from the industrial slowdown, lack of power procurement by utilities and seasonal fluctuations.

The power supply position in the country during 2010-11 to 2013-14:

| Year    | Energy           |                   |                            |       | Peak             |               |                            |        |
|---------|------------------|-------------------|----------------------------|-------|------------------|---------------|----------------------------|--------|
|         | Requirement (MU) | Availability (MU) | Surplus/ Deficits (-) (MU) | (%)   | Peak Demand (MW) | Peak Met (MW) | Surplus/ Deficits (-) (MW) | (%)    |
| 2010-11 | 8,61,591         | 7,88,355          | (73,236)                   | (8.5) | 1,22,287         | 1,10,256      | (12,031)                   | (9.8)  |
| 2011-12 | 9,37,199         | 8,57,886          | (79,313)                   | (8.5) | 1,30,006         | 1,16,191      | (13,815)                   | (10.6) |
| 2012-13 | 9,95,500         | 9,08,574          | (86,926)                   | (8.7) | 1,35,453         | 1,23,294      | (12,159)                   | (9.0)  |
| 2013-14 | 10,02,257        | 9,59,829          | (42,428)                   | (4.2) | 1,35,918         | 1,29,815      | (6,103)                    | (4.5)  |

The power supply position in Eastern Region and Bihar during 2013-14 and anticipated power supply position in Eastern Region and Bihar during 2014-15 is as under:

| Particulars               | Year 2013-14 |            |                       | Year 2014-15 (Anticipated) |            |                        |
|---------------------------|--------------|------------|-----------------------|----------------------------|------------|------------------------|
|                           | Req (MU)     | Avail (MU) | Surplus/ (Deficit)    | Req (MU)                   | Avail (MU) | Surplus/ (Deficit)     |
| <b>Energy Requirement</b> |              |            |                       |                            |            |                        |
| Eastern Region            | 1,08,203     | 1,06,783   | (1,420 MUs)<br>(1.3%) | 1,18,663                   | 1,14,677   | (3,986 MUs)<br>(3.4%)  |
| Bihar                     | 15,391       | 14,759     | (632 MUs)<br>(4.1%)   | 15,917                     | 13,477     | (2,440 MUs)<br>(15.3%) |
| <b>Peak Requirement</b>   |              |            |                       |                            |            |                        |
| Eastern Region            | 15,888       | 15,598     | (290 MUs)<br>(1.8%)   | 17,068                     | 17,782     | 174 MUs<br>1.0%        |
| Bihar                     | 2,465        | 2,312      | (153 MUs)<br>(6.2%)   | 2,750                      | 2,038      | (712 MUs)<br>(25.9%)   |

From the above, it is evident that there have been energy and peak shortages in the Eastern Region as well as in Bihar during the year 2013-14. In the year 2014-15, though sufficient energy is available in the Eastern Region, energy and peak shortages still remains in Bihar.

#### SWOT ANALYSIS

##### Strength/ Opportunity

In the scenario of high demand versus low supply of power, implementing the Company's project is justified. It has full support of NTPC, the promoter and major stake holder. The holding Company, i.e. NTPC Limited is providing engineering and management expertise from planning to commission and operating power plant.

The other promoter i.e. Bihar State Power Generation Company Limited (erstwhile Bihar State Electricity Board) is also the beneficiary of the Company.

R&M of Unit#1 of Stage-I (1X110MW) was completed and the Unit has been declared commercial on 01.11.2013. R&M of Unit#2 of Stage-I (1X110MW) is being done by Bharat Heavy Electricals Limited. Almost all the packages have been awarded for Stage- II (2x 195 MW). Your Company has tied up 16.04 MT/ year of coal with Central Coalfields Limited for Stage- II.

##### Weakness/ Threats:

The beneficiary i.e. South Bihar Transmission Co. Ltd. has overdue payment towards energy bills raised by the Company and thus the working capital is required to be channelized from other sources. The area in which the plant is located experiences heavy rainfall and floods.

##### RISKS AND CONCERN

The risks to which company is exposed and the initiatives taken by the company to mitigate such risks are given below:

**Hazard risks** are related to natural hazards arising out of accidents and natural calamities like fire, earthquake or cyclone, floods etc.

Risk associated with protection of environment, safety of operations and health of people at work is monitored regularly with reference to statutory regulations prescribed by the govt. authorities and company is formulating its own guidelines in this regard. Risk arising out of accidents, fire etc is protected through insurance policies and limited through contractual agreements wherever possible.

**Financial Risks** includes tie-up of term loan for construction of ash dyke and AWRS for Stage-I.

The Company is in the process of tying up with Banks/Financial Institutions.

Rising prices of Coal & oil and its subsequent impact on cost of energy sales needs to be addressed.

As the COD of Unit# 3 and Unit# 4 has been delayed, the lenders (i.e. the consortium led by State Bank of India) has stopped the drawal of loan by KBUNL and now as per the requirements of the lenders, the loan is required to be restructured.

**Operational risks** are associated with systems, processes and people and cover areas such as succession planning, attrition and retention of people, operational failure or interruption, disruption in supply chain, failure of research & development facilities and faulty application of information technology. Ash Dyke is to be constructed for Ash Water Recirculation Systems for Stage- I for which investment approval has been accorded and loan is being tied-up.

The Company has always endeavour to give best to their employees in form of salary, perquisites and other facilities including paying of profit related payment so that the best talent is retained. The Company is employing professional experts of various fields who are deputed from NTPC and BSPGCL. The Company has taken up expansion plan to succeed in this competitive environment.

The policies and process framework of the company supported by the proactive approach of management mitigate operational risks to great extent.

The Company has approved Rehabilitation and Resettlement Plan for Stage-II for ₹ 20.03 crore towards its commitment to society.

##### INTERNAL CONTROL

The Company has robust internal systems and processes for efficient conduct of business. The Company is complying with relevant laws and regulations. It is following delegation of powers as is being followed in NTPC Limited. The accounts are being prepared in accordance with the Accounting Standards issued by Institute of Chartered Accountants of India from time to time and as per the guidelines issued from NTPC Limited. The Company has implemented SAP in all modules like HR, Accounting, Engineering, etc. It is helping the Company a lot in retrieving data and maintaining systematic backup.

In order to ensure that all checks and balances are in place and all internal systems are in order, regular and exhaustive internal audits are conducted by experienced

firm of Chartered Accountants in coordination with Internal Audit Department of NTPC Limited. The Company has constituted an Audit Committee to oversee the financial performance of the company. The scope of this Committee includes compliance with Internal Control Systems.

##### FINANCIAL DISCUSSION AND ANALYSIS

Unit #1 of Stage I of the plant was declared commercial on 01.11.2013 at 80% capacity. It generated 319.09 MUs at a PLF of 80.05%. Unit#2 is under renovation & modernization (R&M) and is expected to be operational by August' 2014. Provisional tariff order for Unit#1 was received on 21.02.2014 on the basis of which energy bills have been raised. The construction activities of Stage-II are in progress and the details of progress are given in Directors' report.

During the financial year 2013-14, 11,58,50,000 shares were issued to NTPC and 6,23,80,769 shares were issued to Bihar State Power Generation Company Limited (BSPGCL) (erstwhile BSEB). The equity share capital of ₹ 727,69,42,050 is in the ratio of 65:35 between NTPC and BSPGCL at the end of financial year 2013-14. The share application money pending for allotment at the end of financial year amounted to ₹ 71,46,20,938. An amount of ₹ 10,08,85,281 received from BSPGCL as reimbursement of entry tax has been treated as equity contribution from BSPGCL.

The grants received from Backward Region Grants Fund (Rashtriya Sam Vikas Yojna) was credited to capital reserve account initially and the same was treated as income in the same proportion as the depreciation written off on the assets acquired out of grants. The grants received during the year was ₹ 19,67,00,000 out of which ₹ 15,48,82,864 crore has been recognised as income during the year.

Your Company has drawn secured term loan of ₹ 1590,09,54,312 from consortium led by State Bank of India till 31.03.2014 for Stage-II (2X195 MW) expansion project. The unsecured loan from the Holding Company stood at ₹ 8,00,00,000 at the end of the financial year. Your company has made no defaults in repayment of any of the loans or interest thereon as at the end of the year.

The net tangible assets as at 31.03.2014 were ₹ 512,99,58,748 as compared to ₹ 231,04,23,747 as at 31.03.2013. The net intangible assets as at 31.03.2014 were ₹ 64,977 as compared to ₹ 4,36,392 as at 31.03.2013. The capital work-in-progress was ₹ 23,71,26,01,417 as at 31.03.2014 as compared to ₹ 19,58,53,08,393 as at 31.03.2013. The current assets stood at ₹ 110,83,25,465 as at 31.03.2014, while the current assets as at 31.03.2013 were ₹ 79,37,12,025.

Borrowing costs attributable to the fixed assets during construction, renovation and modernisation have been capitalised. Such borrowing costs have been apportioned on the average balance of capital work-in-progress for the year. Other borrowing costs are recognised as an expense in the period in which they are incurred. The borrowing costs capitalised during the year ended 31.03.2014 amounted to ₹ 163,67,05,592 (Previous year ₹ 83,10,72,290).

The revenue from operations amounting to ₹ 161,48,84,282 during the financial year including energy sales, energy internally consumed and capital grants recognised as income during the year. The expenses were ₹ 162,81,19,792, which included fuel, employee benefit expenses, finance cost, depreciation & amortisation expenses, generation and administration expenses. The deferred tax amounted to ₹ 11,99,206. The loss for the year was ₹ 54,12,090 as against for the last year loss of ₹ 12,90,47,590.

##### HUMAN RESOURCE

Presently, the Company has total strength of 200 employees, out of which, 171 employees are deputed from the Holding Company i.e. NTPC Limited (including 7 ETs), 22 employees are deputed from BSEB and 7 employees are on the rolls of KBUNL. Out of the total strength, the company has employed 29 SC candidates, 10 ST candidates and 40 OBC candidates as a socially responsible and conscious organisation.

The Company is paying adequate perks and also making employees part of profit sharing by giving Profit Related Payment. They are being imparted training for their professional up gradation from time to time as an endeavour of your company to become a learning organisation. The Company had incurred ₹ 30,53,46,746 (previous year ₹ 32,49,51,264) - towards Salaries, Wages, Allowances, Benefits, Contribution to Provident and other Funds and welfare expenses. Out of ₹ 30,53,46,746 (previous year ₹ 32,49,51,264) the amount transferred to Expenditure during Construction amounted to ₹ 20,09,98,558 (previous year ₹ 28,54,61,950).

During the year, the Company organised four meetings with the employees/ representatives & an open house with all executives to know their problems and to resolve the same to make the environment congenial.

Safe methods are practised in all areas of Operation & Maintenance and Construction & erection activities for the protection of workers against injury and diseases. Occupational safety at workplace is given utmost importance.

##### OUTLOOK

The company's outlook is very bright. It will generate sufficient revenue for growth and development of the company once the plant becomes operational. It will also boost employment opportunities to the local inhabitants.

##### CAUTIONARY STATEMENT

Statements in the Management Discussion and Analysis, describing objectives, projections and estimates, are forward-looking statements and progressive, within the meaning of applicable security laws and regulations. Actual results may vary from those expressed or implied, depending upon economic condition, Government policies and other incidental/ related factors.

For and on behalf of Board of Directors

(Dr. Arup Roy Choudhury)

Chairman

Place : New Delhi

Dated : 9<sup>th</sup> July 2014

**KANTI BIJLEE UTPADAN NIGAM LTD  
BALANCE SHEET AS AT**

(Amount in ₹)

| Particulars                                      | Note | 31.03.2014            | 31.03.2013            |
|--|------|-----------------------|-----------------------|
| <b>EQUITY AND LIABILITIES</b>                    |      |                       |                       |
| <b>Shareholders' funds</b>                       |      |                       |                       |
| Share capital                                    | 2    | 7,276,942,050         | 5,494,634,360         |
| Reserves and surplus                             | 3    | 3,485,323,618         | 3,648,918,572         |
| <b>Share application money pending allotment</b> | 4    | <b>714,620,938</b>    | 886,143,347           |
| <b>Non-current liabilities</b>                   |      |                       |                       |
| Long-term borrowings                             | 5    | 15,213,341,629        | 11,099,676,356        |
| Deferred tax liabilities (net)                   | 6    | -                     | 1,199,206             |
| Other Long term liabilities                      | 7    | 1,180,507,139         | 908,497,547           |
| <b>Current liabilities</b>                       |      |                       |                       |
| Short term borrowing                             | 8    | 763,432,151           | 350,535,236           |
| Trade payables                                   | 9    | 234,625,579           | 419,146,810           |
| Other current liabilities                        | 10   | 2,048,800,801         | 1,393,758,745         |
| Short-term provisions                            | 11   | 200,146,122           | 233,387,429           |
| <b>Total</b>                                     |      | <b>31,117,740,027</b> | <b>24,435,897,608</b> |
| <b>ASSETS</b>                                    |      |                       |                       |
| <b>Non-current assets</b>                        |      |                       |                       |
| Fixed assets                                     |      |                       |                       |
| Tangible assets                                  | 12   | 5,129,958,748         | 2,310,423,747         |
| Intangible assets                                | 12   | 64,977                | 436,392               |
| Capital work-in-progress                         | 13   | 23,712,601,417        | 19,585,308,393        |
| Long-term loans and advances                     | 14   | 1,166,789,420         | 1,746,017,051         |
| <b>Current assets</b>                            |      |                       |                       |
| Inventories                                      | 15   | 207,113,147           | 230,040,626           |
| Trade receivables                                | 16   | 519,104,121           | 433,220,337           |
| Cash and bank balances                           | 17   | 240,127,342           | 108,542,401           |
| Short-term loans and advances                    | 18   | 126,571,043           | 19,348,033            |
| Other current assets                             | 19   | 15,409,812            | 2,560,628             |
| <b>Total</b>                                     |      | <b>31,117,740,027</b> | <b>24,435,897,608</b> |

Significant accounting policies 1

The accompanying notes form an integral part of these financial statements.

For &amp; on behalf of the Board of Directors

|  |                                  |   |
|--|----------------------------------|---|
| <b>(Ruchi Aggrawal)</b><br>Company Secretary | <b>(S. Poundrik)</b><br>Director | <b>(Dr. Arup Roy Choudhury)</b><br>Chairman |
|--|----------------------------------|---|

This is the Balance Sheet referred to in our report of even date.

**For B.B. Mathur & Co.**

 Chartered Accountants  
(Firm Regn. No.-000290N)

**(Rajneesh Behari Mathur)**

 Partner  
Mem No. 088034

 Place : New Delhi  
Dated : 28.04.2014

**KANTI BIJLEE UTPADAN NIGAM LTD  
STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED**

(Amount in ₹)

| Particulars   | Note | 31.03.2014           | 31.03.2013           |
|---|------|----------------------|----------------------|
| <b>Revenue</b>                                      |      |                      |                      |
| <b>Revenue from operations(Gross)</b>               | 20   | <b>1,614,884,282</b> | 98,792,528           |
| Other income  | 21   | 6,624,214            | 493,151              |
| <b>Total Revenue</b>                                |      | <b>1,621,508,496</b> | <b>99,285,679</b>    |
| <b>Expenses:</b>                                    |      |                      |                      |
| Fuel  |      | 1,130,916,248        | -                    |
| Employee benefits expense                           | 22   | 98,037,500           | 39,489,314           |
| Finance costs                                       | 23   | 40,661,924           | 10,174,602           |
| Depreciation and amortization expense               | 12   | 244,366,973          | 228,189,425          |
| Generation, administration & other expenses         | 24   | 114,137,147          | 15,984,028           |
| Prior period items (Net)                            | 25   | -                    | (53,093,184)         |
| <b>Total expenses</b>                               |      | <b>1,628,119,792</b> | <b>240,744,185</b>   |
| <b>Profit/(Loss) before tax</b>                     |      | <b>(6,611,296)</b>   | (141,458,506)        |
| <b>Tax expense:</b>                                 |      |                      |                      |
| Deferred tax  |      | (1,199,206)          | (12,410,916)         |
| <b>Total tax expense</b>                            |      | <b>(1,199,206)</b>   | (12,410,916)         |
| <b>Profit/(Loss) for the year</b>                   |      | <b>(5,412,090)</b>   | <b>(129,047,590)</b> |
| Expenditure during construction period (Net)        | 26   |                      |                      |
| Significant accounting policies                     | 1    |                      |                      |
| Earning Per Equity share (Par value of ₹ 10/- each) | 31   |                      |                      |
| Basic   |      | (0.01)               | (0.25)               |
| Diluted   |      | (0.01)               | (0.22)               |

The accompanying notes form an integral part of these financial statements.

There are no exceptional or extraordinary items in the above periods.

For &amp; on behalf of the Board of Directors

|  |                                  |   |
|--|----------------------------------|---|
| <b>(Ruchi Aggrawal)</b><br>Company Secretary | <b>(S. Poundrik)</b><br>Director | <b>(Dr. Arup Roy Choudhury)</b><br>Chairman |
|--|----------------------------------|---|

This is the Statement of Profit and Loss referred to in our report of even date

**For B.B. Mathur & Co.**

 Chartered Accountants  
(Firm Regn. No.-000290N)

**(Rajneesh Behari Mathur)**

 Partner  
Mem No. 088034

 Place : New Delhi  
Dated : 28.04.2014

**KANTI BIJLEE UTPADAN NIGAM LTD  
CASH FLOW STATEMENT**

(Amount in ₹)

| FOR THE YEAR ENDED MARCH 31,   | 2014                   | 2013                   |
|--|------------------------|------------------------|
| <b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>  |                        |                        |
| Net Profit/(Loss) before tax and after Prior Period Adjustments  | (6,611,296)            | (141,458,506)          |
| <b>Adjustment for:</b>   |                        |                        |
| Depreciation/Amortisation  | 244,366,973            | 228,189,425            |
| Grants adjustment as income  | (154,882,864)          |                        |
| Provisions   | 9,706,908              | 2,565,954              |
| Interest income  | (4,734,555)            | (20,547)               |
| Interest charge  | 40,661,924             | 10,174,602             |
| Guarantee fee & other finance charges  | 3,481,609              | 1,340,545              |
| <b>Operating Profit before Working Capital Changes</b>   | <b>131,988,699</b>     | <b>100,791,473</b>     |
| <b>Adjustment for:</b>   |                        |                        |
| Trade and other receivables  | (85,883,784)           | 124,269,081            |
| Inventories  | 22,927,479             | (42,485,062)           |
| Trade Payables & Other Liabilities   | 709,289,110            | 1,174,824,515          |
| Loans & advances   | 473,004,621            | 508,120,581            |
| Other Current Assets   | (12,849,184)           | 135,620,326            |
| <b>Cash generated from operations</b>  | <b>1,238,476,941</b>   | <b>2,001,140,914</b>   |
| Income Tax/Advance Tax Paid  | (1,000,000)            | -                      |
| <b>Net Cash from Operating Activities - A</b>  | <b>1,237,476,941</b>   | <b>2,001,140,914</b>   |
| <b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>  |                        |                        |
| Fixed Capital Expenditure  | (5,567,306,508)        | (9,086,767,158)        |
| Interest income  | 4,734,555              | 20,547                 |
| <b>Net Cash Flow from Investing Activities - B</b>   | <b>(5,562,571,953)</b> | <b>(9,086,746,611)</b> |
| <b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>  |                        |                        |
| Proceeds from Long term borrowing  | 4,526,562,188          | 6,408,846,149          |
| Grants-in-aid received   | (3,300,000)            | 241,831,954            |
| Proceeds from Issue of Share Capital/Share Capital Deposit   | 1,610,785,281          | 712,011,906            |
| Interest paid  | (1,673,885,907)        | (839,906,347)          |
| Guarantee fee & other finance charges  | (3,481,609)            | (1,340,545)            |
| <b>Net Cash Flow from Financing Activities - C</b>   | <b>4,456,679,953</b>   | <b>6,521,443,117</b>   |
| <b>Net increase/Decrease in cash and cash equivalents (A+B+C)</b>  | <b>131,584,941</b>     | <b>(564,162,580)</b>   |
| <b>Cash and cash equivalents (Opening Balance)</b>   | <b>108,542,401</b>     | <b>672,704,981</b>     |
| <b>Cash and cash equivalents (Closing Balance)</b>   | <b>240,127,342</b>     | <b>108,542,401</b>     |
| <b>NOTES:</b>  |                        |                        |
| 1. Cash and cash equivalents consists of Cash in hand and balance with Banks. Cash and cash equivalent included in the cash flow statement comprise of following balance sheet amount as per note-17 |                        |                        |
| Cash and cash equivalent   | 24,836,847             | 29,203,591             |
| Deposits with banks  | 215,290,495            | 79,338,810             |
| Cash and cash equivalent as per note-17  | 240,127,342            | 108,542,401            |
| 2. Previous year's figures have been regrouped/rearranged wherever necessary.  |                        |                        |

For &amp; on behalf of the Board of Directors

|                                       |                           |                                      |
|---------------------------------------|---------------------------|--------------------------------------|
| (Ruchi Aggrawal)<br>Company Secretary | (S. Poundrik)<br>Director | (Dr. Arup Roy Choudhury)<br>Chairman |
|---------------------------------------|---------------------------|--------------------------------------|

This is the cash flow statement referred to in our report of even date

**For B.B. Mathur & Co.**

 Chartered Accountants  
(Firm Regn. No.-000290N)

**(Rajneesh Behari Mathur)**

 Partner  
Mem No. 088034

Place : New Delhi

Dated : 28.04.2014

**KANTI BIJLEE UTPADAN NIGAM LTD**
**Notes to the Financial Statements for the year ended 31<sup>st</sup> March 2014**
**Note No. – 1 SIGNIFICANT ACCOUNTING POLICIES**
**A. BASIS OF PREPARATION**

The financial statements are prepared on accrual basis of accounting under historical cost convention in accordance with generally accepted accounting principles in India and the relevant provisions of the Companies Act, 1956 including accounting standards notified there under and the provisions of Electricity Act 2003 to the extent applicable.

**B. USE OF ESTIMATES**

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

**C. GRANTS-IN-AID**

Grants-in-aid received from the Central Government or other authorities towards capital expenditure are treated initially as capital reserve and subsequently adjusted as income in the same proportion as the depreciation written off on the assets acquired out of the grants.

**D. FIXED ASSETS**

1. Tangible assets are carried at historical cost less accumulated depreciation/amortisation.
2. Expenditure on renovation and modernisation of fixed assets resulting in increased life and/or efficiency of an existing asset is added to the cost of related assets.
3. Intangible assets are stated at their cost of acquisition less accumulated amortisation.
4. Deposits, payments/liabilities made provisionally towards compensation, rehabilitation and other expenses relating to land in possession are treated as cost of land.
5. In the case of assets put to use, where final settlement of bills with contractors is yet to be effected, capitalisation is done on provisional basis subject to necessary adjustment in the year of final settlement.
6. Assets and systems common to more than one generating unit are capitalised on the basis of engineering estimates/assessments.

**E. CAPITAL WORK-IN-PROGRESS**

1. Administration and general overhead expenses attributable to construction of fixed assets incurred till they are ready for their intended use are identified and allocated on a systematic basis to the cost of related assets.
2. Deposit works/cost plus contracts are accounted for on the basis of statements of account received from the contractors.
3. Unsettled liability for price variation/exchange rate variation in case of contracts are accounted for on estimated basis as per terms of the contracts.

**F. FOREIGN CURRENCY TRANSACTIONS**

1. Foreign currency transactions are initially recorded at the rates of exchange ruling at the date of transaction.
2. At the balance sheet date, foreign currency monetary items are reported using the closing rate. Non-monetary items denominated in foreign currency are reported at the exchange rate ruling at the date of transaction.
3. Foreign exchange differences arising from settlement / translation of long term foreign currency monetary items are adjusted in the carrying cost of related assets.
4. Other exchange differences are recognized as income or expense in the period in which they arise.

**G. BORROWING COSTS**

Borrowing costs attributable to the fixed assets during construction/exploration, renovation and modernisation are capitalised. Such borrowing costs are apportioned on the average balance of capital work-in-progress for the year. Other borrowing costs are recognised as an expense in the period in which they are incurred.

**H. INVENTORIES**

1. Inventories are valued at the lower of, cost determined on weighted average basis, realisable value.
2. The diminution in the value of obsolete, unserviceable and surplus stores and spares is ascertained on review and provided for.

**I. INCOME RECOGNITION**

1. Sale of energy is accounted for based on tariff rates approved by the Central Electricity Regulatory Commission (CERC) as modified by the

orders of Appellate Tribunal for Electricity to the extent applicable. In case the tariff rates are yet to be approved, provisional rates are adopted.

2. The surcharge on late payment/overdue sundry debtors for sale of energy is recognized when no significant uncertainty as to measurability or collectability exists.
3. Interest/surcharge recoverable on advances to suppliers as well as warranty claims/liiquidated damages wherever there is uncertainty of realisation/acceptance are not treated as accrued and are therefore accounted for on receipt/acceptance.
4. Scrap other than steel scrap is accounted for as and when sold.
5. Insurance claims for loss of profit are accounted for in the year of acceptance. Other insurance claims are accounted for based on certainty of realisation.

**J. EXPENDITURE**

1. Depreciation on the assets is charged on straight line method following the rates and methodology notified by the CERC Tariff Regulations, 2009 provided under Section 616 (c) of the Companies Act, 1956.
2. Depreciation on the following assets is provided based on their estimated useful life:

|   |          |
|---|----------|
| a) Kutcha Roads   | 2 years  |
| b) Enabling works   | 15 years |
| - residential buildings including their internal electrification.   | 5 years  |
| - non-residential buildings including their internal electrification, water supply, sewerage & drainage works, railway sidings, aerodromes, helipads and airstrips. |          |
| c) Personal computers & laptops including peripherals   | 5 years  |
| d) Photocopiers and fax machines  | 5 years  |
| e) Water coolers and refrigerators  | 2 years  |

3. Depreciation on additions to/deductions from fixed assets during the year is charged on pro-rata basis from/up to the month in which the asset is available for use/disposal.
4. Assets costing up to ₹ 5000/- are fully depreciated in the year of acquisition.
5. Cost of software recognized as intangible asset, is amortised on straight line method over a period of legal right to use or 3 years, whichever is less. Other intangible assets are amortized on straight line method over the period of legal right to use or 25 years whichever is less.
6. Where the cost of depreciable assets has undergone a change during the year due to increase/decrease in long term liabilities on account of exchange fluctuation, price adjustment, change in duties or similar factors, the unamortised balance of such asset is charged off prospectively at the rates and methodology notified by CERC Tariff Regulations, 2009.
7. Where the life and/or efficiency of an asset is increased due to renovation and modernization, the expenditure thereon along-with its unamortized depreciable amount is charged off prospectively over the revised useful life determined by technical assessment.
8. Machinery spares which can be used only in connection with an item of plant and machinery and their use is expected to be irregular, are capitalised and fully depreciated over the residual useful life of the related plant and machinery.
9. Expenditure for community development is charged off to revenue.
10. Leasehold land and buildings relating to generation of electricity business are fully amortised over lease period or life of the related plant whichever is lower following the rates and methodology notified by CERC Tariff Regulations, 2009. Leasehold land acquired on perpetual lease is not amortised.
11. Expenses on ex-gratia payments under voluntary retirement scheme, training & recruitment and research and development are charged to revenue in the year incurred.
12. Preliminary expenses on account of new projects incurred prior to approval of feasibility report/techno economic clearance are charged to revenue.
13. Net pre-commissioning income/expenditure is adjusted directly in the cost of related assets and systems.
14. Prepaid expenses and prior period expenses/income of items of ₹ 100,000/- and below are charged to natural heads of accounts.
15. Transit and handling losses of coal as per norms are included in cost of coal.

**K. OPERATING LEASE**

Assets acquired on lease where a significant portion of the risk and rewards of the ownership are retained by the lessor are classified as operating leases. Lease rentals are charged to revenue.

**L. PROVISIONS AND CONTINGENT LIABILITIES**

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 are determined based on management estimate required to settle the obligation at the balance sheet date and are not discounted to present value. Contingent liabilities are disclosed on the basis of judgment of the management/independent experts. These are reviewed at each balance sheet date and are adjusted to reflect the current management estimate.

**M. CASH FLOW STATEMENT**

Cash flow statement is prepared in accordance with the indirect method prescribed in Accounting Standard (AS) 3 on 'Cash Flow Statements'.

**N. TAXES ON INCOME**

Current tax is determined on the basis of taxable income in accordance with the provisions of the Income Tax Act, 1961. Deferred tax liability/asset resulting from 'timing difference' between accounting income and taxable income is accounted for considering the tax rate & tax laws that have been enacted or substantively enacted as on the reporting date. Deferred tax asset is recognized and carried forward only to the extent that there is reasonable certainty that the asset will be realized in future. Deferred tax assets are reviewed at each reporting date for their realisability.

**NOTE NO. 2 TO THE FINANCIAL STATEMENTS**

(Amount in ₹)

|       |                   |            |
|-------|-------------------|------------|
| As at | <b>31.03.2014</b> | 31.03.2013 |
|-------|-------------------|------------|

**SHARE CAPITAL**

Equity Share Capital

**AUTHORISED**

1,000,000,000 equity shares of par value of ₹ 10/- each (Previous year 1,000,000,000 shares of par value of ₹ 10/- each)

|                       |                |
|-----------------------|----------------|
| <b>10,000,000,000</b> | 10,000,000,000 |
|-----------------------|----------------|

**ISSUED, SUBSCRIBED AND PAID-UP**

72,76,94,205 equity shares of par value of ₹ 10/- each fully paid up (Previous year 54,94,63,436 equity shares of par value of ₹ 10/- each fully paid-up)

|                      |               |
|----------------------|---------------|
| <b>7,276,942,050</b> | 5,494,634,360 |
|----------------------|---------------|

**a) RECONCILIATION OF NUMBER OF SHARES OUTSTANDING AT BEGINNING AND AT END OF THE YEAR**

| Particulars   | 2013-14            | 2012-13     |
|---|--------------------|-------------|
| Number of shares outstanding at the beginning of the year | <b>549,463,436</b> | 527,872,460 |
| Shares issued during the year/period                      | <b>178,230,769</b> | 21,590,976  |
| Number of shares outstanding at the close of the year     | <b>727,694,205</b> | 549,463,436 |

- b) The Company has only one class of equity shares having a par value of ₹ 10/- per share. The holders of the equity shares are entitled to receive dividends as declared from time to time and are entitled to voting rights proportionate to their share holding at the meetings of shareholders.

**c) SHARES IN RESPECT OF EACH CLASS IN THE COMPANY HELD BY ITS HOLDING COMPANY:**

Holding Company- NTPC Ltd. - 47,30,01,233 Equity shares of ₹ 10/- each (Previous year 35,71,51,233 Equity shares ₹10/- each)

**d) DETAILS OF SHAREHOLDERS HOLDING MORE THAN 5% SHARES IN THE COMPANY:**

| Particulars | 31.03.2014         |              | 31.03.2013    |              |
|-------------|--------------------|--------------|---------------|--------------|
|             | No. of shares      | %age holding | No. of shares | %age holding |
| - NTPC LTD. | <b>473,001,233</b> | <b>65</b>    | 357,151,233   | 65           |
| - BSPGCL    | <b>254,692,972</b> | <b>35</b>    | 192,312,203   | 35           |

**NOTE NO. 3 TO THE FINANCIAL STATEMENTS**

(Amount in ₹)

| As at   | 31.03.2014           | 31.03.2013           |
|---|----------------------|----------------------|
| <b>RESERVES AND SURPLUS</b>   |                      |                      |
| <b>Capital Reserve</b>  |                      |                      |
| As per last balance sheet   | 3,871,023,737        | 3,629,191,783        |
| Add: Grants received during the year  | 196,700,000          | 400,000,000          |
| Less: Grants recognised as Income   | 154,882,864          | 91,553,365           |
| Less: Adjustments during the year   | 200,000,000          | 66,614,681           |
| <b>Closing Balance</b>  | <b>3,712,840,873</b> | <b>3,871,023,737</b> |
| <b>Surplus in the statement of Profit and Loss</b>                              |                      |                      |
| As per last balance sheet   | (922,105,165)        | (93,057,575)         |
| Add(Less):-Profit/(Loss) after tax for the year from Statement of Profit & Loss | (5,412,090)          | (129,047,590)        |
| <b>Closing Balance</b>  | <b>(927,517,255)</b> | <b>(922,105,165)</b> |
| <b>Total</b>  | <b>3,485,323,618</b> | <b>3,648,918,572</b> |

**NOTE NO. 4 TO THE FINANCIAL STATEMENTS**

(Amount in ₹)

| As at  | 31.03.2014  | 31.03.2013  |
|--|-------------|-------------|
| <b>SHARE APPLICATION MONEY PENDING ALLOTMENT</b> |             |             |
| Share application money                          | 714,620,938 | 886,143,347 |

- 7,14,62,093 Equity shares of ₹ 10/- each shall be issued against the Share application money.
- The shares are likely to be allotted in the financial year 2014-15.
- The authorised share capital of the Company is sufficient to cover the share capital amount on allotment of shares out of above share application money.
- No amount is refundable out of above share application money and no interest is payable.

**NOTE NO. 5 TO THE FINANCIAL STATEMENTS**

(Amount in ₹)

| As at                       | 31.03.2014            | 31.03.2013            |
|-----------------------------|-----------------------|-----------------------|
| <b>LONG TERM BORROWINGS</b> |                       |                       |
| <b>Term Loans</b>           |                       |                       |
| <b>From Banks</b>           |                       |                       |
| Secured                     | 11,761,694,986        | 8,325,104,927         |
| <b>From Others</b>          |                       |                       |
| Secured                     | 3,408,789,500         | 2,686,000,000         |
| Unsecured                   | 42,857,143            | 88,571,429            |
| <b>Total</b>                | <b>15,213,341,629</b> | <b>11,099,676,356</b> |

- Loan from consortium led by State Bank of India for expansion project (2\*195MW) is secured by a first priority charge on all assets of the Project, present & future, movable & immovable and land of 987.9293 acres. The security will rank pari-pasu with all term lenders of the project. The charge has been created in favor of Security trustee i.e. SBI Cap Trustee Co. Ltd. Legal mortgage of land in favor of security trustee has been executed for 594.84 acres of land.
  - Total sanctioned amount of loan and guarantee facility is ₹ 2341 crores and ₹100 Crores respectively.
  - The loan bears floating rate of interest linked to the SBI Base Rate.
  - The charge with Registrar of Companies (ROC) was filed on 27.09.2011 and ROC issued Certificate of Registration of Mortgage on 28.09.2011, Certifying that the Mortgage/charge has been registered for ₹ 2441.28 crore in their office in accordance with the provisions contained in Section 125 to 130 of the Companies Act, 1956 on 28<sup>th</sup> September 2011.
  - Repayable in 11 years on quarterly basis starting from 30<sup>th</sup> September 2014.
  - Details of terms of repayment

| Particulars       | Non current portion |               | Current portion |            |
|-------------------|---------------------|---------------|-----------------|------------|
|                   | 31.03.2014          | 31.03.2013    | 31.03.2014      | 31.03.2013 |
| <b>Term Loans</b> |                     |               |                 |            |
| Secured           |                     |               |                 |            |
| Banks             | 11,761,694,986      | 8,325,104,927 | 678,559,326     | -          |
| Others            | 3,408,789,500       | 2,686,000,000 | 51,910,500      | -          |

- Loan from Holding company NTPC Ltd.
  - Repayable in 7 years on half yearly basis starting from 30<sup>th</sup> September 2008.
  - The rate of interest is at par with SBAR (State Bank Advance Rate) as adjusted to half yearly rests with a year of 365 days.
  - Details of terms of repayment**

| Particulars        | Non current portion |            | Current portion |            |
|--------------------|---------------------|------------|-----------------|------------|
|                    | 31.03.2014          | 31.03.2013 | 31.03.2014      | 31.03.2013 |
| <b>Term Loans</b>  |                     |            |                 |            |
| Unsecured          |                     |            |                 |            |
| Others (NTPC Ltd.) | 42,857,143          | 88,571,429 | 37,142,857      | 37,142,857 |

- There has been no default in repayment of any of the loans or interest thereon as at the end of the year.

**NOTE NO. 6 TO THE FINANCIAL STATEMENTS**

(Amount in ₹)

| As at  | 01.04.2013       | Addition/<br>(adjustments)<br>during the<br>year | 31.03.2014 |
|--|------------------|--|------------|
| <b>DEFERRED TAX LIABILITIES (NET)</b>                |                  |  |            |
| Difference of book depreciation and tax depreciation | 12,895,641       | (12,895,641)                                     | -          |
| Less: Deferred tax assets                            | -                | -  | -          |
| Provisions & Other disallowances for tax purposes    | 11,696,435       | (11,696,435)                                     | -          |
| Disallowances u/s 43B of the Income Tax Act, 1961    | -                | -  | -          |
| <b>Total</b>   | <b>1,199,206</b> | <b>(1,199,206)</b>                               | <b>-</b>   |

- The net decrease during the year in the deferred tax liability of ₹ (1199206) (previous year ₹ 1,24,10,916) has been debited to statement of profit & loss.
- Deferred tax assets and deferred tax liabilities have been offset as they relate to the same governing laws.

**NOTE NO. 7 TO THE FINANCIAL STATEMENTS**

(Amount in ₹)

| As at                              | 31.03.2014           | 31.03.2013         |
|------------------------------------|----------------------|--------------------|
| <b>OTHER LONG TERM LIABILITIES</b> |                      |                    |
| Trade Payable                      | 650,101              | 209,908            |
| Other Liabilities                  |                      |                    |
| Payable For Capital Expenditure    | 1,179,857,038        | 908,287,639        |
| <b>Total</b>                       | <b>1,180,507,139</b> | <b>908,497,547</b> |

Disclosure w.r.t. Micro, small and medium enterprises as required by MSMED Act, 2006 is made in Note No.-33

**NOTE NO. 8 TO THE FINANCIAL STATEMENTS**

(Amount in ₹)

| As at                                | 31.03.2014  | 31.03.2013  |
|--------------------------------------|-------------|-------------|
| <b>SHORT TERM BORROWINGS</b>         |             |             |
| Secured                              |             |             |
| Cash Credit Loan-State Bank of India | 763,432,151 | 350,535,236 |

- The Cash Credit loan is secured by hypothecation of stock in trade, Book Debt of Stage-I. The outstanding balance is repayable on demand. The Loan bears floating rate of interest linked to the SBI Base Rate.
- There has been no default in repayment of loan or interest thereon as at the end of the year.

**NOTE NO. 9 TO THE FINANCIAL STATEMENTS**

(Amount in ₹)

| As at                 | 31.03.2014  | 31.03.2013  |
|-----------------------|-------------|-------------|
| <b>TRADE PAYABLES</b> |             |             |
| For Goods & Services  | 234,625,579 | 419,146,810 |

Disclosure w.r.t. Micro, small and medium enterprises as required by MSMED Act, 2006 is made in Note No.-33.

**NOTE NO. 10 TO THE FINANCIAL STATEMENTS**

(Amount in ₹)

| As at   | 31.03.2014           | 31.03.2013           |
|---|----------------------|----------------------|
| <b>OTHER CURRENT LIABILITIES</b>                |                      |                      |
| Current maturity of long term borrowings        |                      |                      |
| From Banks                                      |                      |                      |
| Secured   |                      |                      |
| Term Loan                                       | <b>678,559,326</b>   | -                    |
| From Others                                     |                      |                      |
| Secured   |                      |                      |
| Term Loan                                       | <b>51,910,500</b>    | -                    |
| Unsecured                                       |                      |                      |
| Term Loan(NTPC Ltd.)                            | <b>37,142,857</b>    | 37,142,857           |
| Book Overdraft                                  | -                    | 25,270,852           |
| Payable for Capital Expenditure                 | <b>796,211,866</b>   | 878,563,974          |
| Other Payables                                  |                      |                      |
| Tax deducted at source and other statutory dues | <b>22,588,123</b>    | 115,786,025          |
| Deposit From Contractors & Others               | <b>14,111,744</b>    | 15,870,232           |
| Payable to Employees                            | <b>17,116,677</b>    | 1,874,950            |
| Payable to NTPC Ltd                             | <b>315,218,463</b>   | 256,744,267          |
| Others  | <b>115,941,245</b>   | 62,505,588           |
| <b>Total</b>                                    | <b>2,048,800,801</b> | <b>1,393,758,745</b> |

**NOTE NO. 11 TO THE FINANCIAL STATEMENTS**

(Amount in ₹)

| As at  | 31.03.2014         | 31.03.2013         |
|--|--------------------|--------------------|
| <b>SHORT TERM PROVISIONS</b>                             |                    |                    |
| Provision for Employee Benefits                          |                    |                    |
| As per last Balance Sheet                                | <b>33,087,429</b>  | 29,393,775         |
| Additions during the year                                |                    | 3,901,599          |
| Adjustment during the year*                              | <b>33,087,429</b>  | -                  |
| Amounts reversed during the year                         | -                  | 207,945            |
|  |                    | <b>33,087,429</b>  |
| Provision for obligations incidental to land acquisition |                    |                    |
| As per last balance sheet                                | <b>200,300,000</b> | 131,000,000        |
| Amounts paid during the year                             | <b>153,878</b>     | -                  |
| Additions during the year                                | -                  | 69,300,000         |
|  | <b>200,146,122</b> | <b>200,300,000</b> |
| <b>Total</b>   | <b>200,146,122</b> | <b>233,387,429</b> |

\* Refer Note no.--34

- a) Disclosure w.r.t. Micro, small and medium enterprises as required by MSMED Act, 2006 is made in Note no.-33.
- b) Details in respect of rate of interest and terms of repayment of unsecured current maturities of long term borrowings indicated above are disclosed in Note no-5.

**Note No. 12 to the Financial Statements**
**TANGIBLE ASSETS**

(Amount in ₹)

|  | Gross Block          |                   |                        |                      | Depreciation/Amortisation |                    |                       |                    | Net Block            |                      |
|--|----------------------|-------------------|------------------------|----------------------|---------------------------|--------------------|-----------------------|--------------------|----------------------|----------------------|
|  | As at 01.04.2013     | Additions         | Deduction/ Adjustment  | As at 31.03.2014     | Upto 01.04.2013           | For the year       | Deduction/ Adjustment | Upto 31.03.2014    | As at 31.03.2014     | As at 31.03.2013     |
| Land :   |                      |                   |                        |                      |                           |                    |                       |                    |                      |                      |
| (including development expenses)                       |                      |                   |                        |                      |                           |                    |                       |                    |                      |                      |
| Freehold   | 1,078,460,470        | 55,929,715        | -                      | <b>1,134,390,185</b> | -                         | -                  | -                     | -                  | <b>1,134,390,185</b> | 1,078,460,470        |
| Leasehold  | 33                   | -                 | -                      | <b>33</b>            | 6                         | 1                  | -                     | 7                  | <b>26</b>            | 27                   |
| Roads, bridges, culverts & helipads                    | 12,430,863           | -                 | -                      | <b>12,430,863</b>    | 3,166,912                 | 356,997            | -                     | 3,523,909          | 8,906,954            | 9,263,951            |
| Building :   |                      |                   |                        |                      |                           |                    |                       |                    |                      |                      |
| Freehold   |                      |                   |                        |                      |                           |                    |                       |                    |                      |                      |
| Main plant   | 113,508,719          | -                 | -                      | <b>113,508,719</b>   | 44,449,409                | 6,471,974          | -                     | <b>50,921,383</b>  | <b>62,587,336</b>    | 69,059,310           |
| Others   | 191,498,666          | -                 | -                      | <b>191,498,666</b>   | 44,433,603                | 6,414,347          | -                     | <b>50,847,950</b>  | <b>140,650,716</b>   | 147,065,063          |
| Water Supply, drainage & sewerage system               | 4,444,628            | -                 | -                      | <b>4,444,628</b>     | 1,138,259                 | 107,191            | -                     | <b>1,245,450</b>   | <b>3,199,178</b>     | 3,306,369            |
| MGR track and signalling system                        | 18,393,666           | -                 | (70,564,748)           | <b>88,958,414</b>    | 4,598,417                 | 3,155,140          | -                     | <b>7,753,557</b>   | <b>81,204,857</b>    | 13,795,249           |
| Plant and machinery (including associated civil works) | 1,421,379,758        | 13,105,981        | (2,918,604,521)        | <b>4,353,090,260</b> | 526,215,401               | 234,661,961        | -                     | <b>760,877,362</b> | <b>3,592,212,898</b> | 895,164,357          |
| Furniture and fixtures                                 | 17,027,386           | 341,402           | (4,387)                | <b>17,373,175</b>    | 4,347,713                 | 956,514            | (48,477)              | <b>5,352,704</b>   | <b>12,020,471</b>    | 12,679,673           |
| Vehicles including speedboats:                         |                      |                   |                        |                      |                           |                    |                       |                    |                      |                      |
| Owned  | -                    | 152,190           | -                      | <b>152,190</b>       | -                         | 3,636              | -                     | <b>3,636</b>       | <b>148,554</b>       | -                    |
| Office equipment                                       | 5,336,759            | 2,253,713         | 23,580                 | <b>7,566,892</b>     | 1,668,579                 | 644,522            | 58,682                | <b>2,254,419</b>   | <b>5,312,473</b>     | 3,668,180            |
| EDP, WP machines and satcom equip.                     | 11,088,300           | 1,611,870         | 196,443                | <b>12,503,727</b>    | 5,190,316                 | 1,532,291          | 34,185                | <b>6,688,422</b>   | <b>5,815,305</b>     | 5,897,984            |
| Construction equipments                                | 12,702,164           | 17,837,660        | -                      | <b>30,539,824</b>    | 2,167,281                 | 2,969,189          | -                     | <b>5,136,470</b>   | <b>25,403,354</b>    | 10,534,883           |
| Electrical Installations                               | 63,791,181           | -                 | 14,900                 | <b>63,776,281</b>    | 2,366,649                 | 3,402,291          | 2,950                 | <b>5,765,990</b>   | <b>58,010,291</b>    | 61,424,532           |
| Communication Equipments                               | 112,567              | -                 | -                      | <b>112,567</b>       | 17,111                    | 7,126              | -                     | <b>24,237</b>      | <b>88,330</b>        | 95,456               |
| Hospital Equipments                                    | 34,946               | -                 | -                      | <b>34,946</b>        | 26,703                    | 423                | -                     | <b>27,126</b>      | <b>7,820</b>         | 8,243                |
| <b>Total</b>   | <b>2,950,210,106</b> | <b>91,232,531</b> | <b>(2,988,938,733)</b> | <b>6,030,381,370</b> | <b>639,786,359</b>        | <b>260,683,603</b> | <b>47,340</b>         | <b>900,422,622</b> | <b>5,129,958,748</b> | <b>2,310,423,747</b> |
|  | 2,528,860,926        | 479,164,957       | 57,815,777             | 2,950,210,106        | 393,552,938               | 232,953,658        | (13,279,763)          | 639,786,359        | 2,310,423,747        | 2,135,307,988        |



**Deduction / Adjustment from gross block and depreciation/amortisation for the year includes:**

|  | Gross Block            |                   | Depreciation/Amortisation |                     |
|--|------------------------|-------------------|---------------------------|---------------------|
|  | 31.03.2014             | 31.03.2013        | 31.03.2014                | 31.03.2013          |
| Cost adjustment including exchange difference                                    | (2,989,169,269)        | 58,729,577        | -                         | (13,612,685)        |
| Assets capitalised with retrospective effect/write back of excess capitalisation | 192,056                | (603,426)         | -                         | -                   |
| Others   | 38,480                 | (310,374)         | 47,340                    | 332,922             |
|  | <b>(2,988,938,733)</b> | <b>57,815,777</b> | <b>47,340</b>             | <b>(13,279,763)</b> |

- a) The conveyancing of the title of 341.22 acre of freehold land in possession of the company of value ₹ 87,81,60,471 ( Previous year 341.22 acre of value ₹ 87,81,60,471), in favor of the Company are awaiting completion of legal formalities.
- b) The borrowing costs capitalised during the year ended 31<sup>st</sup> March 2014 is ₹ 163,67,05,592 (previous year ₹ 83,10,72,290). The Company capitalised the borrowings costs in the capital work-in-progress (CWIP). Borrowing costs included in the cost of major heads of fixed assets and CWIP through 'Addition' or 'Deductions/ Adjustment' column are given below:

|                     | (Amount in ₹)<br>For the year ended<br>31 <sup>st</sup> March 2014 | (Amount in ₹)<br>For the year ended<br>31 <sup>st</sup> March 2013 |
|---------------------|--|--|
|                     | <b>Borrowing costs included<br/>in fixed assets/CWIP</b>           | <b>Borrowing costs included<br/>in fixed assets/CWIP</b>           |
| Building            |  |  |
| Main plant          | 283,962,579  | 190,757,305  |
| Others              | 784,360  | 695,887  |
| MGR track           | 10,771,308   | 5,151,282  |
| Railway siding      | -  | -  |
| Plant and equipment | 1,274,341,502  | 634,168,034  |
| Others              | 66,845,843   | 299,782  |
| <b>Total</b>        | <b>1,636,705,592</b>   | <b>831,072,290</b>   |

**INTANGIBLE ASSETS**

|               | Gross Block         |           | Depreciation/Amortisation |                    |                 |                          | Net Block          |                     |                     |
|---------------|---------------------|-----------|---------------------------|--------------------|-----------------|--------------------------|--------------------|---------------------|---------------------|
|               | As at<br>01.04.2013 | Additions | As at<br>31.03.2014       | Upto<br>01.04.2013 | For<br>the year | Deduction/<br>Adjustment | Upto<br>31.03.2014 | As at<br>31.03.2014 | As at<br>31.03.2013 |
|               | Software            | 2,373,253 | -                         | 2,373,253          | 1,936,861       | 371,415                  | -                  | 2,308,276           | 64,977              |
| <b>Total</b>  | <b>2,373,253</b>    | <b>-</b>  | <b>2,373,253</b>          | <b>1,936,861</b>   | <b>371,415</b>  | <b>-</b>                 | <b>2,308,276</b>   | <b>64,977</b>       | <b>436,392</b>      |
| Previous year | 2,274,542           | 98,711    | 2,373,253                 | 1,461,313          | 475,548         | -                        | 1,936,861          | 436,392             | 813,229             |

**Depreciation/amortisation of Tangible and Intangible Assets for the year is allocated as given below:**

|   | 31.03.2014         | 31.03.2013         |
|---|--------------------|--------------------|
| Charged to Statement of Profit & Loss                               | 244,366,973        | 228,189,425        |
| Allocated to fuel cost  | 8,370,033          | -                  |
| Transferred to expenditure during construction period (net)-Note-26 | 8,318,013          | 5,239,781          |
|   | <b>261,055,019</b> | <b>233,429,206</b> |

**NOTE NO. 13 TO THE FINANCIAL STATEMENTS**
**NON CURRENT ASSETS**

|                                     | As at<br>01.04.2013   | Addition             | Deduction/<br>Adjustment | Capitalised          | As at<br>31.03.2014   |
|-------------------------------------|-----------------------|----------------------|--------------------------|----------------------|-----------------------|
| <b>CAPITAL WORK-IN-PROGRESS</b>     |                       |                      |                          |                      |                       |
| Development of land                 | 444,617,559           | 192,983,894          | -                        | -                    | 637,601,453           |
| Roads, bridges, culverts & helipads | 1,458,427             | 1,951,186            | -                        | -                    | 3,409,613             |
| Buildings :                         |                       |                      |                          |                      |                       |
| Main plant                          | 2,584,379,003         | 1,019,120,321        | -                        | -                    | 3,603,499,324         |
| Others                              | 58,857,387            | 22,749,276           | -                        | -                    | 81,606,663            |
| Temporary erection                  | -                     | 628,711              | -                        | -                    | 628,711               |
| MGR track and signalling system     | 267,310,363           | 29,887,495           | 106,380,774              | 70,564,748           | 120,252,336           |
| Earth Dam Reservoir                 | -                     | 2,011,252            | -                        | -                    | 2,011,252             |
| Plant and machinery                 | 13,832,459,903        | 6,209,487,511        | (404,530,128)            | 2,918,604,521        | 17,527,873,021        |
| Furniture and fixtures              | 62,566                | 1,268                | -                        | -                    | 63,834                |
| EDP/WP Machines & Satcom Equipments | 7,036,148             | 703,798              | -                        | -                    | 7,739,946             |
| Construction equipments             | 539,245               | 858,539              | -                        | -                    | 1,397,784             |
| Electrical Installation             | -                     | 76,981,133           | -                        | -                    | 76,981,133            |
|                                     | <b>17,196,720,601</b> | <b>7,557,364,384</b> | <b>(298,149,354)</b>     | <b>2,989,169,269</b> | <b>22,063,065,070</b> |

**NOTE NO. 13 TO THE FINANCIAL STATEMENTS**
**NON CURRENT ASSETS**

(Amount in ₹)

|  | As at<br>01.04.2013   | Addition             | Deduction/<br>Adjustment | Capitalised          | As at<br>31.03.2014   |
|--|-----------------------|----------------------|--------------------------|----------------------|-----------------------|
| <b>Expenditure pending allocation</b>                      |                       |                      |                          |                      |                       |
| Survey, investigation, consultancy and supervision charges | 648,229,060           | 39,216,432           | 63,451,983               | -                    | <b>623,993,509</b>    |
| Pre-commissioning expenses (net)                           | 13,408,089            | 221,289,282          | 234,697,371              | -                    |                       |
| Expenditure during construction period (net)-Note 26       | -                     | 2,068,229,318*       | -                        | -                    | <b>2,068,229,318</b>  |
| Less: Allocated to related works                           | -                     | 2,068,229,318        | -                        | -                    | <b>2,068,229,318</b>  |
|  | 661,637,149           | 260,505,714          | 298,149,354              | -                    | <b>623,993,509</b>    |
| <b>Construction stores (net of provision)</b>              | 1,726,950,643         | (694,665,737)        | -                        | -                    | <b>1,025,542,838</b>  |
| <b>Total</b>   | <b>19,585,308,393</b> | <b>7,123,204,361</b> | -                        | <b>2,989,169,269</b> | <b>23,712,601,417</b> |
| Previous year  | 10,074,303,791        | 9,644,217,141        | 66,696,932               | 66,515,607           | <b>19,585,308,393</b> |

\*Brought from expenditure during construction period (net) - Note 26

Construction stores are net of provision for shortages pending investigation amounting to ₹ 93,08,022 (previous year ₹25,65,954)

**NOTE NO. 14 TO THE FINANCIAL STATEMENTS**

(Amount in ₹)

| As at   | 31.03.2014           | 31.03.2013           |
|---|----------------------|----------------------|
| <b>LONG TERM LOANS AND ADVANCES</b><br>(Considered good, unless otherwise stated) |                      |                      |
| <b>CAPITAL ADVANCES</b>   |                      |                      |
| Unsecured   |                      |                      |
| Covered by Bank Guarantee   | 724,811,754          | 1,096,673,293        |
| Others  | 423,542,684          | 637,254,132          |
| Deposit with Customs port trust & others<br>(Unsecured)                           | 8,463,400            | 8,463,400            |
| Advance tax deposited & tax deducted at<br>source                                 | 9,971,582            | 3,626,226            |
| <b>Total</b>  | <b>1,166,789,420</b> | <b>1,746,017,051</b> |

**NOTE NO. 15 TO THE FINANCIAL STATEMENTS**

(Amount in ₹)

| As at                                   | 31.03.2014         | 31.03.2013         |
|---|--------------------|--------------------|
| <b>INVENTORIES</b>                      |                    |                    |
| Coal                                    | 33,570,991         | 78,172,617         |
| Fuel oil                                | 54,022,669         | 71,719,485         |
| Components and spares                   | 68,067,686         | 36,563,594         |
| Chemicals & consumables                 | 8,247,528          | 1,059,884          |
| Loose tools                             | 589,641            | 589,641            |
| Steel Scrap                             | 31,725,408         | 39,123,360         |
| Others                                  | 11,595,000         | 9,247,067          |
|   | 207,818,923        | 236,475,648        |
| Less: Provision for shortages           | 705,776            | 6,435,022          |
| <b>Total</b>                            | <b>207,113,147</b> | <b>230,040,626</b> |
| Inventories include material-in-transit |                    |                    |
| Stores & spares                         | 4,316,446          | -                  |
| Others                                  | 518,915            | -                  |
|   | 4,835,361          | -                  |

a) Inventory items, other than steel scrap, have been valued considering the significant accounting policy no. H disclosed in Note no. -1 to these financial statement. Steel scrap has been valued at estimated realisable value.

b) Inventories-Others includes steel, cement etc.

**NOTE NO. 16 TO THE FINANCIAL STATEMENTS**

(Amount in ₹)

| As at   | 31.03.2014         | 31.03.2013         |
|---|--------------------|--------------------|
| <b>TRADE RECEIVABLES</b>  |                    |                    |
| Outstanding for a period exceeding six months<br>from the date they are due for payment |                    |                    |
| Unsecured, considered good  | -                  | -                  |
| Others, unsecured, considered good  | 519,104,121        | 433,220,337        |
| <b>Total</b>  | <b>519,104,121</b> | <b>433,220,337</b> |

**NOTE NO. 17 TO THE FINANCIAL STATEMENTS**

(Amount in ₹)

| As at  | 31.03.2014         | 31.03.2013         |
|--|--------------------|--------------------|
| <b>CASH &amp; BANK BALANCES</b>                              |                    |                    |
| <b>Cash &amp; cash equivalents</b>                           |                    |                    |
| Balances with Banks  |                    |                    |
| Current Accounts   | 24,836,847         | 29,203,591         |
| Deposits with original maturity<br>of less than three months | 217,803,352        |                    |
| Less: Cheque issued but not<br>presented                     | 2,512,857          | 79,338,810         |
| <b>Total</b>   | <b>240,127,342</b> | <b>108,542,401</b> |

**NOTE NO. 18 TO THE FINANCIAL STATEMENTS**

(Amount in ₹)

| As at   | 31.03.2014         | 31.03.2013        |
|---|--------------------|-------------------|
| <b>SHORT TERM LOANS &amp; ADVANCES</b>                        |                    |                   |
| <b>ADVANCES</b>   |                    |                   |
| Contractors & Suppliers, including material issued<br>on loan |                    |                   |
| Unsecured   | 115,124,396        | 15,305,470        |
| Others  |                    |                   |
| Prepaid Insurance   | 11,446,647         | 4,042,563         |
| <b>Total</b>  | <b>126,571,043</b> | <b>19,348,033</b> |

**NOTE NO. 19 TO THE FINANCIAL STATEMENTS**

(Amount in ₹)

| As at                       | 31.03.2014        | 31.03.2013       |
|-----------------------------|-------------------|------------------|
| <b>OTHER CURRENT ASSETS</b> |                   |                  |
| Interest accrued on         |                   |                  |
| Term deposits               | 44,935            | 88,629           |
| Advance to contractor       | 14,816,284        | -                |
| Claims recoverable          |                   |                  |
| Unsecured, considered good  | 500,747           | 2,424,154        |
| Asset Held for Disposal     | 47,846            | 47,845           |
| <b>Total</b>                | <b>15,409,812</b> | <b>2,560,628</b> |

**NOTE NO. 20 TO THE FINANCIAL STATEMENTS**

(Amount in ₹)

| For the year ended                          | 31.03.2014           | 31.03.2013        |
|---|----------------------|-------------------|
| <b>REVENUE FROM OPERATIONS</b>              |                      |                   |
| <b>Sales</b>                                |                      |                   |
| Energy Sales                                | 1,442,078,902        | -                 |
|   | 1,442,078,902        | -                 |
| <b>Energy internally consumed</b>           | 9,228,430            | -                 |
| Other operating revenues                    |                      |                   |
| Grants recognised as Income during the year | 154,882,864          | 91,553,365        |
| Provision written back                      |                      |                   |
| Shortage in stores                          | 6,128,132            | 1,433,717         |
| Shortage in Construction stores             | 2,565,954            | 5,357,116         |
| Obsolescence in stores                      | -                    | 448,330           |
|   | 172,805,380          | 98,792,528        |
| <b>Total</b>                                | <b>1,614,884,282</b> | <b>98,792,528</b> |

- a) Commercial Operation of Unit-I has commenced w.e.f. 01.11.2013. The Central Electricity Regulatory Commission (CERC) issued provisional tariff order w.e.f. 01.11.2013 for Unit-I of KBUNL. Beneficiaries are billed in accordance with the said provisional order.
- b) Revenue from operations include ₹ 92,28,430 (previous year nil) towards energy internally consumed, valued at variable cost of generation and the corresponding amount is included in power charges (Note-24).

**NOTE NO. 21 TO THE FINANCIAL STATEMENTS**

(Amount in ₹)

| For the year ended  | 31.03.2014        | 31.03.2013        |
|---|-------------------|-------------------|
| <b>OTHER INCOME</b>   |                   |                   |
| <b>Interest from</b>  |                   |                   |
| Indian Banks  | 4,734,555         | 20,547            |
| Interest from Contractor  | 46,517,854        | 15,400,667        |
| Interest from Income Tax refund   | -                 | 44,148            |
| <b>Other non-operating income</b>   |                   |                   |
| Other Receipts from Contractors/ Suppliers                                  | 654,473           | 3,263,954         |
| Sale of Scrap   | 1,232,084         | 12,554,227        |
| Miscellaneous income  | 3,854,760         | 4,586,341         |
|   | <b>56,993,726</b> | <b>35,869,884</b> |
| Less: Transferred to expenditure during construction period (net) - Note 26 | 50,369,512        | 35,376,733        |
| <b>Total</b>  | <b>6,624,214</b>  | <b>493,151</b>    |

Miscellaneous income includes EMD forfeited, LD recovered and township recoveries.

**NOTE NO. 22 TO THE FINANCIAL STATEMENTS**

(Amount in ₹)

| For the year ended  | 31.03.2014         | 31.03.2013         |
|---|--------------------|--------------------|
| <b>EMPLOYEE BENEFITS EXPENSE</b>  |                    |                    |
| Salaries and wages  | 256,542,618        | 213,831,498        |
| Contribution to provident and other funds   | 35,871,452         | 102,073,850        |
| Staff welfare expenses  | 12,932,676         | 9,045,916          |
|   | <b>305,346,746</b> | <b>324,951,264</b> |
| Less: Transferred to fuel cost  | 6,310,688          | -                  |
| Less: Transferred to expenditure during construction period (net) - Note 26 (net) | 200,998,558        | 285,461,950        |
| <b>Total</b>  | <b>98,037,500</b>  | <b>39,489,314</b>  |

Employee benefits expense include ₹ 3,35,25,006 for the year (previous year ₹ 3,52,49,043) towards leave, superannuation and other benefits in respect of employees posted on secondment basis from NTPC Ltd. ₹ 96,75,824 for the year (previous year ₹ 39,18,895) in respect of KBUNL and employees posted on deputation from BSPGCL towards pension and leave contribution.

**NOTE NO. 23 TO THE FINANCIAL STATEMENTS**

(Amount in ₹)

| For the year ended   | 31.03.2014           | 31.03.2013         |
|--|----------------------|--------------------|
| <b>FINANCE COSTS</b>   |                      |                    |
| <b>Interest on :</b>   |                      |                    |
| Rupee term loans   | 1,622,655,089        | 808,633,388        |
| Cash Credit Loan   | 34,374,311           | 10,174,602         |
| Others(Loan From Holding Company)  | 16,856,507           | 21,098,357         |
| <b>Sub-Total</b>   | <b>1,673,885,907</b> | <b>839,906,347</b> |
| <b>Other Borrowing Costs :</b>   |                      |                    |
| Guarantee fee  | 3,425,429            | -                  |
| Up-front fee   | 56,180               | 1,340,545          |
| <b>Sub-Total</b>   | <b>3,481,609</b>     | <b>1,340,545</b>   |
|  | <b>1,677,367,516</b> | <b>841,246,892</b> |
| Less: Transferred to Expenditure during construction period (net)- Note 26 | 1,636,705,592        | 831,072,290        |
| <b>Total</b>   | <b>40,661,924</b>    | <b>10,174,602</b>  |

**NOTE NO. 24 TO THE FINANCIAL STATEMENTS**

(Amount in ₹)

| For the period ended   | 31.03.2014         | 31.03.2013         |
|--|--------------------|--------------------|
| <b>GENERATION, ADMINISTRATION &amp; OTHER EXPENSES</b>                     |                    |                    |
| Power charges  | 114,572,299        | 50,203,750         |
| Less: Recovered from contractors & employees                               | 1,168,977          | 356,719            |
|  | <b>113,403,322</b> | <b>49,847,031</b>  |
| Stores consumed  | 4,938,184          | 2,841,863          |
| Rent   | 938,286            | 1,029,136          |
| Repairs & maintenance  |                    |                    |
| Buildings  | 9,191,035          | 5,170,315          |
| Plant & Machinery  | 80,979,067         | 29,107,040         |
| Others   | 2,932,379          | 1,239,737          |
|  | <b>93,102,481</b>  | <b>35,517,091</b>  |
| Insurance  | 9,099,170          | 7,616,620          |
| Rates and taxes  | 421,962            | 3,293,897          |
| Water cess & environment protection cess                                   | 287,777            | 119,918            |
| Training & recruitment expenses  | 420,461            | 846,393            |
| Communication expenses   | 4,421,828          | 6,289,788          |
| Travelling expenses  | 18,807,094         | 17,067,635         |
| Foreign Travel   | 153,499            | 257,043            |
| Tender expenses  | 612,908            | 3,010,980          |
| Less: Receipt from sale of tenders   | 39,825             | 142,875            |
|  | <b>573,083</b>     | <b>2,868,105</b>   |
| Payment to auditors  | 268,740            | 188,963            |
| Security expenses  | 93,232,746         | 80,398,499         |
| Entertainment expenses   | 1,593,128          | 1,208,836          |
| Expenses for guest house   | 8,557,306          | 8,597,234          |
| Less: Recoveries   | 90,720             | 109,755            |
|  | <b>8,466,586</b>   | <b>8,487,479</b>   |
| Brokerage & commission   | 667,512            | 734,993            |
| Community development expenses   | 288,535            | 432,000            |
| Books and periodicals  | 30,981             | 27,426             |
| Professional charges and consultancy fees                                  | 14,906,211         | 12,545,776         |
| Legal expenses   | 375,343            | 128,070            |
| EDP hire and other charges   | 488,243            | 565,410            |
| Printing and stationery  | 730,239            | 1,384,247          |
| Hiring of vehicles   | 7,862,354          | 8,579,030          |
| Bank charges   | 5,816,159          | 1,193,903          |
| Rebate to customer   | 77,576             | -                  |
| Miscellaneous expenses   | 3,296,863          | 1,568,611          |
| Loss on asset write-off  | 25,377             | -                  |
|  | <b>384,693,740</b> | <b>245,037,764</b> |
| Less: Allocated to fuel cost   | 7,686,834          | -                  |
| Less: Transferred to Expenditure during Construction period (net)- Note 26 | 272,576,667        | 237,906,127        |
|  | <b>104,430,239</b> | <b>7,131,637</b>   |
| <b>Provisions for</b>  |                    |                    |
| Shortage in stores   | 398,886            | 6,286,437          |
| Shortage in construction stores  | 9,308,022          | 2,565,954          |
|  | <b>9,706,908</b>   | <b>8,852,391</b>   |
| <b>Total</b>   | <b>114,137,147</b> | <b>15,984,028</b>  |
| a) Spares consumption included in repairs and maintenance                  | 27,934,705         | 9,458,127          |
| b) Details in respect of payment to auditors:                              |                    |                    |
| <b>As auditor</b>  |                    |                    |
| Audit fees   | 80,000             | 80,000             |
| Tax audit fee  | 20,000             | 20,000             |
| <b>In other capacity</b>   |                    |                    |
| Other services   | 66,854             | 10,000             |
| <b>Reimbursement of expenses</b>   | <b>101,886</b>     | <b>78,963</b>      |
|  | <b>268,740</b>     | <b>188,963</b>     |

**NOTE NO. 25 TO THE FINANCIAL STATEMENTS**

|  | (Amount in ₹) |              |
|--|---------------|--------------|
| For the year ended   | 31.03.2014    | 31.03.2013   |
| <b>PRIOR PERIOD ITEMS</b>  |               |              |
| <b>REVENUE</b>   |               |              |
| Grants Recognised  | -             | 66,614,681   |
|  | -             | 66,614,681   |
| <b>EXPENDITURE</b>   |               |              |
| Employee Benefit expenses  | -             | -            |
| Depreciation & amortisation  | -             | 13,541,026   |
| Rent   | -             | 236,276      |
| Communication Expenses   | -             | 1,244,978    |
|  | -             | 15,022,280   |
| <b>Net Expenditure/(Income)</b>  | -             | (51,592,401) |
| Less: Transferred to Expenditure during construction period (net)-Note- 26 | -             | 1,500,783    |
| <b>Total</b>   | -             | (53,093,184) |

**NOTE NO. 26 TO THE FINANCIAL STATEMENTS**

|  | (Amount in ₹)        |                    |
|--|----------------------|--------------------|
| For the period ended                                     | 31.03.2014           | 31.03.2013         |
| <b>EXPENDITURE DURING CONSTRUCTION PERIOD</b>            |                      |                    |
| <b>A. Employee benefits expense</b>                      |                      |                    |
| Salaries and wages                                       | 161,635,656          | 264,119,642        |
| Contribution to provident and other funds                | 27,756,760           | 13,187,174         |
| Staff welfare expenses                                   | 11,606,142           | 8,155,134          |
| <b>Total (A)</b>   | <b>200,998,558</b>   | <b>285,461,950</b> |
| <b>B. Finance Costs</b>                                  |                      |                    |
| Interest on Rupee term loans                             | 1,633,223,983        | 829,731,745        |
| Guarantee fee  | 3,425,429            | -                  |
| Upfront Fee  | 56,180               | 1,340,545          |
| <b>Total (B)</b>   | <b>1,636,705,592</b> | <b>831,072,290</b> |
| <b>C. Depreciation and amortisation</b>                  | <b>8,318,013</b>     | <b>5,239,781</b>   |
| <b>D. Generation , administration and other expenses</b> |                      |                    |
| Power charges  | 110,258,610          | 49,934,184         |
| Less: Recovered from contractors & employees             | 1,080,065            | 257,556            |
|  | 109,178,545          | 49,676,628         |
| Rent   | 16,500               | 1,029,136          |
| Repairs & maintenance                                    |                      |                    |
| Buildings  | 9,191,036            | 4,302,985          |
| Others   | 37,834,024           | 27,555,860         |
|  | 47,025,059           | 31,858,845         |
| Insurance  | 5,200,606            | 7,616,620          |
| Rates and taxes  | 1,530                | 3,208,175          |
| Water cess & environment protection cess                 | 287,777              | -                  |
| Communication expenses                                   | 4,079,968            | 6,215,654          |
| Travelling expenses                                      | 14,797,631           | 16,710,540         |
| Tender expenses  | 595,153              | 3,010,980          |
| Less: Income from sale of tenders                        | 30,825               | 142,875            |
|  | 564,328              | 2,868,105          |
| Security expenses  | 57,633,308           | 80,398,499         |
| Entertainment expenses                                   | 1,201,628            | 1,053,258          |
| Guest house expenses                                     | 3,569,919            | 8,487,479          |
| Payment to auditors                                      | 141,773              | 188,963            |
| Brokerage & Commission                                   | 667,512              | 734,993            |
| Books & periodical                                       | 30,169               | 27,426             |
| Professional charges and consultancy fee                 | 14,088,995           | 12,238,828         |
| Legal expenses   | 138,810              | 128,070            |
| EDP Hire and other charges                               | 447,211              | 565,410            |

**NOTE NO. 26 TO THE FINANCIAL STATEMENTS**

|  | (Amount in ₹)        |                      |
|--|----------------------|----------------------|
| For the period ended                       | 31.03.2014           | 31.03.2013           |
| Printing and stationery                    | 614,495              | 1,384,246            |
| Miscellaneous expenses                     | 12,890,903           | 13,515,252           |
| <b>Total (D)</b>                           | <b>272,576,667</b>   | <b>237,906,127</b>   |
| <b>Total (A+B+C+D)</b>                     | <b>2,118,598,830</b> | <b>1,359,680,148</b> |
| <b>E. Less: Other Income</b>               |                      |                      |
| Interest From Bank                         | 902,017              | -                    |
| Interest from contractors                  | 45,121,212           | 15,400,667           |
| Sale of scrap                              | 1,232,084            | 12,554,227           |
| Other Receipts from Contractors/ Suppliers | 7,285                | 3,263,954            |
| Miscellaneous income                       | 3,106,914            | 4,157,885            |
| <b>TOTAL (E)</b>                           | <b>50,369,512</b>    | <b>35,376,733</b>    |
| <b>F. Prior Period Items (net)</b>         | -                    | 1,500,783            |
| <b>GRAND TOTAL (A+B+C+D-E+F)*</b>          | <b>2,068,229,318</b> | <b>1,325,804,198</b> |

**\* Balance carried to Capital Work-in-progress - (Note 13)**

27. Balances shown under trade receivables, trade/other payables and loans & advances are subject to confirmation/reconciliation. Adjustments, if any will be accounted for on confirmation/reconciliation of the same, which in the opinion of the management will not have a material impact. With regard to this, about 61.34% of the vendor balances outstanding as on 31.12.2013, have been confirmed.

**28. Disclosure as per Accounting Standard – 12 on 'Accounting for Government Grants'**

As per the MOU on 9<sup>th</sup> May 2006, Govt. of India sanctioned a grant of ₹4,71,80,00,000 through Govt. of Bihar for renovation & modernization of the taken over station under RSVY grant. Out of the said amount, ₹2,49,67,00,000 paid to M/s BHEL against R&M contract on behalf of the Company and an amount of ₹1,60,00,00,000 paid to KBUNL till 31.03.2014 have been accounted as 'Grants received' in Note -3. Reversal of ₹20,00,00,000 has been done subsequent to confirmation of grants account by M/s BHEL.

**29. Disclosure as per Accounting Standard – 16 on 'Borrowing Costs'**

Borrowing costs capitalized (taken to CWIP) during the year are ₹163,67,05,592 (previous year ₹83,10,72,290).

**30. Disclosure as per Accounting Standard – 19 on 'Leases'**
**Operating Lease:**

The Company's significant leasing arrangements are in respect of operating leases of premises for residential use of employees, offices. These leasing arrangements are usually renewable on mutually agreed terms but are not non-cancelable. Note 22-Employee benefit expenses include ₹40,87,476 (Previous Year ₹34,33,194) towards lease payments, net of recoveries, in respect of premises for residential use of employees. Lease payments in respect of premises for office included under 'Rent' in Note-24- 'Generation, Administration and Other Expenses'.

**31. Disclosure as per Accounting Standard – 20 on 'Earning Per Share'**

The elements considered for calculation of earnings per share (Basic and Diluted) are as under:

| Particulars  | Current year | Previous year  |
|--|--------------|----------------|
| Net Profit / (Loss) after tax used as numerator (₹)                                      | (66,11,296)  | (12,90,47,590) |
| Weighted average number of equity shares used as denominator- Earning Per Share          | 59,78,05,480 | 52,30,57,502   |
| Earning per share (₹)  | (0.01)       | (0.25)         |
| Weighted average number of equity shares used as denominator – Diluted Earning Per Share | 70,30,43,000 | 58,65,79,954   |
| Diluted Earning per share(₹)   | (0.01)       | (0.22)         |
| Face value per share (₹)   | 10           | 10             |

**32. Foreign Currency Exposure not hedged by a derivative instrument or otherwise:**

| Particulars   | Currencies | Amount in Foreign Currency |            | Amount ₹   |            |
|---|------------|----------------------------|------------|------------|------------|
|   |            | 31.03.2014                 | 31.03.2013 | 31.03.2014 | 31.03.2013 |
| Unexecuted amount of contracts remaining to be executed | USD        | 1,78,379                   | 1,78,379   | 108,11,604 | 97,94,839  |
|   | JPY        | 190,92,401                 | 190,92,401 | 112,93,155 | 111,84,328 |

33. **Disclosure as required by Micro, Small and Medium Enterprises Development Act, 2006.**

| Particulars  | Amount ₹    |
|--|-------------|
| a) Amount remaining unpaid to any supplier:  |             |
| Principal amount   | 5,12,45,245 |
| Interest due thereon   | -           |
| b) Amount of interest paid in terms of section 16 of the MSMED Act along with the amount paid to the suppliers beyond the appointed day.   | -           |
| c) Amount of interest due and payable for the period of delay in making payment ( which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act   | -           |
| d) Amount of interest accrued and remaining unpaid   | -           |
| e) Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises, for the purpose of disallowances as a deductible expenditure under section 23 of MSMED Act | -           |

34. An amount of ₹ 3,30,87,429 relating to benefits in respect of BSPGCL (Erstwhile BSEB) deputationist has been transferred to liability account.

35. **Contingent Liabilities:**

**Disputed Entry Tax Demand**

| Year    | Amount (₹) | Particulars   |
|---------|------------|---|
| 2008-09 | 96,83,843  | Interest and penalty on differential Entry Tax (16%-8%) on purchase of LDO. |
| 2009-10 | 41,29,325  |   |

36. **Capital and other commitments:**

Estimated amount of contracts remaining to be executed on capital account and not provided for as at 31<sup>st</sup> March 2014 is ₹ **1023,69,51,186** (previous year ₹1421,41,20,367).

37. **Other disclosure as per Schedule VI of the Companies Act, 1956**

| Particulars  | Current year amount ₹ | Previous year amount ₹ |
|--|-----------------------|------------------------|
| a) Expenditure in foreign currency :                   |                       |                        |
| Others-Foreign Travel                                  | 1,53,498              | 2,57,043               |
| b) Value of component, stores and spare parts consumed | 2,79,34,705           | 94,58,127              |

38. Figures have been rounded off to nearest rupee.

39. Previous year figures have been regrouped/ rearranged wherever necessary.

For & On Behalf of the Board of Directors

(Ruchi Aggarwal) (S. Poundrik) (Dr. Arup Roy Choudhury)  
Company Secretary Director Chairman

**For M/s B.B. Mathur & Co**

Chartered Accountants  
Firm Regn No.000290N

**(Rajneesh Behari Mathur)**

Partner  
M. No. 088034

Dated: 28<sup>th</sup> April, 2014  
Place : New Delhi

**INDEPENDENT AUDITOR'S REPORT**

To the Members of

**KANTI BIJLEE UTPADAN NIGAM LTD.**

**Report on Financial Statements**

1. We have audited the attached Balance Sheet of **KANTI BIJLEE UTPADAN NIGAM LTD** ("the Company") which comprises of the Balance Sheet as at 31<sup>st</sup> March 2014, the Statement of Profit and Loss and the Cash Flow statement for the year ended, and a summary of the significant accounting policies and other explanatory information.

**Management's responsibility for Financial Statements**

2. The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position,

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

**Auditors' Responsibility**

- Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
- An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.
- We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

- In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - in the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2014;
  - in the case of the Statement of Profit and Loss, of the loss of the Company for the year ended on that date; and
  - in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

**Report on Other Legal and Regulatory Requirements**

- As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government in terms of Section 227(4A) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
- As required by Section 227 (3) of the Act, we report that:
  - 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.
  - In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
  - The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
  - In our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards notified under the Act (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13<sup>th</sup> September, 2013 of the Ministry of Corporate Affairs).
  - Being a Government Company, pursuant to the Notification No. GSR 829(E) dated 21<sup>st</sup> October, 2003 issued by Government of India, provisions of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956 are not applicable to the company.

**For M/s B.B. Mathur & Co.**

Chartered Accountants  
Firm Regn No.000290N

**(Rajneesh Behari Mathur)**

Partner  
M. No. 088034

Dated : April 28, 2014  
Place : New Delhi

**ANNEXURE TO AUDITORS' REPORT**

{Referred to in paragraph (6) under "Report on other Legal and Regulatory Requirements section of our report of even date }

- (i) (a) The company has generally maintained proper records showing full particulars including quantitative details and situation of fixed assets. In respect of assets taken over from erstwhile Muzaffarpur Thermal Power Station from Bihar State Electricity Board the records have been maintained from the date of such acquisition after due physical verification of such assets.
- (b) There is a regular program of verification, which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets and according to the information and explanations given to us no material discrepancies were noticed on such verification.
- (c) During the year under reference there has been no substantial disposal of fixed assets of the company.
- (ii) (a) The Inventory of the company has been physically verified by the management at regular intervals. In our opinion, the frequency of verification is reasonable.
- (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) The company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) (a) The company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Act. Accordingly clauses 4(iii)(b), 4(iii)(c) and 4(iii)(d) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (b) The company has taken an unsecured loan from NTPC, its holding company. The maximum amount outstanding during the year was ₹ 12,57,14,286/- and the closing balance as on 31<sup>st</sup> March, 2014 was ₹ 8,00,00,000/-.
- (c) In our opinion, the rate of interest and other terms and conditions on which loans have been taken from the companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the company.
- (d) The company is regular in repaying the principal amounts as stipulated and has been regular in the payment of interest.
- (iv) 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 purchases of inventory, fixed assets and sale of electricity. During the course of our audit, we have not observed any continuing failure to correct any major weaknesses in internal control system.
- (v) According to the information and explanations given to us, we are of the opinion that there are no transactions that needed to be entered into the register maintained under section 301 of the Companies Act, 1956. Accordingly clause 4(v)(b) of the Companies (Auditor's Report) Order, 2003 is not applicable to the company.
- (vi) In our opinion and according to the information and explanations given to us, the company has not accepted any deposits, from the public, covered by the directives issued by the Reserve Bank of India, the provisions of section 58-A, 58AA or any other relevant provisions of the Companies Act, 1956 and rules framed thereunder. No order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.
- (vii) The Company does not have its own internal audit department and the Internal Audit of the company has been entrusted to a firm of Chartered Accountants. In our opinion, the internal audit system so adopted was commensurate with the size and nature of the business of the company.
- (viii) We have broadly reviewed the accounts and records maintained by the company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies

Act, 1956 and we are of the opinion that prima facie the presented accounts and records have been maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate and complete.

- (ix) (a) According to the information and explanations given to us, the company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, and employees state insurance, income tax, sales tax, Wealth Tax, Service tax, custom duty, excise duty, cess and other material statutory dues applicable to it and there are no such undisputed dues outstanding as at 31<sup>st</sup> March, 2014, for a period of more than six months from the date they became payable.
- (b) According to the information and explanation given to us, there are no dues of Income tax, Sale tax, Wealth tax, Service tax, Custom duty, Excise duty and cess which have not been deposited on account of any dispute except Interest and Penalty on Entry tax amounting to ₹ 1,38,13,168/- which is disputed in a Writ Petition before the Patna High Court. Contingent liability for the same has been duly reflected in Note No. 35 to the Balance Sheet under "Contingent Liabilities".
- (x) The company does not have accumulated losses of more than 50% of its equity capital and has not suffered cash losses during the current year and the immediately preceding financial year. Hence this clause is not applicable.
- (xi) In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to any financial institution or banks.
- (xii) The company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion and according to the information and explanation given to us, the company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xiv) According to the information and explanations given to us, the company is not dealing in or trading in shares, securities, debentures and other investment. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xv) According to the information and explanations given to us, the company has not given guarantees for loans taken by others from banks or financial institutions.
- (xvi) In our opinion and according to the information and explanations given to us, the term loans have been applied for the purpose for which they were raised.
- (xvii) In our opinion and according to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that the no funds raised on short-term basis have been used for long-term investment.
- (xviii) According to 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 Act, during the year under reference.
- (xix) According to the information and explanations given to us the company has not issued any debentures.
- (xx) According to the information and explanation given to us the company has not raised any money by way of public issues.
- (xxi) According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

**For M/s B.B. Mathur & Co.**

Chartered Accountants  
Firm Regn No.000290N

**(Rajneesh Behari Mathur)**

Partner  
M. No. 088034

Dated : April 28, 2014  
Place : New Delhi

**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619 (4) OF THE COMPANIES ACT, 1956, ON THE ACCOUNTS OF KANTI BIJLEE UTPADAN NIGAM LTD., NEW DELHI FOR THE YEAR ENDED 31 MARCH 2014.**

The preparation of financial statements of KANTI BIJLEE UTPADAN NIGAM LTD., for the year ended 31<sup>st</sup> March 2014 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 Standards on auditing prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 28 April 2014 and revised Audit Report dated 18 June 2014.

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 financial statement of Kanti Bijlee Utpadan Nigam Limited for the year ended 31 March 2014. 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 behalf of the  
Comptroller & Auditor General of India

(Tanuja S. Mittal)  
Principal Director of Commercial Audit and  
Ex-officio Member Audit Board-III, New Delhi

Place : New Delhi  
Dated: 02 July 2014

**BHARTIYA RAIL BIJLEE COMPANY LIMITED**
**DIRECTORS' REPORT**

Dear Members,

Your Directors have pleasure in presenting the Seventh Annual Report on the working of the Company together with Audited Accounts and Auditors' Report thereon for year ended on 31<sup>st</sup> March 2014.

**PERFORMANCE OF THE COMPANY**

Your Company is setting up 4X250 MW Thermal Power Project at Nabinagar, Bihar to meet the traction and non-traction electric power requirement of Railways. For setting up this project, out of total requirement of 1,596.92 acres of land, 1,412.38 acres of land has been acquired and efforts are being made to acquire balance land. Your Company has adopted Rehabilitation and Resettlement Scheme 2010, as applicable in NTPC, for giving compensation to Project Affected Persons (PAPs).

Construction works was going in full swing at site until 17.06.2014 but the same was stopped due to demand from land oustees for land compensation to be settled by Government of Bihar. The work was thereafter resumed from 30.06.2014.

Major highlights are as under:

1. In Main Plant area – all four Units Boiler drums lifted in its position.
2. All drainable pressure joints completed
3. Hydro test of Unit #1 boiler completed.
4. Hydro test of Unit #2 boiler is planned in October '2014.
5. ESP#1 – Collecting electrode erection & Inlet Funnel Duct erection for all four Pass completed.
6. Other erection works like equipments in Mills of Unit #1, duct erection between Mill to Bottom of Furnace (Boiler#1) are in progress.
7. For Main Plant Civil works – Unit # 1 Main Power house structural erection near completion, TG #1 Deck casting completed, Chimney #1 reached at EL +11.0/20 mtr and activities for casting of TG deck of Unit # 2 are under progress, foundation works of one nos. ID, FD, PA, BFP etc. are completed & erection work of Fan is in progress.
8. Raft casting of Chimney #2 completed.
9. Foundations of LDO & HFO tanks in fuel handling area, Deaerator floor at 27 mtr. have been handed over for its erection.
10. Foundations of Bottom Ash Hopper is in advance stage of completion. In Coal Handling Plant - Fabrication – 2515 MT & erection - 950 MT completed.
11. Civil work of Crusher House & tunnel work of Conveyor 2A/2B in progress.
12. Civil & erection works of other plant works like Pre-treatment Plant, DM Plant, Erection of both the LDO tanks completed, staircase work in progress, CW channel, erection of HFO tanks Fuel handling system, laying of 1100 meter length of make-up water line inside plant, construction of ash slurry pump house & pedestals for laying of ash handling pipes, village diversion roads, plant roads & drain, ash dykes, etc. are also going in full swing.
13. The Rail corridor work inside the plant has already been awarded and works have been taken for laying rail lines.
14. Award of contract for rail corridor work outside the plant is under progress.
15. Forest Clearance for land falling under Railway Corridor has been obtained on 04.04.13 from MoEF.
16. Other contract packages related to coal transportation are also under various stages of award.

Your Company has taken number of steps towards rehabilitation and resettlement which are detailed in the Management and Discussion Analysis Report, Annex-1 to the Directors Report.

**FINANCIAL REVIEW**

The financial highlights of the Company for the year ended on 31 March 2014 are as under:-

| Balance Sheet Items as at   | 31.03.2014        | 31.03.2013        |
|---|-------------------|-------------------|
| Paid-up Share Capital   | 10,46,15,23,090   | 6,88,46,00,000    |
| Reserves and Surplus  | (75,92,961)       | (69,05,337)       |
| Share Capital Deposit Pending Allotment                           | 60,66,15,910      | 83,00,39,000      |
| Non-current liabilities   | 28,30,91,71,519   | 17,15,35,68,401   |
| Current liabilities   | 3,63,74,56,801    | 2,82,69,92,707    |
| Non-current assets  | 42,93,16,61,668   | 27,53,88,52,877   |
| Current assets  | 7,55,12,691       | 14,94,41,894      |
| <b>Items from Statement of Profit and Loss for the year ended</b> | <b>31.03.2014</b> | <b>31.03.2013</b> |
| Total Revenue   | -                 | -                 |
| Total Expenses  | 6,87,624          | 16,43,171         |
| Profit/(Loss) for the year  | (6,87,624)        | (16,43,171)       |

The financial statements of the Company have been discussed in the Management Discussion & Analysis section which is at Annex-1 to this Report.

**AUDIT COMMITTEE**

As on 31.03.2014, the Audit Committee of the Board of Directors comprised S/Shri S.C. Pandey, S.K. Saxena and Sudhir Arya as members of the Committee. However, due to change in Directors, the Board reconstituted the Audit Committee on 10.07.2014 and presently, the Audit Committee comprises Shri S.C. Pandey, Shri S.K. Saxena and Ms. S. Bhatia, Directors as members of the Committee.

Two meetings of the Audit Committee were held during the year on 06.05.2013 and 29.07.2013.

**FIXED DEPOSITS**

The Company has not accepted any fixed deposit during the period ending 31<sup>st</sup> March 2014.

**PARTICULARS OF EMPLOYEES**

As per provisions of section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, every company is required to provide particular of employees whose remuneration is more than ₹ 60 lac per financial year, if employed for whole of the year or more than ₹ 5 lac per month, if employed for part of the year in the Directors' Report.

However, as per notification dated 31.03.2011 issued by Ministry of Corporate Affairs, amending aforesaid provisions of the Companies (Particulars of Employees) Rules, 1975 has exempted Government companies for not including such particular in the Directors' Report. As your Company is a Government Company, such particulars have not been included as part of Director's Report.

Further, any member desirous of obtaining such particulars may write to the Company. Also, such particulars shall be made available to the shareholder(s) on a specific request made by them during Annual General Meeting scheduled for 10.07.2014.

**AUDITORS' REPORT**

The Comptroller & Auditor General of India through letter dated 21.08.2013 has appointed M/s N.C. Aggarwal & Co., Chartered Accountants as Statutory Auditors of the Company for the financial year 2013-14. The Statutory Auditors has submitted their report and there is no adverse comment or remark in their report.

**COMPTROLLER & AUDITOR GENERAL REVIEW**

The Comptroller & Auditor General of India, through letter dated 01.07.2014, has given 'NIL' Comments on the Financial Statements of your Company for the year ended 31<sup>st</sup> March 2014 under section 143(5) of the Companies Act, 2013. As advised by the Office of the Comptroller & Auditor General of India (C&AG), the contents of letter dated 01.07.2014 of C&AG for the year 2013-14 are being placed with the report of Statutory Auditors of your Company elsewhere in this Annual Report.

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

As a measure to conserve energy, the Company installed 5 solar panels, three at project site, 1 each at township and ITI and 1 at police station near project site. During the period under review, there was no earning or outgo in foreign currency.

**DIRECTORS' RESPONSIBILITY STATEMENT**

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

1. in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
2. 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 2013-14 and of the loss of the company for that period;
3. the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities; and
4. the Directors had prepared the Annual Accounts on a going concern basis.

**DIRECTORS**

Shri B.P. Singh ceased to be the Chairman of the Company with effect from 30.09.2013 on attaining the age of superannuation. NTPC nominated Shri S.C. Pandey, Director (Projects), NTPC as Part-time Chairman of the Company in place of Shri B.P. Singh. He was appointed as the Chairman of the company with effect from 16.10.2013.

Shri R.K.S. Gahlowt ceased to be the Director of the Company with effect from 30.06.2013 on attaining the age of superannuation. NTPC nominated Shri Sudhir Arya, Executive Director, NTPC as Director on the Board of the Company in place of Shri R.K.S. Gahlowt. The Board appointed Shri Sudhir Arya as the Director of the Company with effect from 29.07.2013.

Shri Sudhir Arya ceased to be the Director of the Company w.e.f. 12.05.2014 consequent upon withdrawal of his nomination by NTPC. In compliance of the Proviso to Section 149 (1) read with Rule 3 of the Companies (Appointment and Qualification of Directors) Rules, 2014, NTPC had nominated Ms. S. Bhatia, General Manager, NTPC as the Director of the Company. The Board appointed her as the Director of the Company w.e.f. 10.07.2014.

The Board places on record its deep appreciation for the services rendered by Shri B.P. Singh during his tenure as the Chairman of the Company. The Board places on

record its deep appreciation for the services rendered by Shri R.K.S. Gahlowt and Shri Sudhir Arya during their tenure as Directors of the Company.

As per the provisions of the Companies Act, 2013, Shri S. Roy, Director shall retire by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

#### ACKNOWLEDGEMENT

Your Directors acknowledge with deep sense of appreciation for the co-operation extended by Ministry of Power and Ministry of Railways.

Your Directors also convey their gratitude to the Holding Company i.e. NTPC Ltd., Power Finance Corporation Limited, Rural Electrification Corporation Limited,

auditors, bankers, contractors, vendors and consultants of the Company.

We wish to place on record our appreciation for the untiring efforts and contributions by the employees at all levels to ensure that the Company continues to grow and excel.

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

**Place : New Delhi  
Dated : 10<sup>th</sup> July 2014**

**(S.C. Pandey)  
Chairman**

## Annex-1 to the Directors' Report MANAGEMENT DISCUSSION AND ANALYSIS

### INDUSTRY SECTOR AND DEVELOPMENTS

Sustained growth of the power sector is critical for enabling the high economic growth targets of India. Government's focus on attaining "Power for All" has accelerated capacity addition in the country.

India ranks among the top 5 countries in terms of electricity generation and is the number 3 electricity generator amongst the BRICS countries next only to China. (Source: CEA). India lags China in generation by almost 5 times inspite of the fact that population size of the two countries is similar.

India has lowest per capita electricity consumption amongst the BRICS nations. The all India per capita consumption of electricity in financial year 2012-13 was 917.18 KWh (provisional). The low per capita electricity consumption suggests a large latent demand in the country.

As per a recent World Bank report India has emerged as the third largest economy ahead of Japan, based on purchasing power. To sustain and achieve higher growth the power sector has to grow in tandem. Hence, the long term outlook for power demand remains strong.

### GENERATION

#### Review of Installed Capacity & Capacity Addition during financial year 2013-14

The total installed capacity in the country as on March 31, 2014 was 243,028.95 MW with State Sector having a share of 38%, followed by Private Sector with 34% share and balance 28% contributed by Central Sector entities.

| Sector        | Total Capacity (MW) | % share       |
|---------------|---------------------|---------------|
| State         | 92187.70            | 38.00         |
| Private       | 82715.30            | 34.00         |
| Central       | 68125.95            | 28.00         |
| <b>Total*</b> | <b>243028.95</b>    | <b>100.00</b> |

(\*Source: CEA)

Almost 43% (38447.81 MW) of the XII Plan target of 88,537 MW (excluding RES) has been achieved in two years.

#### Existing Generation

The total power generation in the country during financial year 2013-14 was 967.15 BU as compared to 912.06 BU during last year, registering a growth of 6%.

Sector wise and fuel wise break-up of generation in BU for the financial year 2013-14 and financial year 2012-13 is detailed as under:

| Sector               | FY 2013-14    | FY 2012-13    | Y-o-Y % Change | Fuel                 | FY 2013-14    | FY 2012-13    | % of Fuel Mix w.r.t. the total generation |
|----------------------|---------------|---------------|----------------|----------------------|---------------|---------------|---|
| <b>Central</b>       | 384.91        | 375.97        | <b>2.38</b>    | <b>Thermal</b>       | 792.48        | 760.68        | 82%                                       |
| <b>State</b>         | 350.40        | 347.15        | <b>0.94</b>    | <b>Hydro</b>         | 134.85        | 113.72        | 14%                                       |
| <b>Private</b>       | 226.24        | 184.14        | <b>22.87</b>   | <b>Nuclear</b>       | 34.23         | 32.87         | 3%  |
| <b>Bhutan Import</b> | 5.60          | 4.80          | <b>16.74</b>   | <b>Bhutan Import</b> | 5.60          | 4.79          | 1%  |
| <b>Total</b>         | <b>967.15</b> | <b>912.06</b> | <b>6.04</b>    | <b>Total</b>         | <b>967.15</b> | <b>912.06</b> |   |

(Source: CEA)

The fuel mix in financial year 2013-14 has remained almost same as in the previous financial year.

#### Capacity Utilisation

Capacity utilisation in the Indian power sector is measured by Plant Load Factor (PLF). Though, the overall generation in the country has increased due to higher capacity, the Plant Load Factor of coal and lignite stations (PLF) has dwindled and fallen below the levels it was a decade back. It was 65.55% in the financial year 2013-14 as compared to 70.13% during the financial year 2012-13.

### Demand, Supply and Consumption Position

Demand, supply and consumption trends will be key in defining the future of Indian power sector. Of late power sector has been facing a reduction in demand. The energy and peak deficit, which was more than 11% in financial year 2008-09, has dropped to 4.2% and 4.5% respectively in financial year 2013-14 (provisional).

The fall in power demand could be a short term issue mainly arising from the industrial slowdown, lack of power procurement by utilities and seasonal fluctuations.

The power supply position in the country during 2010-11 to 2013-14:

| Year    | Energy            |                    |                            |       | Peak             |               |                            |        |
|---------|-------------------|--------------------|----------------------------|-------|------------------|---------------|----------------------------|--------|
|         | Require-ment (MU) | Availa-bility (MU) | Surplus/ Deficits (-) (MU) | (%)   | Peak Demand (MW) | Peak Met (MW) | Surplus/ Deficits (-) (MW) | (%)    |
| 2010-11 | 8,61,591          | 7,88,355           | (73,236)                   | (8.5) | 1,22,287         | 1,10,256      | (12,031)                   | (9.8)  |
| 2011-12 | 9,37,199          | 8,57,886           | (79,313)                   | (8.5) | 1,30,006         | 1,16,191      | (13,815)                   | (10.6) |
| 2012-13 | 9,95,500          | 9,08,574           | (86,926)                   | (8.7) | 1,35,453         | 1,23,294      | (12,159)                   | (9.0)  |
| 2013-14 | 10,02,257         | 9,59,829           | (42,428)                   | (4.2) | 1,35,918         | 1,29,815      | (6,103)                    | (4.5)  |

The power supply position in Eastern Region and Bihar during 2013-14 and anticipated power supply position in Eastern Region and Bihar during 2014-15 is as under:

| Particulars               | Year 2013-14 |            |                       | Year 2014-15 (Anticipated) |            |                        |
|---------------------------|--------------|------------|-----------------------|----------------------------|------------|------------------------|
|                           | Req (MU)     | Avail (MU) | Surplus/ (Deficit)    | Req (MU)                   | Avail (MU) | Surplus/ (Deficit)     |
| <b>Energy Requirement</b> |              |            |                       |                            |            |                        |
| Eastern Region            | 1,08,203     | 1,06,783   | (1,420 MUs)<br>(1.3%) | 1,18,663                   | 1,14,677   | (3,986 MUs)<br>(3.4%)  |
| Bihar                     | 15,391       | 14,759     | (632 MUs)<br>(4.1%)   | 15,917                     | 13,477     | (2,440 MUs)<br>(15.3%) |
| <b>Peak Requirement</b>   |              |            |                       |                            |            |                        |
| Eastern Region            | 15,888       | 15,598     | (290 MUs)<br>(1.8%)   | 17,068                     | 17,782     | 174 MUs<br>1.0%        |
| Bihar                     | 2,465        | 2,312      | (153 MUs)<br>(6.2%)   | 2,750                      | 2,038      | (712 MUs)<br>(25.9%)   |

From the above, it is evident that there have been energy and peak shortages in the Eastern Region as well as in Bihar during the year 2013-14. In the year 2014-15, though sufficient energy is available in the Eastern Region, energy and peak shortages still remains in Bihar.

### SWOT ANALYSIS

#### Strength/ Opportunity

The Company is backed by strong promoters i.e. Ministry of Railways and NTPC Limited. NTPC is the consultant for the Company which is having wide experience in engineering and management expertise from planning to commissioning and operating power plants. Indian Railways, being a big transport organization, consumes about 2% of the total power generation of the country which is likely to go up with the current pace of electrification. Presently, the peak power requirement of IR is about 4000 MW which is being fed to the electric traction network of IR through its odd 400 traction sub stations spread across the length and breadth of the country. Out of this requirement, Nabinagar power plant having 1000 MW capacity will cater the captive need of 900 MW of Indian Railways and 100 MW will be given to the Bihar Government. Thus BRBCL has good future prospects of dealing with the organisation like IR having sound financial fundamentals.

The Company is able to acquire major portion of land for establishing the project. Bharat Heavy Electricals Limited is the main plant contractor. The Company has tied up loan with Power Finance Corporation Limited and with Rural Electrification Limited for meeting its debt portion. The Company has coal linkage for 4X250 MW capacity. However, Fuel Supply Agreement has been signed between the Company and Central Coalfields Limited.

#### Weakness/ Threats:

The major threat the company is facing in acquiring parts of land. Also, the Company often faces agitation from land oustees for their land compensation, which halts the entire construction work at the project. Law and order situation and project security of the project has been also a considerable concern for the Company.



**RISKS AND CONCERN**

The risk to which company is exposed and the initiatives taken by the company to mitigate such risks are given below:

The project is delayed as there is delay in the land acquisition due to which contractors are demanding compensation.

**Hazard risks** are related to natural hazards arising out of accidents and natural calamities like fire, earthquake etc.

**Operational risks** are associated with systems, processes & people and cover areas such as succession planning, attrition and retention of people, operational failure or interruption, disruption in supply chain, failure of research & development facilities and faulty application of information technology and non-compliance of regulatory provisions.

As the Company is in construction phase of project, it is not exposed to all such operational risks.

**INTERNAL CONTROL**

The Company has robust internal systems and processes for efficient conduct of business. It is following delegation of powers as is being followed in NTPC Limited. The accounts are being prepared in accordance with the Accounting Standards notified under Section 211(3C) of the Companies Act, 1956. The Company has implemented SAP in all of its modules like HR, Accounting, Engineering, etc. which helps in retrieving data and maintaining systematic backup.

During the year under review, internal audit was done by an external agency for accounts and contracts & materials systems of your Company. The accounts system and C&M systems complied with the established robust rules and policies of the organization.

**FINANCIAL DISCUSSION AND ANALYSIS**

During the financial year 2013-14, the Company had issued 35,76,92,309 equity shares of ₹ 10/- each. The share capital as on 31.03.2014 stood at ₹ 10,46,15,23,090. It was ₹ 6,88,46,00,000 on 31.03.2013. The share application money pending allotment was ₹ 60,66,15,910. The Company had withdrawn cumulative loan of ₹ 25,37,18,88,070 upto FY 2013-14 as against ₹ 15,81,14,95,391 upto FY 2012-13 from PFC and REC. Borrowing costs capitalized during the year was ₹ 2,36,64,02,011.

The tangible assets after depreciation amounted to ₹ 3,69,57,83,565 as at 31.03.2014 as against ₹ 3,55,44,50,787 as at 31.03.2013. The tangible assets included capital expenditure of ₹ 22,35,86,080 incurred on assets not owned by the Company.

The intangible assets after depreciation amounted to ₹ 1,68,847 and ₹ 1,61,769 as at 31.03.2014 and 31.03.2013 respectively. The depreciation transferred to Expenditure During Construction (EDC) for the financial year 2013-14 was ₹ 1,23,40,631. The capital work-in-progress stood at ₹ 36,16,84,29,928 and ₹ 21,46,51,38,770 as at 31.03.2014 and 31.03.2013 respectively.

As the project is in construction stage, the income and expenses were transferred to EDC account. The expenses (net of income) transferred to EDC amounted to ₹ 3,37,48,10,237. The expenses incurred on training & recruitment was charged to statement of profit and loss. The total loss charged to statement of profit and loss was ₹ 6,87,624 which was transferred to reserves and surplus. The net loss for the financial year 2012-13 was 16,43,171.

**HUMAN RESOURCE**

Presently, the Company has total strength of 125 employees (including 7 Executive Trainees), out of which 123 employees have been deputed from the Holding Company i.e. NTPC Limited and 2 employees have been deputed from Ministry of Railways. As a socially responsible and socially conscious organization, the Company has deployed 26 SC employees, 7 ST employees and 27 OBC employees out of the total strength of 123 employees deputed from NTPC.

The Company is paying Performance Related Pay to its employees in order to boost their morale and also extending the facility of retention of family anywhere in India. Quarters have been hired at Dalmianagar as a Temporary Township until Permanent Township at the site is constructed.

The employee benefits expense (salaries & wages, contribution to provident & other funds and staff welfare expenses) was ₹ 20,45,07,736 for the financial year 2013-14, which have been transferred to expenditure during construction account as the project is in construction stage. It included ₹ 2,16,95,517 debited by the Holding Company towards leave, superannuation and other benefits in respect of employees posted on secondment basis from the Holding Company.

**REHABILITATION AND RESETTLEMENT ACTIVITIES**

Your Company has taken number of steps towards rehabilitation and resettlement like infrastructure developments of approaches/roads in villages, providing solar street lights, installation of drinking water hand pumps in all the project affected villages, providing drinking water through tankers during draught in nearby villages, distribution of scholarships for ITI students of PAPs, distribution of playing kits among schools in PAPs' villages, establishing stitching centres for ladies, providing deep well boring facility for irrigation of agricultural fields, assisting cultural programmes, maintaining heritages in villages, providing mobile health clinic for the Project Affected Villagers and construction of crematoriums. The Company has provided training in association with CIDC to PAPs & their dependants in construction trades by Construction Industry Development Council (CIDC), New Delhi to make them more employable in the industry.

**OUTLOOK**

The company's outlook is very bright. It will generate sufficient revenue for the growth and development of the company as well as of the nearby community at large once the plant becomes operational.

**CAUTIONARY STATEMENT**

Statements in the Management Discussion and Analysis, describing objectives, projections and estimates, are forward-looking statements and progressive, within the meaning of applicable security laws and regulations. Actual results may vary from those expressed or implied, depending upon economic condition, Government policies and other incidental/ related factors.

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

**(S.C. Pandey)**  
Chairman

**Place : New Delhi**  
**Dated : 10<sup>th</sup> July 2014**

**BHARTIYA RAIL BIJLEE COMPANY LIMITED  
BALANCE SHEET AS AT**

| Particulars                               | Note | Amount in ₹           |                       |
|---|------|-----------------------|-----------------------|
|   |      | 31.03.2014            | 31.03.2013            |
| <b>EQUITY AND LIABILITIES</b>             |      |                       |                       |
| <b>Shareholders' funds</b>                |      |                       |                       |
| Share capital                             | 2    | 10,461,523,090        | 6,884,600,000         |
| Reserves and surplus                      | 3    | (7,592,961)           | (6,905,337)           |
|   |      | <b>10,453,930,129</b> | <b>6,877,694,663</b>  |
| Share Application money pending allotment | 4    | 606,615,910           | 830,039,000           |
| <b>Non-current liabilities</b>            |      |                       |                       |
| Long-term borrowings                      | 5    | 25,371,888,070        | 15,811,495,391        |
| Other long term liabilities               | 6    | 2,937,283,449         | 1,342,073,010         |
|   |      | <b>28,309,171,519</b> | <b>17,153,568,401</b> |
| <b>Current liabilities</b>                |      |                       |                       |
| Trade payable                             | 7    | 339,844               | 17,818,773            |
| Other current liabilities                 | 8    | 2,535,311,311         | 1,705,795,513         |
| Short-term provisions                     | 9    | 1,101,805,646         | 1,103,378,421         |
|   |      | <b>3,637,456,801</b>  | <b>2,826,992,707</b>  |
| <b>TOTAL ASSETS</b>                       |      | <b>43,007,174,359</b> | <b>27,688,294,771</b> |
| <b>Non-current assets</b>                 |      |                       |                       |
| Fixed assets                              |      |                       |                       |
| Tangible assets                           | 10   | 3,695,783,565         | 3,554,450,787         |
| Intangible assets                         | 10   | 168,847               | 161,769               |
| Capital work-in-progress                  | 11   | 36,168,429,928        | 21,465,138,770        |
| Other non-current assets                  | 12   | 58,659,064            | 21,996,078            |
| Long-term loans and advances              | 13   | 3,008,620,264         | 2,497,105,473         |
|   |      | <b>42,931,661,668</b> | <b>27,538,852,877</b> |
| <b>Current assets</b>                     |      |                       |                       |
| Cash and bank balances                    | 14   | 74,539,825            | 146,487,542           |
| Short-term loans and advances             | 15   | 36,728                | 89,932                |
| Other current assets                      | 16   | 936,138               | 2,864,420             |
|   |      | <b>75,512,691</b>     | <b>149,441,894</b>    |
| <b>TOTAL</b>                              |      | <b>43,007,174,359</b> | <b>27,688,294,771</b> |

Significant accounting policies 1

The accompanying notes form an integral part of these financial statements.

For and on behalf of the Board of Directors

(K. K. Singh) (S. K. Saxena) (S. C. Pandey)  
Chief Executive Officer Director Chairman

This is the Balance Sheet referred to in our report of even date.

For N. C. Aggarwal & Co.  
Chartered Accountants  
Firm Reg. No. 003273N

(G. K. Aggarwal)  
Partner  
M No. 086622

Place : New Delhi  
Dated : 5<sup>th</sup> May 2014

**BHARTIYA RAIL BIJLEE COMPANY LIMITED  
STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED**

| Particulars  | Note | Amount in ₹      |                    |
|--|------|------------------|--------------------|
|  |      | 31.03.2014       | 31.03.2013         |
| Other income   | 17   | -                | -                  |
| <b>Total revenue</b>                                 |      | <b>-</b>         | <b>-</b>           |
| <b>Expenses</b>                                      |      |                  |                    |
| Employee benefits expense                            | 18   | -                | -                  |
| Finance costs  | 19   | -                | -                  |
| Administration & other expenses                      | 20   | 687,624          | 1,643,171          |
| <b>Total expenses</b>                                |      | <b>687,624</b>   | <b>1,643,171</b>   |
| <b>Profit / (Loss) before tax</b>                    |      | <b>(687,624)</b> | <b>(1,643,171)</b> |
| <b>Total Tax Expense</b>                             |      | <b>-</b>         | <b>-</b>           |
| <b>Profit / (Loss) for the year</b>                  |      | <b>(687,624)</b> | <b>(1,643,171)</b> |
| Significant accounting policies                      | 1    |                  |                    |
| Expenditure During Construction Period               | 21   |                  |                    |
| Earnings per equity share (Par value of ₹ 10/- each) | 22   |                  |                    |
| Basic  |      | (0.00)           | (0.00)             |
| Diluted  |      | (0.00)           | (0.00)             |

The accompanying notes form an integral part of these financial statements.

There are no exceptional or extraordinary items in the above periods.

For and on behalf of the Board of Directors

(K. K. Singh) (S. K. Saxena) (S. C. Pandey)  
Chief Executive Officer Director Chairman

This is the Statement of Profit and Loss referred to in our report of even date.

For N. C. Aggarwal & Co.  
Chartered Accountants  
Firm Reg. No. 003273N

(G. K. Aggarwal)  
Partner  
M No. 086622  
Place : New Delhi  
Dated : 5<sup>th</sup> May 2014

**BHARTIYA RAIL BIJLEE COMPANY LIMITED  
CASH FLOW STATEMENT**

|  | Amount in ₹             |                         |
|--|-------------------------|-------------------------|
| For the year ended March 31,                                       | 2014                    | 2013                    |
| <b>A CASH FLOW FROM OPERATING ACTIVITIES</b>                       |                         |                         |
| Net Loss as per statement of Profit and Loss                       | (687,624)               | (1,643,171)             |
| Adjustment for   |                         |                         |
| Increase/(Decrease) in Current liabilities                         | 810,464,094             | 1,546,662,521           |
| Increase/(Decrease) in Other Current Assets                        | 588,599                 | (8,014,891)             |
| Increase/(Decrease) in Loans & Advances                            | 53,204                  | (49,762)                |
| Cash generated from operations                                     | 811,105,897             | 1,538,597,868           |
| Direct taxes paid  | 1,339,684               | 7,302,810               |
| <b>Net Cash from Operating Activities-A</b>                        | <b>811,757,957</b>      | <b>1,544,257,507</b>    |
| <b>B CASH FLOW FROM INVESTMENT ACTIVITIES</b>                      |                         |                         |
| Purchase of Fixed Assets and CWIP                                  | (12,502,453,226)        | (13,603,760,566)        |
| Long term loan and advances  | (511,514,791)           | 1,041,615,662           |
| <b>Net Cash used in Investing Activities -B</b>                    | <b>(13,013,968,017)</b> | <b>(12,562,144,904)</b> |
| <b>C CASH FLOW FROM FINANCING ACTIVITIES</b>                       |                         |                         |
| Proceeds from issue of Share Capital/Share capital deposit         | 3,353,500,000           | -                       |
| Proceeds from Long Term Borrowings                                 | 11,155,603,117          | 11,314,431,495          |
| Interest paid  | (2,378,840,775)         | (1,127,893,202)         |
| <b>Net Cash flow from Financing Activities -C</b>                  | <b>12,130,262,342</b>   | <b>10,186,538,293</b>   |
| <b>Net Increase/(Decrease) in Cash and Cash equivalents(A+B+C)</b> | <b>(71,947,718)</b>     | <b>(831,349,104)</b>    |
| Cash and Cash equivalents (Opening Balance)                        | 146,487,542             | 977,836,646             |
| Cash and Cash equivalents (Closing Balance)                        | <b>74,539,825</b>       | 146,487,542             |

NOTES : 1. Cash and Cash Equivalents consists of balance with Banks  
2. Figures for Previous year have been regrouped/rearranged wherever necessary.

For and on behalf of the Board of Directors

(K. K. Singh) (S. K. Saxena) (S. C. Pandey)  
Chief Executive Officer Director Chairman

This is the Cash Flow Statement referred to in our report of even date.

For N. C. Aggarwal & Co.  
Chartered Accountants  
Firm Reg. No. 003273N

(G. K. Aggarwal)  
Partner  
M No. 086622  
Place : New Delhi  
Dated : 5<sup>th</sup> May 2014

**Notes to the financial statements for the year ended 31<sup>st</sup> March 2014**
**Note 1. SIGNIFICANT ACCOUNTING POLICIES-2013-14**
**A. BASIS OF PREPARATION**

The financial statements are prepared on accrual basis of accounting under historical cost convention in accordance with generally accepted accounting principles in India, the relevant provisions of the Companies Act, 1956 including accounting standards notified there under and the provisions of Electricity Act, 2003 to the extent applicable.

**B. USE OF ESTIMATES**

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

**C. FIXED ASSETS**

- Tangible Assets are carried at historical cost less accumulated depreciation/amortisation.
- Expenditure on renovation and modernisation of tangible assets resulting in increased life and/or efficiency of an existing asset is added to the cost of related assets.
- Intangible assets are stated at their cost of acquisition less accumulated amortisation.

- Capital expenditure on assets not owned by the Company relating to generation of electricity is reflected as a distinct item in Capital work-in-progress till the period of completion and thereafter in the tangible assets. However, similar expenditure for community development is charged off to revenue.
- Deposits, payments/liabilities made provisionally towards compensation, rehabilitation and other expenses relating to land in possession are treated as cost of land.
- In the case of assets put to use, where final settlement of bills with contractors is yet to be effected, capitalisation is done on provisional basis subject to necessary adjustment in the year of final settlement.
- Assets and systems common to more than one generating unit are capitalised on the basis of engineering estimates/assessments.

**D. CAPITAL WORK-IN-PROGRESS**

- Administration and general overhead expenses attributable to construction of fixed assets incurred till they are ready for their intended use are identified and allocated on a systematic basis to the cost of related assets.
- Deposit works/cost plus contracts are accounted for on the basis of statements of account received from the contractors.
- Unsettled liability for price variation/exchange rate variation in case of contracts are accounted for on estimated basis as per terms of the contracts.

**E. FOREIGN CURRENCY TRANSACTIONS**

- Foreign currency transactions are initially recorded at the rates of exchange ruling at the date of transaction.
- At the balance sheet date, foreign currency monetary items are reported using the closing rate. Non-monetary items denominated in foreign currency are reported at the exchange rate ruling at the date of transaction.
- Exchange differences arising from settlement/translation of long term foreign currency monetary items are adjusted in carrying cost of related assets.
- Other exchange differences are recognised as income or expense in the period in which they arise.
- Exchange differences on account of transaction of foreign currency borrowing recoverable or payable to the beneficiaries in subsequent periods as per CERC Tariff Regulation are accounted as 'Deferred foreign currency fluctuation asset/ liability'. The increase or decrease in depreciation or interest and finance charge for the year due to the accounting of such exchange difference as per accounting policy No. E is adjusted in depreciation, as the case may be.

**F. BORROWING COSTS**

Borrowing costs attributable to the fixed assets during construction, renovation and modernisation are capitalised. Such borrowing costs are apportioned on the average balance of capital work-in-progress for the year. Other borrowing costs are recognised as an expense in the period in which they are incurred.

**G. INVENTORIES**

- Inventories are valued at the lower of, cost determined on weighted average basis, and net realisable value.
- The diminution in the value of obsolete, unserviceable and surplus stores and spares is ascertained on review and provided for.

**H. EXPENDITURE**
**a. Depreciation/amortisation**

- Depreciation on the assets of the generation of electricity business is charged on straight line method following the rates and methodology notified by the CERC Tariff Regulations, 2009 in accordance with section 616(c) of the Companies Act, 1956.
- Depreciation on the following assets is provided based on their estimated useful life:

|  |          |
|--|----------|
| a) Kutch Roads   | 2 years  |
| b) Enabling works  |          |
| - residential buildings including their internal electrification.  | 15 years |
| - non-residential buildings including their internal electrification, water supply, sewerage & drainage works, railway sidings, aerodromes, helpads and airstrips. | 5 years  |
| c) Personal computers & laptops including peripherals  | 5 years  |
| d) Photocopiers and fax machines   | 5 years  |
| e) Water coolers and refrigerators   | 12 years |

3. Depreciation on additions to/deductions from fixed assets during the year is charged on pro-rata basis from/up to the month in which the asset is available for use/disposal.
4. Assets costing up to ₹ 5000/- are fully depreciated in the year of acquisition.
5. Cost of software recognized as intangible asset, is amortised on straight line method over a period of legal right to use or 3 years, whichever is less. Other intangible assets are amortized on straight line method over the period of legal right to use or life of the related plant, whichever is less.
6. Where the cost of depreciable assets has undergone a change during the year due to increase/ decrease in long term liabilities on account of exchange fluctuation, price adjustment, change in duties or similar factors, the unamortised balance of such asset is charged off prospectively over the remaining useful life determined following the applicable accounting policies relating to depreciation/ amortisation.
7. Where the life and/or efficiency of an asset is increased due to renovation and modernisation, the expenditure thereon along-with its unamortized depreciable amount is charged off prospectively over the revised useful life determined by technical assessment.
8. Machinery spares which can be used only in connection with an item of plant and machinery and their use is expected to be irregular, are capitalised and fully depreciated over the residual useful life of the related plant and machinery.
9. Capital expenditure on assets not owned by the company referred in policy C-4 is amortised over a period of 4 years from the month in which the first unit of project concerned comes into commercial operation and thereafter from the month in which the relevant asset becomes available for use.

**I. OTHER EXPENDITURE.**

10. Expenses on ex-gratia payments under voluntary retirement scheme, training & recruitment and research and development are charged to revenue in the year incurred.
11. Prepaid expenses and prior period expenses/income of items of ₹ 100,000/- and below are charged to natural heads of accounts.

**J. EMPLOYEE BENEFITS**
**1. Defined contribution plan**

Company's contribution paid/payable during the year to provident fund is recognised in the statement of profit and loss. The same is paid to a fund administered through a separate trust.

**2. Defined benefit plan**

Company's liability towards gratuity, leave benefits (including compensated absences), post retirement medical facility and other terminal benefits are determined by independent actuary, at the year end using the projected unit credit method. Past service cost are recognised on a straight line basis over the average period until the benefits become vested. Actuarial gains or losses are recognised immediately in the statement of profit and loss. Liability for gratuity as per actuarial valuation is paid to a fund administered through a separate trust.

**3. Short term employee benefits**

These are recognised as an expense at the undiscounted amount in the statement of profit and loss for the year in which the related services are rendered.

**K. PROVISIONS AND CONTINGENT LIABILITIES**

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 are determined based on management estimate required to settle the obligation at the balance sheet date and are not discounted to present value. Contingent liabilities are disclosed on the basis of judgment of the management/independent experts. These are reviewed at each balance sheet date and are adjusted to reflect the current management estimate.

**L. CASH FLOW STATEMENT**

Cash flow statement is prepared in accordance with the indirect method prescribed in Accounting Standard (AS) 3 on 'Cash Flow Statements'.

**M. TAXES ON INCOME**

Current tax provision is computed for income calculated after considering allowances and exemptions under the provisions of the applicable Income Tax Laws.

Deferred tax is accounted at the current rate of tax to the extent of temporary timing differences that originate in one Year and are capable of reversal in one or more subsequent years. However, no deferred tax asset is created where there is no virtual certainty as to the sufficient future taxable profit.

**2. SHARE CAPITAL**

Amount in ₹

| As at  | 31.03.2014            | 31.03.2013           |
|--|-----------------------|----------------------|
| <b>Equity Share Capital</b>  |                       |                      |
| <b>AUTHORISED</b>  |                       |                      |
| 1606,000,000 Equity shares of face value of ₹10/- each, (previous year 1606,000,000 Equity shares of face value of ₹10/- each)   | <b>16,060,000,000</b> | 16,060,000,000       |
| <b>Issued, subscribed and fully paid up</b>  |                       |                      |
| 1,046,152,309 Equity shares of face value of ₹10/- each<br>(Previous year 688,460,000 Equity shares of face value of ₹10/- each) | <b>10,461,523,090</b> | 6,884,600,000        |
| <b>Total</b>   | <b>10,461,523,090</b> | <b>6,884,600,000</b> |

- a) During the year, the company has issued 357,692,309 Equity shares.

|                                  | NTPC Ltd    | Min. of Railways | Total         |
|----------------------------------|-------------|------------------|---------------|
| Opening Balance as on 01.04.2013 | 509,460,000 | 179,000,000      | 688,460,000   |
| Addition during the year         | 264,692,309 | 93,000,000       | 357,692,309   |
| Closing Balance as on 31.03.2014 | 774,152,309 | 272,000,000      | 1,046,152,309 |

- b) The Company has only one class of equity shares having a par value of ₹ 10/- per share. The holders of the equity shares are entitled to receive dividends as declared from time to time, and are entitled to voting rights proportionate to their share holding at the meetings of shareholders.

- c) In the event of liquidation of the Company, the holders of the equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

- d) Details of shareholders holding more than 5% shares in the company

| Particulars                             | 31.03.2014         |               | 31.03.2013    |               |
|---|--------------------|---------------|---------------|---------------|
|   | No. of shares      | % age holding | No. of shares | % age holding |
| NTPC Ltd. and their nominees            | <b>774,152,309</b> | <b>74</b>     | 509,460,000   | 74            |
| Ministry of Railways and their nominees | <b>272,000,000</b> | <b>26</b>     | 179,000,000   | 26            |

**3. RESERVES AND SURPLUS**

Amount in ₹

| As at  | 31.03.2014         | 31.03.2013         |
|--|--------------------|--------------------|
| <b>Surplus in the statement of profit and loss</b>       |                    |                    |
| As per last balance sheet                                | <b>(6,905,337)</b> | (5,262,166)        |
| Add: Loss for the year from statement of profit and loss | <b>(687,624)</b>   | (1,643,171)        |
| Net surplus  | <b>(7,592,961)</b> | (6,905,337)        |
| <b>Total</b>   | <b>(7,592,961)</b> | <b>(6,905,337)</b> |

**4. SHARE APPLICATION MONEY PENDING FOR ALLOTMENT**

Amount in ₹

| As at  | 31.03.2014         | 31.03.2013         |
|--|--------------------|--------------------|
| Amount received for allotment and is pending for allotment |                    |                    |
| Received from NTPC Ltd and                                 | <b>606,615,910</b> | 39,000             |
| Received from Ministry of Railways                         | <b>—</b>           | 830,000,000        |
| <b>Total</b>   | <b>606,615,910</b> | <b>830,039,000</b> |

1. 606,615,91 Equity Shares of ₹ 10/- each shall be issued against the Shares application money.
2. The shares are likely to be allotted in the financial year 2014-15
3. The authorised share capital of the company is ₹ 16,060,000,000 which is sufficient to cover the share capital amount on allotment of shares out of above share application money.
4. No amount is refundable out of above share application money.

| 5. LONG-TERM BORROWINGS            |                       | Amount in ₹           |  |
|------------------------------------|-----------------------|-----------------------|--|
| As at                              | 31.03.2014            | 31.03.2013            |  |
| <b>Term loans</b>                  |                       |                       |  |
| <b>From Financial Institutions</b> |                       |                       |  |
| <b>Secured</b>                     |                       |                       |  |
| Rupee loans                        | <b>25,371,888,070</b> | 15,811,495,391        |  |
| <b>Total</b>                       | <b>25,371,888,070</b> | <b>15,811,495,391</b> |  |

**Details of Securities**

- Secured by Equitable mortgage/hypothecation of all present and future fixed and movable assets of Nabinagar TPP( 4\*250 MW), as first charge, ranking pari pasu with charge created with PFC for 60 % of total debts and balance 40% with REC.
- Interest on term loan is payable at the applicable three year "AAA" Bond yield rate plus agreed margin. The Moratorium period for the project is up to 6 months from the COD. The facility is available for a period of 48 months from the date of documentation or till the actual completion of the project plus 06 months (moratorium period), whichever is earlier. The repayment schedule is for a period of 15 years, beginning after 06 months from COD, in 60 quarterly instalments.
- There has been no defaults in repayment of interest on loan as at the end of the year.

| 6. OTHER LONG-TERM LIABILITIES  |                      | Amount in ₹          |  |
|---------------------------------|----------------------|----------------------|--|
| As at                           | 31.03.2014           | 31.03.2013           |  |
| <b>Other liabilities</b>        |                      |                      |  |
| Payable for capital expenditure | <b>2,937,283,449</b> | 1,342,073,010        |  |
| <b>Total</b>                    | <b>2,937,283,449</b> | <b>1,342,073,010</b> |  |

| 7. Trade Payables      |                | Amount in ₹       |  |
|------------------------|----------------|-------------------|--|
| As at                  | 31.03.2014     | 31.03.2013        |  |
| For goods and services | <b>339,844</b> | 17,818,773        |  |
| <b>Total</b>           | <b>339,844</b> | <b>17,818,773</b> |  |

**10. TANGIBLE ASSETS** Amount in ₹

|  | Gross Block          |                    |                            |                      | Depreciation/Amortisation |                   |                            |                    | Net Block            |                      |  |  |
|--|----------------------|--------------------|----------------------------|----------------------|---------------------------|-------------------|----------------------------|--------------------|----------------------|----------------------|--|--|
|  | As at<br>01.04.2013  | Additions          | Deductions/<br>Adjustments | As at<br>31.03.2014  | Upto<br>01.04.2013        | For<br>the year   | Deductions/<br>Adjustments | Upto<br>31.03.2014 | As at<br>31.03.2014  | As at<br>31.03.2013  |  |  |
| Land : (including development expenses)                |                      |                    |                            |                      |                           |                   |                            |                    |                      |                      |  |  |
| Freehold   | 3,235,933,908        | 125,953,029        | -                          | <b>3,361,886,937</b> | -                         | -                 | -                          | -                  | <b>3,361,886,937</b> | 3,235,933,908        |  |  |
| Roads, bridges, culverts & helipads                    | 534,632              | -                  | -                          | <b>534,632</b>       | 481,168                   | -                 | -                          | <b>481,168</b>     | <b>53,464</b>        | 53,464               |  |  |
| Building - Others                                      | 46,215,451           | 13,308,011         | -                          | <b>59,523,462</b>    | 916,574                   | 2,305,108         | -                          | <b>3,221,682</b>   | <b>56,301,780</b>    | 45,298,877           |  |  |
| Temporary erection                                     | 15,629,859           | 3,710,153          | -                          | <b>19,340,012</b>    | 15,312,130                | 3,575,559         | -                          | <b>18,887,689</b>  | <b>452,323</b>       | 317,729              |  |  |
| Water supply, drainage & sewerage system               | 194,953              | 332,502            | -                          | <b>527,455</b>       | 83,848                    | 89,271            | -                          | <b>173,119</b>     | <b>354,336</b>       | 111,105              |  |  |
| Plant and equipment                                    | 1,355,775            | -                  | -                          | <b>1,355,775</b>     | 273,814                   | 65,166            | -                          | <b>338,980</b>     | <b>1,016,795</b>     | 1,081,961            |  |  |
| Furniture and fixtures                                 | 14,454,402           | 2,941,962          | -                          | <b>17,396,364</b>    | 2,764,442                 | 1,125,946         | -                          | <b>3,890,388</b>   | <b>13,505,976</b>    | 11,689,960           |  |  |
| Office equipment                                       | 4,771,982            | 2,553,609          | -                          | <b>7,325,591</b>     | 1,671,347                 | 902,332           | -                          | <b>2,573,679</b>   | <b>4,751,912</b>     | 3,100,635            |  |  |
| EDP, WP machines and satcom equipment                  | 8,399,209            | 780,449            | -                          | <b>9,179,658</b>     | 2,830,711                 | 1,363,621         | -                          | <b>4,194,332</b>   | <b>4,985,326</b>     | 5,568,498            |  |  |
| Construction equipments                                | 19,442,887           | -                  | -                          | <b>19,442,887</b>    | 5,472,259                 | 1,859,560         | -                          | <b>7,331,819</b>   | <b>12,111,068</b>    | 13,970,628           |  |  |
| Electrical Installations                               | 13,589,289           | 2,667,511          | -                          | <b>16,256,800</b>    | 1,601,007                 | 728,676           | -                          | <b>2,329,683</b>   | <b>13,927,117</b>    | 11,988,282           |  |  |
| Communication Equipments                               | 2,030,510            | 1,253,603          | -                          | <b>3,284,113</b>     | 280,850                   | 152,812           | -                          | <b>433,662</b>     | <b>2,850,451</b>     | 1,749,660            |  |  |
| Laboratory and workshop equipments                     | 17,747               | -                  | -                          | <b>17,747</b>        | 17,747                    | -                 | -                          | <b>17,747</b>      | -                    | -                    |  |  |
| Capital expenditure on assets not owned by the Company | 223,586,080          | -                  | -                          | <b>223,586,080</b>   | -                         | -                 | -                          | -                  | <b>223,586,080</b>   | 223,586,080          |  |  |
| <b>Total</b>   | <b>3,586,156,684</b> | <b>153,500,829</b> | -                          | <b>3,739,657,513</b> | <b>31,705,897</b>         | <b>12,168,051</b> | -                          | <b>43,873,948</b>  | <b>3,695,783,565</b> | <b>3,554,450,787</b> |  |  |
| Previous year  | 1,847,640,400        | 56,609,806         | (1,681,906,478)            | 3,586,156,684        | 24,056,061                | 7,804,343         | 154,507                    | 31,705,897         | 3,554,450,787        | 1,823,584,339        |  |  |

**Deduction/adjustments from gross block and depreciation / amortisation for the year includes:**

|                      | Gross Block |            | Depreciation/Amortisation |            |
|----------------------|-------------|------------|---------------------------|------------|
|                      | 31.03.2014  | 31.03.2013 | 31.03.2014                | 31.03.2013 |
| Retirement of assets | -           | 168,194    | -                         | 168,194    |
|                      | -           | 168,194    | -                         | 168,194    |

- The holding company has received an opinion from the EAC of the ICAI on accounting treatment of capital expenditure on assets not owned by the Company wherein it was opined that such expenditure are to be charged to the statement of profit & loss as and when incurred. The holding company has represented that such expenditure being essential for setting up of a project, the same be accounted in line with the existing accounting practice and sought a review. Pending receipt of communication from ICAI regarding the review, existing treatment has been continued as per the relevant accounting policy.
- The borrowing costs capitalised during the year ended 31<sup>st</sup> March 2014 is ₹ **2,366,402,011** (previous year ₹ 1,088,716,241). The Company capitalised the borrowings costs in the capital work-in-progress (CWIP). Similarly, exchange differences for the year are disclosed in the 'Addition' column of CWIP and allocated to various heads of CWIP in the year of capitalisation through 'Deductions/Adjustment' column of CWIP. Exchange differences in respect of assets already capitalised are disclosed in the 'Deductions/Adjustment' column of fixed assets. Asset-wise details of exchange differences and borrowing costs included in the cost of major heads of fixed assets and CWIP through 'Addition' or 'Deductions/Adjustment' column are given below:

| 8. OTHER CURRENT LIABILITIES                    |                      | Amount in ₹          |  |
|---|----------------------|----------------------|--|
| As at   | 31.03.2014           | 31.03.2013           |  |
| Interest accrued but not due on borrowings      | <b>346,753,215</b>   | 216,301,025          |  |
| Payable for capital expenditure                 | <b>2,054,140,549</b> | 1,408,031,494        |  |
| Other payables                                  |                      |                      |  |
| Tax deducted at source and other statutory dues | <b>24,784,828</b>    | 22,382,486           |  |
| NTPC Ltd  | <b>49,103,615</b>    | 43,917,057           |  |
| Ministry of Railways                            | <b>1,302,803</b>     | 1,302,803            |  |
| Payable to employees                            | <b>19,444,583</b>    | 13,459,239           |  |
| Others *  | <b>39,781,718</b>    | 401,409              |  |
| <b>Total</b>                                    | <b>2,535,311,311</b> | <b>1,705,795,513</b> |  |

\* Other payables - others include stale cheque and amount payable to club and association etc.

| 9. SHORT TERM PROVISIONS   |                      | Amount in ₹          |  |
|--|----------------------|----------------------|--|
| As at  | 31.03.2014           | 31.03.2013           |  |
| <b>Provision for obligations incidental to land acquisition</b>    |                      |                      |  |
| Opening Balance  | <b>1,103,378,421</b> | -                    |  |
| Additions during the year  | -                    | 1,103,378,421        |  |
| Amount paid during the year  | <b>1,615,414</b>     | -                    |  |
| Amount reversed during the year                                    | -                    | -                    |  |
| Closing balance  | <b>1,101,763,007</b> | 1,103,378,421        |  |
| <b>Provision for shortage in fixed asset pending investigation</b> |                      |                      |  |
| Opening Balance  | -                    | -                    |  |
| Additions during the year  | <b>42,639</b>        | -                    |  |
| Amount paid during the year  | -                    | -                    |  |
| Amount reversed during the year                                    | -                    | -                    |  |
| Closing balance  | <b>42,639</b>        | -                    |  |
| <b>Total</b>   | <b>1,101,805,646</b> | <b>1,103,378,421</b> |  |

|                                     | For the year ended 31 <sup>st</sup> March 2014 |   | For the year ended 31 <sup>st</sup> March 2013 |   |
|-------------------------------------|--|---|--|---|
|                                     | Exch. Difference incl in fixed assets/CWIP     | Borrowing Costs incl in fixed assets/CWIP | Exch. Difference incl in fixed assets/CWIP     | Borrowing Costs incl in fixed assets/CWIP |
| Building:                           |  |   |  |   |
| Main Plant                          | -  | 263,702,109                               | -  | 152,584,301                               |
| Others                              | -  | 237,289,270                               | -  | 14,900,208                                |
| Plant & Machinery                   | 152,823,482                                    | 1,721,103,538                             | 5,710,365                                      | 836,297,724                               |
| MGR Track and Signalling system     | -  | 51,674,578                                | -  | 33,714,503                                |
| Electrical Installation             | -  | 92,005,386                                | 51,107,848                                     | -   |
| Others including pending allocation | -  | 627,130                                   | -  | 111,657                                   |
|                                     | <b>152,823,482</b>                             | <b>2,366,402,011</b>                      | <b>5,710,365</b>                               | <b>1,088,716,241</b>                      |

**INTANGIBLE ASSETS**

|               | Gross Block      |           |                         | Amortisation     |                 |              | Net Block               |                 |                  |                  |
|---------------|------------------|-----------|-------------------------|------------------|-----------------|--------------|-------------------------|-----------------|------------------|------------------|
|               | As at 01.04.2013 | Additions | Deductions/ Adjustments | As at 31.03.2014 | Upto 01.04.2013 | For the year | Deductions/ Adjustments | Upto 31.03.2014 | As at 31.03.2014 | As at 31.03.2013 |
| Software      | 1,022,208        | 179,659   | -                       | 1,201,867        | 860,439         | 172,581      | -                       | 1,033,020       | 168,847          | 161,769          |
| <b>Total</b>  | 1,022,208        | 179,659   | -                       | 1,201,867        | 860,439         | 172,581      | -                       | 1,033,020       | 168,847          | 161,769          |
| Previous year | 1,035,896        | -         | 13,688                  | 1,022,208        | 562,332         | 311,795      | 13,688                  | 860,439         | 161,769          | 473,564          |

Depreciation/amortisation of Tangible and Intangible Assets for the year is allocated as given below:

|                 | 31.03.2014 | 31.03.2013 |
|-----------------|------------|------------|
| Transfer to EDC | 12,340,631 | 8,116,136  |
|                 | 12,340,631 | 8,116,138  |

**11. CAPITAL WORK-IN-PROGRESS**

|  | As at 01.04.2013      | Additions             | Deductions & Adjustments | Capitalised       | As at 31.03.2014      |
|--|-----------------------|-----------------------|--------------------------|-------------------|-----------------------|
| Development of land  | 370,362,737           | 281,285,365           | -                        | -                 | 651,648,102           |
| Roads, bridges, culverts & helipads                        | 156,325               | 294,031               | -                        | -                 | 450,356               |
| Buildings :  |                       |                       |                          |                   |                       |
| Main plant   | 2,328,077,547         | 1,104,324,308         | -                        | -                 | 3,432,401,855         |
| Others   | 218,066,341           | 147,487,443           | 732,666                  | 13,308,011        | 351,513,107           |
| Temporary erection   | 1,862,768             | 5,994,520             | -                        | -                 | 7,857,288             |
| Water supply, drainage and sewerage system                 | 836,444               | 128,955               | -                        | -                 | 965,399               |
| MGR track and signalling system                            | 449,025,228           | 237,943,116           | -                        | -                 | 686,968,344           |
| Plant and equipment  | 13,349,587,437        | 12,948,180,490        | -                        | -                 | 26,297,767,927        |
| Furniture and fixture                                      | -                     | -                     | (732,666)                | 732,666           | -                     |
| EDP/WP machines & satcom equipment                         | 936,987               | 814,922               | -                        | 858,653           | 893,256               |
| Electrical installations                                   | 714,469,457           | 465,497,515           | -                        | -                 | 1,179,966,972         |
| Capital expenditure on assets not owned by the company     | 19,150,000            | -                     | -                        | -                 | 19,150,000            |
| Sub total :  | 17,452,531,271        | 15,191,950,665        | (0)                      | 14,899,330        | 32,629,582,606        |
| <b>Expenditure pending allocation</b>                      |                       |                       |                          |                   |                       |
| Survey, investigation, consultancy and supervision charges | 852,808,649           | -                     | -                        | -                 | 852,808,649           |
| Expenditure during construction period (net)               | 2,248,096,131         | 3,333,210,513 *       | -                        | -                 | 5,581,306,644         |
| Less Allocated to related works                            | (2,248,096,131)       | (3,333,210,512)       | -                        | -                 | (5,581,306,643)       |
|  | 18,305,339,920        | 15,191,950,666        | (0)                      | 14,899,330        | 33,482,391,256        |
| <b>Construction stores</b>                                 | 3,159,798,850         | (473,760,177)         | -                        | -                 | 2,686,038,672         |
| <b>Total</b>   | <b>21,465,138,770</b> | <b>14,718,190,489</b> | <b>(0)</b>               | <b>14,899,330</b> | <b>36,168,429,928</b> |
| Previous year  | 8,469,655,673         | 13,073,945,619        | -                        | 78,462,592        | 21,465,138,770        |

\* Brought from expenditure during construction period (net) - Note 21

**12. OTHER NON-CURRENT ASSETS**

|   | Amount in ₹       |                   |
|---|-------------------|-------------------|
| As at 31.03.2014                              | 31.03.2013        |                   |
| Deferred foreign currency fluctuation asset * | 58,659,064        | 21,996,078        |
| <b>Total</b>                                  | <b>58,659,064</b> | <b>21,996,078</b> |

\* In line with accounting policy No.E.5 disclosed in Note 1, deferred foreign currency fluctuation asset to the extent of ₹ 58,659,064 (previous year ₹ 21,966,078) has been made.

**13. LONG-TERM LOANS AND ADVANCES**

|  | Amount in ₹          |                      |
|--|----------------------|----------------------|
| (Considered good, unless otherwise stated) |                      |                      |
| As at 31.03.2014                           | 31.03.2013           |                      |
| <b>CAPITAL ADVANCES</b>                    |                      |                      |
| Unsecured                                  |                      |                      |
| Covered by bank guarantee                  | 1,876,527,227        | 1,729,277,183        |
| Others                                     | 468,401,488          | 748,069,901          |
|  | <b>2,344,928,715</b> | <b>2,477,347,084</b> |
| <b>SECURITY DEPOSITS (unsecured)</b>       |                      |                      |
| Advance Tax and Tax deducted at Source     | 21,098,073           | 19,758,389           |
| Deposit with Govt. Department              | 642,593,476          | 663,691,549          |
|  | <b>663,691,549</b>   | <b>19,758,389</b>    |
| <b>Total</b>                               | <b>3,008,620,264</b> | <b>2,497,105,473</b> |

**14. CASH AND BANK BALANCES**

|                                    | Amount in ₹       |                    |
|------------------------------------|-------------------|--------------------|
| As at 31.03.2014                   | 31.03.2013        |                    |
| <b>CASH &amp; CASH EQUIVALENTS</b> |                   |                    |
| Balances with banks                |                   |                    |
| Current accounts                   | 74,539,825        | 146,487,542        |
|                                    | <b>74,539,825</b> | <b>146,487,542</b> |

**15. SHORT-TERM LOANS AND ADVANCES**

|  | Amount in ₹   |               |
|--|---------------|---------------|
| (Considered good, unless otherwise stated)                 |               |               |
| As at 31.03.2014   | 31.03.2013    |               |
| <b>Advances</b>  |               |               |
| Employees  |               |               |
| Unsecured  | 36,728        | 24,432        |
| Contractors & Suppliers, including material issued on loan | -             | 65,500        |
| Unsecured  | -             | 65,500        |
| <b>Total</b>   | <b>36,728</b> | <b>89,932</b> |

**16. OTHER CURRENT ASSETS**

|                   | Amount in ₹    |                  |
|-------------------|----------------|------------------|
| As at 31.03.2014  | 31.03.2013     |                  |
| Other Recoverable | 936,138        | 2,864,420        |
| <b>Total</b>      | <b>936,138</b> | <b>2,864,420</b> |

| 17. OTHER INCOME  |                   | Amount in ₹ |  |
|---|-------------------|-------------|--|
| For the year ended  | 31.03.2014        | 31.03.2013  |  |
| <b>Interest from-Contractors</b>  | <b>41,174,655</b> | 40,039,152  |  |
| <b>Other non-operating income</b>   |                   |             |  |
| Miscellaneous income  | 425,069           | 4,864,183   |  |
|   | <b>41,599,724</b> | 44,903,335  |  |
| Less: Transferred to expenditure during construction period (net) - Note 21 | 41,599,724        | 44,903,335  |  |
| <b>Total</b>  | <b>-</b>          | -           |  |

a) Miscellaneous income includes income from LD, Recoveries from Contractor, Hire Charges etc.

| 18. EMPLOYEE BENEFITS EXPENSE   |                    | Amount in ₹ |  |
|---|--------------------|-------------|--|
| For the year ended  | 31.03.2014         | 31.03.2013  |  |
| <b>Salaries and wages</b>   | <b>162,579,504</b> | 117,343,278 |  |
| Contribution to provident and other funds                                   | 21,695,517         | 59,209,652  |  |
| Staff welfare expenses  | 20,232,715         | 13,068,687  |  |
|   | <b>204,507,736</b> | 189,621,617 |  |
| Less : Transferred to expenditure during construction period (net)- Note 21 | 204,507,736        | 189,621,617 |  |
| <b>Total</b>  | <b>-</b>           | -           |  |

Employee benefit include ₹ 21,695,517/- (Previous Year: ₹ 49,906,783/-) towards leave, superannuation and other benefits in respect of employees posted on secondment basis from the holding company/NTPC Ltd.

| 19. FINANCE COSTS   |                      | Amount in ₹   |  |
|---|----------------------|---------------|--|
| For the year ended  | 31.03.2014           | 31.03.2013    |  |
| <b>Interest on</b>  |                      |               |  |
| Rupee term loans  | 2,378,840,775        | 1,127,193,202 |  |
| Less: Interest from Short Term Deposit                                      | 12,438,764           | 39,540,259    |  |
|   | <b>2,366,402,011</b> | 1,087,652,943 |  |
| <b>Other borrowing costs</b>  |                      |               |  |
| Commitment Charges  | -                    | 1,063,298     |  |
|   | <b>2,366,402,011</b> | 1,088,716,241 |  |
| Less: Transferred to expenditure during construction period (net) - Note 21 | 2,366,402,011        | 1,088,716,241 |  |
| <b>Total</b>  | <b>-</b>             | -             |  |

| 20. ADMINISTRATION & OTHER EXPENSES          |                    | Amount in ₹ |  |
|--|--------------------|-------------|--|
| For the year ended                           | 31.03.2014         | 31.03.2013  |  |
| Power charges                                | 665,425,995        | 39,496,217  |  |
| Less: Recovered from contractors & employees | 48,110             | 25,298      |  |
|  | <b>665,377,885</b> | 39,470,919  |  |
| Rent   | 9,524,845          | 8,622,606   |  |
| Less: Recoveries                             | 168,944            | 53,071      |  |
|  | <b>9,355,901</b>   | 8,569,535   |  |
| Repairs & maintenance                        |                    |             |  |
| Repair to Building                           | 11,019,399         | 6,796,367   |  |
| Repair to Machinery                          | 3,906,692          | 3,623,694   |  |
| Others                                       | 3,368,937          |             |  |
|  | <b>18,295,028</b>  | 10,420,061  |  |
| Insurance                                    | 163,958            | 13,504      |  |
| License Fee                                  | -                  | 75,000      |  |
| Training & recruitment expenses              | 644,985            | 1,643,171   |  |
| Postage & Telegram/ courier                  | 285,622            | 256,459     |  |
| Communication expenses                       | 3,826,327          | 4,377,125   |  |
| Travelling expenses                          | 12,137,634         | 8,742,407   |  |
| Tender expenses                              | 2,488,685          | 1,119,945   |  |
| Less: Receipt from sale of tender documents  | 26,732             | 18,000      |  |
|  | <b>2,461,953</b>   | 1,101,945   |  |

| 20. ADMINISTRATION & OTHER EXPENSES  |                    | Amount in ₹ |  |
|--|--------------------|-------------|--|
| For the year ended   | 31.03.2014         | 31.03.2013  |  |
| Payment to auditors (refer details below) *                                | 159,269            | 84,270      |  |
| Advertisement and publicity  | 1,247,339          | 1,281,538   |  |
| Security expenses  | 11,624,534         | 7,790,529   |  |
| Entertainment expenses   | 1,492,232          | 1,195,498   |  |
| Expenses for guest house   | 473,476            | 591,699     |  |
| Less: Recoveries   | 910                | 7,940       |  |
|  | <b>472,566</b>     | 583,759     |  |
| Community development and welfare expenses                                 | -                  | 3,994,586   |  |
| Books and periodicals  | 20,422             | 69,471      |  |
| Professional charges and consultancy fees                                  | 7,292,727          | 10,705,760  |  |
| Legal expenses   | 704,952            | 2,609,909   |  |
| EDP hire and other charges   | 696,464            | 465,127     |  |
| Printing and stationery  | 1,129,271          | 1,178,464   |  |
| Hire charge of vehicles  | 14,962,502         | 11,208,115  |  |
| Hire Charge Heli/Air.  | 1,568,609          | -           |  |
| Hire charge of construction Equipment                                      | 3,053,756          | 33,000      |  |
| DG Set operating expenses  | 5,320,391          | 3,528,475   |  |
| Furnishing Expenses  | 111,131            | 116,321     |  |
| Hiring Charge- Office Equipment  | 188,422            | 270,500     |  |
| Horticulture Expenses  | 101,069            | 24,620      |  |
| Bank charges   | 26,813,229         | 7,848,757   |  |
| Net loss in foreign currency transactions & translations                   | 36,662,986         | 5,616,018   |  |
| Miscellaneous expenses   | 2,654,027          | 1,034,111   |  |
| Provision for shortage in fixed assets                                     | 42,639             | -           |  |
|  | <b>828,867,830</b> | 134,308,954 |  |
| Less: Transferred to deferred foreign currency fluctuation asset/liability | 36,662,986         | 5,616,018   |  |
| Transferred to expenditure during construction period (net) - Note 21      | 791,517,220        | 127,049,765 |  |
| <b>Total</b>   | <b>687,624</b>     | 1,643,171   |  |

\* Details in respect of payment to auditors:

|   |                |        |
|---|----------------|--------|
| As auditor - Audit fee                                  | 50,000         | 50,000 |
| In other Capacity - Other services (certification fees) |                |        |
| Reimbursement of expenses                               | 103,089        | 28,090 |
| Reimbursement of service tax                            | 6,180          | 6,180  |
|   | <b>159,269</b> | 84,270 |

| 21. Expenditure during construction period (net) |                      | Amount in ₹   |  |
|--|----------------------|---------------|--|
| For the year ended                               | 31.03.2014           | 31.03.2013    |  |
| <b>A. Employee benefits expense</b>              |                      |               |  |
| Salaries and wages                               | 162,579,504          | 117,343,278   |  |
| Contribution to provident and other funds        | 21,695,517           | 59,209,652    |  |
| Staff welfare expenses                           | 20,232,715           | 13,068,687    |  |
| <b>Total (A)</b>                                 | <b>204,507,736</b>   | 189,621,617   |  |
| <b>B. Finance costs</b>                          |                      |               |  |
| Interest on Rupee Term Loan                      | 2,366,402,011        | 1,087,652,943 |  |
| Other Borrowing costs - Commitment Charge        | -                    | 1,063,298     |  |
| <b>Total (B)</b>                                 | <b>2,366,402,011</b> | 1,088,716,241 |  |
| <b>C. Depreciation and amortisation</b>          | <b>12,340,631</b>    | 8,116,136     |  |
| <b>D. Administration and other expenses</b>      |                      |               |  |
| Power charges                                    | 665,425,995          | 39,496,217    |  |
| Less: Recovered from contractors & employees     | 48,110               | 25,298        |  |
|  | <b>665,377,885</b>   | 39,470,919    |  |

| 21. Expenditure during construction period (net) |                       | Amount in ₹   |  |
|--|-----------------------|---------------|--|
| For the year ended                               | 31.03.2014            | 31.03.2013    |  |
| Rent   | 9,355,901             | 8,569,535     |  |
| Repairs & maintenance                            |                       |               |  |
| Repair to Building                               | 11,019,399            | 6,796,367     |  |
| Repair to Machinery                              | 3,906,692             | 3,623,694     |  |
| Others   | 3,368,937             | -             |  |
| Insurance  | 163,958               | 13,504        |  |
| License Fee                                      | -                     | 75,000        |  |
| Postage & Telegram/ Courier                      | 285,622               | 956,459       |  |
| Communication expenses                           | 3,826,327             | 4,377,125     |  |
| Travelling expenses                              | 12,137,634            | 8,742,407     |  |
| Tender expenses                                  | 2,488,685             | 1,119,945     |  |
| Less: Receipt from sale of tender documents      | 26,732                | 18,000        |  |
|  | <b>2,461,953</b>      | 1,101,945     |  |
| Payment to Auditors                              | 159,269               | 84,270        |  |
| Advertisement and publicity                      | 1,247,339             | 1,281,538     |  |
| Security expenses                                | 11,624,534            | 7,790,529     |  |
| Entertainment expenses                           | 1,492,232             | 1,195,498     |  |
| Expenses for Guest house                         | 472,566               | 583,759       |  |
| Community development and welfare expenses       | -                     | 3,994,586     |  |
| Books and periodicals                            | 20,422                | 69,471        |  |
| Professional charges and consultancy fee         | 7,292,727             | 10,705,760    |  |
| Legal expenses                                   | 704,952               | 2,609,909     |  |
| EDP Hire and other charges                       | 696,464               | 465,127       |  |
| Printing and stationery                          | 1,129,271             | 1,178,464     |  |
| Hire Charges of Vehicle                          | 14,962,502            | 11,208,115    |  |
| Hire Charge Heli/Air.                            | 1,568,609             | -             |  |
| Hire charge of construction Equipment            | 3,053,756             | 33,000        |  |
| DG Set operating expenses                        | 5,320,391             | 3,528,475     |  |
| Furnishing Expenses                              | 111,131               | 116,321       |  |
| Hiring Charge- Office Equipment                  | 188,422               | 270,500       |  |
| Horticulture Expenses                            | 101,069               | 24,620        |  |
| Bank Charges                                     | 26,813,229            | 7,848,757     |  |
| Miscellaneous expenses                           | 2,654,027             | 1,034,111     |  |
| Provision for shortage in fixed assets           | 42,639                | -             |  |
| <b>Total (D)</b>                                 | <b>791,559,859</b>    | 127,049,765   |  |
| <b>Total (A+B+C+D)</b>                           | <b>3,374,810,237</b>  | 1,413,503,759 |  |
| E. Less: Other income                            |                       |               |  |
| Interest from contractors                        | 41,174,655            | 40,039,152    |  |
| Miscellaneous income                             | 425,069               | 4,864,183     |  |
| <b>Total (E)</b>                                 | <b>41,599,724</b>     | 44,903,335    |  |
| <b>Grand total (A+B+C+D-E)</b>                   | <b>3,333,210,513*</b> | 1,368,600,424 |  |

\* Balance carried to capital work-in-progress - (Note 11)

22 Previous year figure has been regrouped / rearranged wherever considered necessary.

23 Amount in the financial statements are presented in ₹ .

24 a) Certain loans & advances and creditors, so far as these have since not been realised/discharged or adjusted are subject to confirmation/ reconciliation and consequent adjustment, if any.

b) In the opinion of the management, the value of assets, other than fixed assets and non-current investments, on realisation in the ordinary course of business, will not be less than the value at which these are stated in the Balance Sheet.

25 **Disclosure as per Accounting Standard - 16 on 'Borrowing Costs'**  
Borrowing costs capitalised during the year are ₹2,366,402,011 (previous year ₹ 1,088,716,241)

26 **Disclosure as per Accounting Standard - 19 on 'Leases'**  
Expenses on operating leases of the premises for residential use of the employees amounting to ₹ 9,449,845 (previous year: ₹8,622,606 ) are included in "Rent Lease Accommodation".

27 **Disclosure as per Accounting Standard - 20 on 'Earnings Per Share'**

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

|  | Current Year | Previous Year |
|--|--------------|---------------|
| Net profit after tax used as numerator - ₹                                 | (687,624)    | (1,643,171)   |
| Weighted average number of equity shares used as denominator for Basic EPS | 803,113,461  | 688,460,000   |

|                             |        |        |
|-----------------------------|--------|--------|
| Earning per share - Basic   | (0.00) | (0.00) |
| Earning per share - Diluted | (0.00) | (0.00) |
| Face value per share - ₹    | 10/-   | 10/-   |

28 Foreign currency exposure not hedged by a derivative instrument or otherwise:

| Particulars   | Currencies | Amount in ₹   |               |
|---|------------|---------------|---------------|
|   |            | 31.03.2014    | 31.03.2013    |
| Sundry Creditors/deposit and retention monies           | USD        | -             | -             |
|   | EURO       | 1,406,016,617 | 824,829,460   |
| Unexecuted amount of contracts remaining to be executed | USD        | 79,348,248    | 71,886,031    |
|   | EURO       | 1,217,115,043 | 5,033,042,114 |

29 Based on information available with the company, there are no suppliers/ contractors/service providers who are registered as micro, small or medium, enterprise under "The Micro, Small and Medium Enterprises Development Act, 2006.

30 **Contingent liability:**

a) Demand notice received from the Commercial Tax Office, Aurangabad, Bihar for ₹ 1,405,404,683/- on account of penalty and interest under Bihar Entry Tax Act for the FY 2011-12 & 2012-13. Revision petition has been filed before the court of Commissioner of Commercial Taxes, Patna for waiver of interest and penalty imposed but commissioner has turn down our request. BRBCL has gone to Tribunal against the order which is under subjudice.

b) BRBCL has Filled Income Tax Return for the year 2011-12. The Assessee officer has disallowed income from other sources of ₹ 22,587,464.00. Accordingly, department has imposed Tax Liability of ₹ 6,671,710.00 including interest upto 31.01.2014 (Date of order) of ₹ 1,692,826.00. In the assessment income from other sources has been considered as revenue in nature instead of considering the revenue to be capital in nature. BRBCL has made an appeal against the assessment /fine/penalty to the Commissioner of Income Tax Appeal-V New Delhi for settlement of the issue. Further Interest of ₹ 149,366.00 for the period Feb-14 and Mar-14.

31 **Capital and other commitments**

Estimated amount of contracts remaining to be executed on capital account and not provided for as at 31<sup>st</sup> March 2014 is ₹ 21,731,094,523/- (previous year ₹ 29,752,263,794/-).

32 **Other disclosures as per Schedule VI of the Companies Act, 1956**

| Particulars   | Amount in ₹  |        |               |               |
|---|--------------|--------|---------------|---------------|
|   | Current year |        | Previous year |               |
| a) Value of imports calculated on CIF basis:                              |              |        |               |               |
| Capital goods   |              | Nil    |               | Nil           |
| Spare parts   |              | Nil    |               | Nil           |
| b) Expenditure in foreign currency:                                       |              |        |               |               |
| Professional and consultancy fee  |              | Nil    |               | Nil           |
| Interest  |              | Nil    |               | Nil           |
| Others  |              | Nil    |               | Nil           |
| c) Value of components, stores and spare parts consumed (including fuel): |              |        |               |               |
|   |              |        | Current year  | Previous year |
|   | % age        | Amount | % age         | Amount        |
| Imported  | Nil          | Nil    | Nil           | Nil           |
| Indigenous  | Nil          | Nil    | Nil           | Nil           |
| d) Earnings in foreign exchange:  |              |        |               |               |
| Professional & consultancy fee  |              |        | Nil           | Nil           |
| Others  |              |        | Nil           | Nil           |

For and on behalf of the Board of Directors

(K.K.Singh) Chief Executive Officer      (S.K.Saxena) Director      (S.C.Pandey) Chairman

These are the notes referred to in Balance Sheet and Statement of Profit and Loss

For N. C. Aggarwal & Co.

Chartered Accountants

Firm Reg. No. 003273N

(G. K. Aggarwal)

Partner

M. No. 086622

Place : New Delhi

Dated : 5<sup>th</sup> May 2014



**INDEPENDENT AUDITORS' REPORT**

To

**The Members of BHARTIYA RAIL BIJLEE COMPANY LIMITED**

**Report on the Financial Statements**

We have audited the accompanying financial statements of **BHARTIYA RAIL BIJLEE COMPANY LIMITED**, which comprise the Balance Sheet as at March 31, 2014, the Statement of Profit and Loss and Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

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

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

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

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

**Report on Other Legal and Regulatory Requirements**

- As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
- As required by section 227(3) of the Act, we report that:
  - 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;
  - 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;
  - the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
  - in our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;

- being a government company, pursuant to the notification No. GSR 829(E) dated 21<sup>st</sup> October, 2003 issued by Government of India, provisions of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956 are not applicable to the company.

**For N.C. Aggarwal & Co.**

**Chartered Accountants**

**Firm Registration No. 003273N**

**G. K. Aggarwal**

**Partner**

**Membership No.086622**

Date: 5<sup>th</sup> May, 2014

Place: New Delhi

**ANNEXURE TO AUDITORS' REPORT**

Referred to in Paragraph 1 under the heading of "Report on Other Legal and Regulatory Requirements" of our report of even date

- The Company has maintained all proper records showing full particulars including quantitative details and situation of fixed assets.
  - A major portion of the fixed assets has been physically verified by the Management in accordance with a phased programmed of verification once in two years adopted by the company. In our opinion, the frequency of the verification is reasonable having regard to the size of the company and the nature of its assets. To the best of our knowledge, no material discrepancies have been noticed on such verification.
  - In our opinion, and according to the information and explanations given to us, the Company has not disposed off substantial part of the fixed assets during theyear and the going concern status of the company is not affected.
- The company does not have inventory. Accordingly, the provision of clause 4(ii) (b) & (c) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- According to the information and the explanations given to us, the company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4 (iii)(a) to (d) of the Order are not applicable to the company and hence not commented upon.  
According to the information and the explanations given to us, the company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4 (iii)(e) to (g) of the Order are not applicable to the company and hence not commented upon.  
However, Share Capital Deposit still has a unadjusted balance of ₹ 60.66 crores as on March 31<sup>st</sup>, 2014 against which no share have been allotted by company so far.
- In our opinion and according to the information and the explanations given to us, there is an adequate internal control system commensurate with the size of the company and the nature of its business with the regard to the purchase of fixed assets. The company has not made any purchase / sale of goods. During the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness or continuing failure in the internal control system of the company in respect of these areas.
- According to the information given to us, there are no transactions that need to be entered in register maintained u/s 301 of the Companies Act, 1956.
- According to the information and explanations given to us, the Company has not accepted any deposits under the provisions of section 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposit) Rules, 1975.
- The company has no internal audit system adequate with the size and nature of business. However, Internal Audit is being conducted by the Jai Prakash Vaibhav & Associates.
- The maintenance of cost records under clause (d) of sub section (1) of section 209 of the Act is not applicable to the company since it has not commenced any activity related to the generation of electricity.
- According to information and explanations given to us, no undisputed amounts payable in respect of the provident fund, investor education and the protection fund, employees' state insurance, income tax, wealth tax, service tax, sales tax, custom duty, excise duty, cess and other material statutory dues which were outstanding, at the year end, for a period of more than six months from the date they became payable as at 31<sup>st</sup> March, 2014.

- (b) In our opinion and according to the information & explanations given to us, there are no dues in respect of wealth tax, service tax, income-tax, custom duty, excise duty and cess that have not been deposited with appropriate authority on account of any dispute except the dues of ₹ 140.54 crores in respect of sales tax (Entry Tax) for the period 2011-12 to 2012-13 and the same have not been deposited with the appropriate authority on account of dispute which is pending in revision petition before the Court of Commissioner of Commercial Taxes, Patna.
10. The company has accumulated losses ₹ 75,92,961/- (including current years' loss) at the end of the financial year. Company has incurred ₹ 6,87,624/- cash loss in the current financial year. The net worth of the company is ₹ 10,45,39,30,129/- and accumulated loss is 0.072% of net worth.
  11. Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the company has not defaulted in repayment of dues to financial institutions. There is no amount of dues to banks.
  12. According to the information and the explanations given to us and based on the documents and records produced before us, the company has not granted loans and advances on the basis of 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, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
  14. According to the records of the Company examined by us and the information and explanations given to us, the Company, during the year, has not dealt with traded in shares, securities and other investments.
  15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from financial institutions.
  16. According to the information and explanation furnished to us, the term loan taken from financial institution has been applied for the purpose for which they were obtained.
  17. According to the information and explanations given to us and on an overall examination of the balance sheet of the company, in our opinion, there are no funds raised on short term basis which have been used for long term investment.
  18. The Company has not made any preferential allotment of shares to the parties and companies covered in the register maintained under section 301 of the Act.
  19. The Company has not issued any debentures. Hence, para (ix) of the Order for creation of security on issue of debenture is not applicable to the Company.
  20. The company has not made any public issue during the year.
  21. During the course of our examination of the books and records of the company, and according to the information and explanations given to us 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 N.C. Aggarwal & Co.**

**Chartered Accountants  
Firm Registration No. 003273N**

**G. K. Aggarwal  
Partner  
Membership No. 086622**

Date: 5<sup>th</sup> May, 2014  
Place: New Delhi

**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619 (4) OF THE COMPANIES ACT, 1956, ON THE ACCOUNTS OF BHARTIYA RAIL BIJLEE COMPANY LIMITED FOR THE YEAR ENDED 31 MARCH 2014**

The preparation of financial statements of Bhartiya Rail Bijlee Company Limited for the year ended 31<sup>st</sup> March 2014 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 Standards on auditing 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 05 May 2014 and revised Audit Report dated 12 June 2014.

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 financial statement of Bhartiya Rail Bijlee Company Limited for the year ended 31 March 2014. 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 behalf of the  
Comptroller & Auditor General of India

(Tanuja S. Mittal)  
Principal Director of Commercial Audit and  
Ex-officio Member Audit Board-III, New Delhi

Place : New Delhi  
Dated : 01 July 2014