



# **Power System Operation Corporation Limited**

**(A wholly owned Subsidiary of POWERGRID)**

**Annual Report 2011-12**



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## REFERENCE INFORMATION

<p><b>Chief Executive Officer</b> Shri S.K. Soonee</p>
<p><b>Company Secretary</b> Ms. Priti Chaturvedi</p>
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## Chairman's Speech at the 3rd Annual General Meeting (New Delhi, September 6th, 2012)

Dear Shareholders,

Welcome to the 3<sup>rd</sup> Annual General Meeting of POSOCO.

This is my first AGM as Chairman of your Company and I feel extremely honored to head your esteemed/valued Company with a deep sense of humility.

Friends, for the period ending 31st March, 2012, the Directors' Report and the final accounts of the Company have already been provided. With your permission, I take them as read.

Indian Power Sector is on strong growth path and the business environment is changing rapidly under Regulatory oversight. The complexity of the National Power System is expected to increase with more interconnections, higher transmission voltages, new technologies in generation & transmission, increasing presence of renewable energy sources, large sized generation projects, system protection schemes and Smart Grid technologies. Further, the increase in competition among the participants and evolving market mechanisms are likely to increase the pressure on system operators.

Your Company has been incorporated for independent operation of the Power System. It became operational during FY 2010-11 w.e.f. 01.10.2010 and has been managing the National and Regional Grids.

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

The real time operation of regional/national grid is one of the main responsibilities of the RLDCs and NLDC. SCADA and energy management systems play a vital role for operation of the power system at regional and national level. To keep pace with the technology and fast expanding power system network these systems are under replacement and up-gradation and are expected to be commissioned by the end of 2013-14. Increased complexity of Power System has also necessitated the need for time synchronized measurements using Wide Area Measurements (WAMS) technologies. In this direction pilot projects have been taken by the RLDCs and fourteen PMUs have been commissioned at strategic locations. Placement of PMUs at more than fifty locations with PDCs has been envisaged during 2012-13. Towards, information dissemination, being integral part of System operation function, the stakeholders were kept updated about Status of Power System in the country through pool of information available at RLDC/NLDC websites.

Integration of Renewable Energy Sources with the conventional sources is a top priority worldwide and special attention is being given in our Country to harness the Green Energy. CERC has provided a framework for trading in Green Certificates (Renewable Energy Certificate or REC's), a market based instrument, through the Power Exchanges. NLDC, as Central Agency is the administrator of this mechanism and is responsible for registration of eligible entities, issuance of certificates and maintaining and settling accounts in respect of certificates. The trading of RECs through Power Exchanges is facilitated by NLDC. Your Company is thus instrumental for implementation of Renewable Energy Certificate (REC) Mechanism to accelerate new investments in Renewable Energy Sector and introduce competition in purchase of renewable energy.

As on 31<sup>st</sup> August, 2012, 647 RE Generators have been 'Accredited' with a total capacity of 3388 MW; 573 RE Generators with cumulative capacity of 3045 MW have been 'Registered' and more than 25 lakh RECs (Non-Solar) and 1091 Solar RECs have been issued till date. About 19.25 lakh RECs worth about `475 Crore were traded and redeemed in eighteen successful REC trades that have taken place up to 31.08.2012.

On the financial front, your Company recorded a net profit of `50.52 crore and turnover of `214.34 crore during the FY 2011-12. The Board of your Company has recommended final dividend of 15% in addition to interim dividend of 15% paid in the month of March'12.

An amount of 0.5% of Profit after Tax for the FY 2011-12 has been allocated for implementation of R&D activities.

Indian Power Grid had not experienced any major grid disturbance during the past nine years. However, the electricity grid experienced two major disturbances consecutively on 30th July & 31st July, 2012. While the first disturbance affected only Northern Region, the second one affected Northern, Eastern and North Eastern Regions. In both the disturbances, the essential loads were restored at the fastest pace within few hours of the incidents and total power supply was restored progressively and normalized completely on the same day of the incident(s). Ministry of Power constituted a Committee, to analyze the causes of these disturbances and to suggest measures to avoid recurrence of such disturbance in future. In line with the recommendations of the committee various actions for improvement as suggested are being taken by your Company.

Your Company being knowledge based organization; Human Capital is its most valued resource. Your Company remains committed to

provide growth & development along with work life balance to all employees. In order to enhance productivity and satisfaction level of our workforce, employees undergo training and re-training, continuous learning and skill development programs. Competence building through training and certification of the System Operators is of prime importance for discharging the responsibilities entrusted to the Load Despatchers. In this direction first all India online Power System Operator Certification Exam was held in November 2011 wherein 111 System Operators from your Company were successfully certified. The successfully certified System Operators were conferred certificates by Hon'ble Union Minister of State for Power in a Conferment Ceremony held in Feb'12.

Your Company believes that good governance is the driving force for perpetual existence. Your Company has complied with the conditions of Corporate Governance as applicable, issued by the Department of Public Enterprises. Details are mentioned in the Report on Corporate Governance.

On behalf of the Board, I thank all the employees including their families for their sustained endeavors in meeting the challenges posed before the organization. Specially, I would like to convey my gratitude to all fellow directors and the Management for their very useful support and guidance. I take this opportunity to express my gratefulness to the stakeholders who have put their trust in our abilities and extended support to us.

I also take this opportunity to convey my sincere gratitude to the Government of India particularly the Ministry of Power, the Department of Public Enterprises, Central Electricity Authority, Central Electricity Regulatory Commission, Regional Power Committees, Comptroller and Auditor General of India (C&AG), Statutory Auditors, etc and above all to POWERGRID for their confidence and support to the Company.

Thank You.



**R.N. Nayak)**  
**Chairman**

**Place: New Delhi**

**Date: September 06, 2012**

## Directors' Profile

### Shri R.N. Nayak Chairman



Shri R.N.Nayak, aged 56 years, is the Chairman of our Company. He is a first class Bachelor of Electrical Engineering from REC Rourkela and holds an M.Tech(Electrical) from IIT Kharagpur. Shri Nayak has over 34 years of work experience, primarily in the power sector. He has worked for more than 20 years in POWERGRID and handled various multi-disciplinary functions like Engineering, Load Despatch & Communication, Grid Management, Contract Management, Quality

Assurance and Inspection; Telecom Operation & Maintenance, Commercial and Human Resources. He has previously held the positions of Executive Director (Engineering & QA&I); Executive Director (Human Resource), Executive Director (R&D) in POWERGRID. Prior to joining POWERGRID in 1991, he has worked for about 7 years in NTPC and had a stint with SAIL. He has introduced many new technologies in the Indian Power Sector such as EMS & SCADA Project,  $\pm 800$  KV HVDC, 1200 KV UHV AC, Remote & unmanned operation of EHV substations. He has also published and presented a large number of technical papers in various reputed International/National journals/conferences. Considering his contribution to power sector, he has been awarded P.M. Ahluwalia Award; is a Senior Member of IEEE and has been honored with Fellow of the Indian National Academy of Engineering(INAE) in Electrical Engineering Field and is also President of CIGRE India. He has been our Director since September, 2009 and was appointed as Chairman in September 2011.

### Shri I.S. Jha Director



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

and Execution of APDRP and RGGVY schemes in POWERGRID. He has published numerous articles, technical papers in the field of power system in various international and National Conferences / Symposia. He was appointed as a Director on our Board in September, 2011.

### Shri R.T. Agarwal Director



Shri R. T. Agarwal, aged 56 years, is Director (Finance) of our Company. Prior to taking up this assignment, he was working as Executive Director (Finance). A chartered accountant by profession, Shri Agarwal has more than 31 years of experience in multifarious Finance & Accounts functions like finalization of Accounts, coordination with Auditors, Taxation, Treasury Functions, Internal Audit, Budgeting, Pay Roll, Concurrence, MIS & Commercial aspects etc both at the Corporate Centre and at Regional

Headquarters of POWERGRID. As ED (Finance), he had played a pivotal role in the successful Follow-on Public Offer of POWERGRID in 2010. Before joining POWERGRID in 1991, he had worked in power major NTPC Ltd. project sites for around 10 years. He was appointed as a Director on our Board in May, 2011.

### Shri Santosh Saraf Independent Director



Shri Santosh Saraf, aged 60 years, is a Fellow Member of Institute of Chartered Accountants of India. He started his career in 1977 as a practicing Chartered Accountant and has an extensive experience of more than 35 years in the field of finance and taxation. During his dedicated career he has served, on professional assignment to many large industrial groups, banks, corporates and esteemed professionals. He was Chairman for the Western Development Council of Assocham & has held position of Managing Committee and Patron member

for Assocham. Since 2008, he is Member of Central Board of Trustees (CBT) for Employees Provident Fund Organization (EPFO) of Central Government of India. He is member of Executive, Finance & Investment and Pension Implementation Committees of CBT (EPFO). He is member of Cost Accounting Standards Board of Institute of Cost Accountants of India. He was appointed as a Director on our Board in March, 2012.

## Directors' Report

To,  
The Members,

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

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

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

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

### Revenue stream of POSOCO

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

### Financial Highlights

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

### Dividend Payout

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

### Operational feedback

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



### **Frequency Response Characteristic (FRC)**

Frequency Response Characteristic (FRC) is a measure of the natural change in frequency to a given mismatch in load and generation. Frequency response in an electric power system is essentially provided by natural damping of loads with frequency and primary response of generators. The importance of primary response has been brought out in the CERC (Indian Electricity Grid Code) Regulations, 2010. A draft procedure developed by the RLDCs in accordance with the directions of CERC for monitoring of control area wise FRC after discussions in the meeting of Forum of Load Despatchers (FOLD) held in June '12 had been circulated among all the stakeholders for their comments/ inputs and has been submitted to CERC.

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

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

### **CAPEX Utilization**

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

### **Participation in Regulatory Reforms Process**

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

### **Renewable Energy Certificate (REC) Mechanism**

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

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

### **Quality**

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

### **Participation at International Forums**

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

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

### **Forum of Load Despatchers (FOLD)**

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

### **Leveraging Technology: System Logistics**

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



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

#### **Employees – our Assets**

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

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

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

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

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

#### **Rajbhasha Related Activities**

Rajbhasha Activities were organized at POSOCO to motivate employees and promote Rajbhasha . Your Company is committed to implementation of Govt. of India's Rajbhasha policy. In a maiden and novel effort, the all India Power System Network Map at NLDC which displays real time data, was made bi-Lingual and names of cities, substations, generating stations, states etc. are now displayed in Hindi in the SCADA Map at NLDC Control Room. Several activities such as '*Kavi Sammelan*', workshops and conferences etc were organized. Hindi Pakhwara was celebrated in all the RLDCs and NLDC wherein series of Inspirational Talks, seminars, symposia and competition for employees were organized. Six employees from ERLDC qualified the Praveen exam.

#### **Employee Welfare**

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

#### **Corporate Social Responsibility**

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

#### **Sustainable Development**

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

#### **Research & Development**

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

#### **Management Discussion and Analysis**

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

#### **Particulars of employees – Sec 217(2A)**

Being a wholly owned subsidiary of POWERGRID, the manpower has been provided by POWERGRID on secondment basis. Policies, all

other benefits/welfare schemes applicable to the employees posted in POSOCO, shall continue to be the same as that of the parent organisation i.e. POWERGRID. The disclosure under Section 217(2A) of Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended is enclosed at **Annexure-II**.

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

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

#### **Auditor's report and CAG's Comments**

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

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

#### **Corporate Governance**

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

#### **Directors' Responsibility Statement**

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

- i) In the preparation of the annual accounts for the year ended 31st March, 2012, the applicable accounting standards have been followed;
- ii) The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- iii) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) The Directors have prepared the annual accounts on a going concern basis.

#### **Auditors**

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

#### **POSOCO's Board**

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

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

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

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

#### **Acknowledgement**

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

For and on behalf of  
POWER SYSTEM OPERATION CORPORATION LIMITED

  
(R.N. Nayak)  
Chairman

Date : 27.07.2012

Place: New Delhi

## Management Discussion and Analysis

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

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

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

### Standard Operating Procedures

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

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

### Facilitating Market Operations

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

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

### Web Based Information Dissemination

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

### Supervisory Control and Data Acquisition (SCADA)

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

### Synchronisation of Southern Grid with NEW Grid

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

## Financial Discussion and Analysis

### Comparison of Fiscal 2012 to Fiscal 2011

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

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

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

### Revenue from Operations

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

### Depreciation

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

### Net Deferred Tax Assets

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

### LDC Development Fund

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

### Profit before Tax

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

### Profit after Tax

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

### Net Cash from Operating Activities

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

### Net Cash from Investing Activities

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

### Net Cash from Financing Activities

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

## Selected Balance Sheet Items

### Fixed Assets:

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

### Loans and Advances

Your Company's total loans and advances (short term and long term) as on 31st March, 2012 were ₹ 109.51 Crore against ₹ 46.50 in the FY 2010-11. The increase is mainly on account of payment of advance tax and TDS for the year.

### Other Current Assets

Our other current assets as on 31st March, 2012 were ₹ 13.98 Crore against ₹ 11.90 crore as on 31st March 2011 which mainly includes accrued interest on flexi deposits with banks.

### Sundry Debtors

Sundry Debtors as on 31st March 2012 reduced to ₹ 21.72 Crore against ₹ 90.02crore as on 31st March 2011.The reduction is mainly on account of realization of dues on tariff notification by CERC.

### Unsecured loan

Our company's unsecured loans and advances (considered good) were ₹ 5.57 crore against ₹18.99 crore as on 31st March 2011.

### Other Current liabilities

Your company's other current liabilities as on 31st March, 2012 were ₹ 622.43 Crore as against ₹ 951.43 crore as on 31st March 2011. The reduction is mainly on account of decrease in liabilities in respect of UI/RE/IRE/Congestion accounts which are operated and maintained in terms of CERC Regulations.

### Other Long term liabilities

The other long term liabilities during the FY 2011-12 were ₹ 23.57 crore comprising of ₹ 19.81 crore liability on account of truing up.

### Contingent liability

The contingent liability of ₹ 3.02 Crore is towards the demand of Rent for the office and staff quarters accommodation raised by the WRPC, Mumbai for the period up to F.Y. 2011-12 which is disputed by the Company and the Company has sought for the transfer of the ownership of office accommodation and residential quarters before the Ministry of Power, Govt. of India. However, no decision has come so far.

### Internal Control

Internal control mechanism is in place in POSOCO to verify the Accounting and Financial Management System, adequacy of controls, material checks, financial propriety aspects and compliance implementation mechanism. Internal Audit and Physical Verification Audit for the Financial Year 2011-12 had been carried out by experienced firms of Chartered Accountants. One independent Director on the Board of POWERGRID has been nominated on the Audit Committee the Company in terms of the Company's Articles of Association.

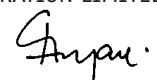
### Risk Management Procedure

The Enterprise Risk Management Policy & Procedures of POWERGRID is being followed by POSOCO.

### Cautionary Statement

Statements in the Management Discussion and Analysis and Directors' Report describing the Company's objectives, projections and estimates, are forward-looking statements and progressive within the meaning of applicable laws and regulations. Actual results may vary from those expressed or implied, depending upon economic conditions, Government Policies and other incidental factors. Readers are cautioned not to place undue reliance on the forward looking statements.

For and on behalf of  
POWER SYSTEM OPERATION CORPORATION LIMITED

  
(R.N.)Nayak  
Chairman

Date :27.07.2012

Place: New Delhi


## Particulars of Employees pursuant to Section 217(2A) of the Companies Act, 1956 for the year 2011-12

Sl. No.	Name (Sh./Smt.)	Designation & Nature of duties	Qualification	Remuneration (₹)	Experience (Years)	Date of Commencement of employment (in POWERGRID)	Age (Years)	Last employment held
Employed for part of the year								
1	Arun Talwar	Ch.Mgr.(F&A)	B.Com(H),Depart. Exam,'87	8,22,213/-	31 yrs.	16-Aug-91	60	NTPC
2	S.M.Puri	Mgr.	Diploma in Elect. Engg	5,28,077/-	38 Yrs.	1-Jan-96	60	CEA
3	S.Chakraborty	DGM(Comml.)	B.Com,LLB,MA,CA	5,83,349/-	27 Yrs.	7-Aug-91	60	NTPC
4	A.K.Biswas	Sr.Operator, Gr.III	Higher Secondary, Dip, in Radio, TV & Audio Technology	7,61,534/-	25 Yrs.	1-Jan-95	57	CEA
5	H.S.Siddappa	Ch.Mgr.	BE(E&C)	5,35,608/-	36 Yrs.	1-Jan-94	60	CEA
6	M.G.Raoot	ED	BE (Elect.)	11,40,509/-	32 Yrs.	1-Jan-96	60	CEA
7	P.R.Lal	Ch.Mgr.	B.Sc(Engg.)-Electrical	10,65,012/-	33 Yrs.	1-Jan-96	60	CEA

Notes:

- 1) Remuneration includes Salary, Allowances, Leave encashment, Leave travel concession, payment for the Subsidised leased accomodations, reimbursement of medical expenses to employees and employer's contribution to Provident fund and other funds. In addition, employees are entitled to Gratuity/Group Insurance in accordance with Company's rules.
- 2) None of the Employees listed above is related to any of the Directors of the Company.
- 3) Remuneration mentioned above is inclusive of retirement/separation benefits paid during the year and is not indicative of any regular remuneration structure of employees of the Company.

For and on behalf of  
POWER SYSTEM OPERATION CORPORATION LIMITED

  
 (R.N. Nayak)  
 Chairman

Date :27.07.2012

Place: New Delhi



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

**A. Conservation of Energy:**

POSOCO’s facilities are spread over six control centres located at Mumbai, Delhi, Kolkata, Bangalore and Shillong. Electricity consumption is one of the major items of expenditure on Operation and Maintenance (O & M) involving an approximate outgo of ₹2.74 crore per annum. This would go up with the rise in the electricity prices. Conservation of energy is therefore an imperative for POSOCO. Most of POSOCO’s facilities are housed in old buildings owned by the Govt. of India and changes in the basic structure of the building with a view to minimize the electricity consumption are limited. All RLDC’s have gone for an energy audit and are implementing measures towards improving air conditioning efficiency and lighting.

NLDC as Central Agency for Renewable Energy Certificate(s)(RECs) is also looking towards corporate buying RECs as part of their sustainable development efforts. POSOCO has purchased two RECs as a first step in this initiative.

**B. Research and Development:**

Large Scale Integration of Renewable Generation, improving visualization and Situational Awareness (SA) at RLDCs / NLDC, designing self healing system to take care of high impact low probability incidents continue to be the areas of special interest to POSOCO. POSOCO’s team at RLDCs/ NLDC have a continuous process of engagement with bodies like Very Large Power Grid operations(VLPGO), TSO-Comparison Group, CIGRE, IEEE etc. and are a part of different Working Groups(WGs) covering the above area.

Apart from system operation, POSOCO is also working towards having an electricity market in the country which fully compliments reliability and ensures economy and efficiency.


POSOCO looks forward to greater thrust in the above areas of Research and Development(R&D) and is exploring partnerships with academic institutions and research centres in India and abroad.

**C. Foreign Exchange earnings and outgo:**

( ₹ in crore)

Foreign Exchange earning	NIL
Foreign Exchange outgo	
(i) Repair & maintenance of SCADA – EMS system of RLDCs	9.28
(ii) Foreign travel	0.06

For and on behalf of  
POWER SYSTEM OPERATION CORPORATION LIMITED

  
(R.N. Nayak)  
Chairman

Date : 27.07.2012

Place: New Delhi



## ANNEXURE IV to the Directors' Report

### **COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF POWER SYSTEM OPERATION CORPORATION LIMITED, NEW DELHI, FOR THE YEAR ENDED 31 MARCH 2012**

The preparation of financial statements of Power System Operation Corporation Limited, New Delhi for the year ended 31 March 2012 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the Company. The statutory auditors appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 28 May 2012.

I, on behalf of the Comptroller and Auditor General of India, have decided not to review the report of the Statutory Auditors on the accounts of Power System Operation Corporation Limited, New Delhi for the year ended 31 March 2012 and as such have no comments to make under Section 619(4) of the Companies Act, 1956.

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

Sd/-

(Praveen Kumar Singh)

Principal Director of Commercial Audit &

Ex-officio Member Audit Board - III,

New Delhi

Place: New Delhi

Dated: 12th June, 2012

## Report on Corporate Governance

The Directors present the Company's Report on Corporate Governance.

### 1. The Company's Governance Philosophy

Corporate Governance is about promoting corporate fairness, transparency and accountability in the best interest of various stakeholders in the Company. It is a system by which business corporations are directed and controlled. Power System Operation Corporation of India Ltd. (POSOCO) believes that good governance should entail trusteeship, empowerment and accountability of the management while remaining proactive to the Government policies. POSOCO's Governance process is focused towards its following mission:

"Ensure Integrated Operation of Regional and National Power Systems to facilitate transfer of electric power within and across the regions and trans-national exchange of power with Reliability, Security and Economy."

The Company has also set its Objectives in furtherance of its mission as per its role as defined in the Electricity Act, and set out by the Ministry of Power, CERC, other Regulatory / Statutory Bodies, etc. from time to time.

The Board has also constituted an Audit Committee to have better and more focused attention on financial matters.

Management Discussion and Analysis is placed at Annex -I to Directors' Report.

The Company has complied with the conditions of the Corporate Governance and the disclosure requirements in that regard are given below:

### 2. Board of Directors:

#### 2.1 Size of the Board

POSOCO, being the wholly owned subsidiary Company of Power Grid Corporation of India Limited (POWERGRID) is a Government Company within the meaning of Section 617 of the Companies Act, 1956. As per Articles of Association, the composition of the Board of Directors shall be as determined by the Hon'ble President / Government of India from time to time.

In terms of Articles of Association of the Company, the strength of our Board shall not be less than three Directors but not more than fifteen Directors. These Directors may be either whole-time Directors or part-time Directors or otherwise.

#### 2.2 Composition of the Board

As on 31st March, 2012, Shri R.N. Nayak, Shri R.T. Agarwal, Shri I.S. Jha and Shri Santosh Saraf were on the Board of the Company. Shri Santosh Saraf is the independent director of the Company.

The equity shares of the Company are not listed.

#### 2.3 Age Limit and Tenure of Directors

The age limit of the Chairman and other Directors from the Board of POWERGRID is 60 years.

The date of appointment of the Directors who are in office as on 31st March, 2012 was as follows:

Name & Designation	Date of Joining on the Board*
Shri R.N. Nayak, Chairman	29.09.2009
Shri R.T. Agarwal, Director	16.05.2011
Shri I.S. Jha, Director	01.09.2011
Shri Santosh Saraf, Director	26.03.2012

\*The Directors on the Board of POWERGRID / Officials, who have been appointed as Directors in POSOCO shall cease to be on the Board of POSOCO on completion of their tenure / superannuation / withdrawal of nomination from POWERGRID.

#### 2.4 Board Meetings and Attendance:

The meetings of the Board of Directors are normally held at the Registered office of the Company. Meetings are generally scheduled well in advance and the Notice, detailed Board agenda, management reports and other explanatory Board notes are circulated to the Directors. The members of the Board have complete access to all information of the Corporation. CEO, POSOCO is a special invitee to all Board meetings.

During the financial year ended 31st March, 2012, seven Board meetings were held- on 16th May, 26th July, 3rd August, 1st September and 14th October of the year 2011 and 5th January and 26th March of the year 2012. The maximum interval between any two meetings during this period was 80 days. Details of number of Board meetings attended by Directors, attendance at last AGM, number of other directorship / committee membership (viz. Audit Committee and Shareholders' Grievance Committee as per DPE Guidelines) held by them during the year 2011-12 are tabulated below:

Name of the Director	Meeting held during respective tenure of Directors	No. of Board Meetings attended	Attendance at the last AGM (held on 24.08.2011)	No. of Other Directorship held on 31.03.12	No. of Other Committee Membership held on 31.03.12*	
					Chairman	Member
Non executive Directors						
Shri R.N. Nayak ,Chairman	7	7	Yes	7	NIL	NIL
Shri S.K. Chaturvedi, Ex- Chairman^	3	3	Yes	-	-	-
Shri R.T. Agarwal ,Director	7	6	Yes	3	1	3
Shri I.S. Jha, Director	4	4	N.A.#	3	NIL	2
Shri Santosh Saraf ^^	1	1	N.A.^^	4	3	NIL
Shri F.A. Vandrevala^^^	1	1	N.A.^^^	-	-	-

\*Including committee position of POSOCO

^Shri S.K. Chaturvedi, CMD, POWERGRID demitted office as Chairman, POSOCO pursuant to superannuation from POWERGRID on 31.08.2011.

# Shri I.S. Jha joined POSOCO Board as an additional Director w.e.f. 01.09.2011.

^^Shri Santosh Saraf, independent Director was appointed as an Additional Director on the Board of the Company on 26.03.2012.

^^^Shri F.A. Vandrevala independent Director demitted office as Director of the Company on 10.07.2011 pursuant to the completion of his tenure as independent Director in POWERGRID on 09.07.2011.

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

The Board has complete access to any information with the Company. The information regularly supplied to the Board includes:

1. Annual operating plans and budgets and any updates.
2. Annual Accounts, Directors' Report, etc.
3. Quarterly results of the company.
4. Minutes of meetings of Audit Committee
5. Disclosure of Interest by Directors about directorship and committee positions occupied by them in other Companies.
6. Non-compliance of any regulatory or statutory requirements, such as non -payment of dividend, etc.
7. Other materially important information.

### 3. Committee of the Board of Directors

POSOCO Board had constituted an Audit Committee in its meeting held on 15th March, 2011. The following are its members as on 31.03.2012:

- (i) Shri Santosh Saraf, Director- Member & Chairman
- (ii) Shri R.T. Agarwal, Director - Member
- (iii) Shri I.S. Jha, Director - Member

The powers, role, functions, etc. of the Audit Committee are governed by the Companies Act and Government Guidelines.

#### Meetings of Audit Committee

The Audit Committee meets at least four times in a year and not more than four months have elapsed between two meetings in that year. The quorum for the Audit Committee meetings is either two members or one third of the members of the Audit Committee whichever is greater.

## Review of information by Audit Committee

The Audit Committee generally reviews the following information:

1. Management discussion and analysis of financial condition and results of operations;
2. Statement of significant related party transactions submitted by management;
3. Management letters / letters of internal control weaknesses issued by the statutory auditors;
4. Internal audit reports relating to internal control weaknesses; and
5. The appointment, removal and terms of remuneration of the auditor.

## Attendance

During the financial year ended 31st March, 2012, 05 meetings of the Audit Committee were held- on 16th May, 26th July, 22nd October and 27th December of the year 2011 and 26th March, 2012 of the year 2012.

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

Name of the member	Audit Committee Meetings during the tenure	
	Held	Attended
Shri R.N. Nayak*	05	05
Shri S.K. Chaturvedi**	01	01
Shri Santosh Saraf***	01	01 <sup>^</sup>
Shri R.T. Agarwal	05	05
Shri I.S. Jha	03	03
Shri F.A. Vandrevala****	01	01

\*Shri R.N. Nayak was member and Chairman of the Audit Committee from 22.10.2011 -26.03.2012.

\*\*Shri S.K. Chaturvedi, Chairman POSOCO was co - opted as a member and Chairman in the Audit Committee Meeting held on 26.07.2011.

\*\*\*Consequent upon the appointment of Shri Santosh Saraf as Director on the Board of the Company on 26.03.2012, the Audit Committee was re - constituted and Shri Santosh Saraf was nominated as the Chairman of the Audit Committee in the Board Meeting held on 26.03.2012.

\*\*\*\*Shri F.A. Vandrevala, independent Director was the Chairman of the Audit Committee Meeting held on 16.05.2011.

<sup>^</sup> Meeting attended as Special Invitee

## 4. Remuneration of Directors

In the Board meeting of the Company held on 26.03.2012, sitting fee of ₹10,000/- had been approved to be paid to the independent Director on the Board of POWERGRID, who had been nominated on the Board of POSOCO. Apart from this, no remuneration is paid to any other Director.

Details of payment made towards sitting fee to the Independent Director on the Board of POWERGRID, who had been nominated on the Board of POSOCO is given below:

Name of the Director	Sitting Fees		Total
	Board Meeting	Audit Committee Meeting	
Shri Santosh Saraf	10,000/-	- <sup>^</sup>	10,000/-

<sup>^</sup> Meeting attended as a Special Invitee.

As on 3.03.2012, the **Directors' Shareholding** was as under:

Name of Director(s)	No. of Equity Shares Held <sup>^</sup>	
	As a Nominee of POWERGRID	Individual Capacity
Shri R.N. Nayak,	01	-
Shri R.T. Agarwal	01	-
Shri I.S. Jha	01	-

<sup>^</sup>The rest of the shares are held by other nominees as per nominations made by POWERGRID from time to time.



## 5. General Body Meetings:

POSOCO has been set up as a wholly owned subsidiary of POWERGRID in terms of Govt. Directives dt. 04.07.2008 for system operations. The Company obtained the Certificate of Commencement of Business on 23.03.2010.

Date, time and location of the Annual General Meeting since then is as under:

Year	Date	Time	Venue	Special Resolution
2009-2010	23rd September, 2010	4.30 p.m.	1st Floor, B-9, Qutab Institutional Area, Katwaria Sarai, New Delhi-16.	NIL
2010-2011	24th August, 2011	10.00 a.m.	1st Floor, B-9, Qutab Institutional Area, Katwaria Sarai, New Delhi-16.	NIL

## 6. Disclosures

- (I) Details of related party transactions are included in the Notes to the Accounts as per Accounting Standard – 18 issued by the Institute of Chartered Accountants of India and notified by the Central Government in consultation with National Advisory Committee on Accounting Standards.
- (II) The CEO of the Company has certified the financial statements to the Board.
- (III) POSOCO does not have any material non listed Indian Subsidiary Company.
- (IV) There are no material individual transactions with related parties which are not in the normal course of business.
- (V) There are no material individual transactions with related parties or others, which are on an arm's length basis.
- (VI) There were no penalties or strictures imposed on the Company by any statutory authorities for non-compliance on any matter related to capital markets, during the year.
- (VII) The Balance Sheet, Profit and Loss Account and Cash Flow Statement for the financial year 2011-12 have been prepared as per the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956.

## 7. Means of Communication

The Company communicates with its shareholders through its Annual Report, General Meeting, Newspapers and disclosure through web site.

Information and latest updates and announcements made by the Company can be accessed at Company's website: [http:// posoco.in](http://posoco.in).

## 8. Code of Conduct

The Board of Directors of POWERGRID, the holding Company has laid down two separate Code of Business Conduct and Ethics – one for Board Members and another for Senior Management Personnel. The Code of Conduct applicable to POWERGRID is being followed.

## 9. Shareholders' Information

### i) Annual General Meeting

Date : 6th September, 2012  
Time : 3.00 p.m.  
Venue : B-9, Qutab Institutional Area, Katwaria Sarai, New Delhi – 110 016.

### ii) Financial Year

The Company's Financial Year is from 1st April to 31st March.

### iii) Payment of dividend

The Board of Directors of the Company has recommended payment of a final Dividend of 15% (₹ 1.5 per share) for the financial year ended 31st March, 2012. In addition, an Interim Dividend of 15% (₹ 1.5 per share) was paid on 30th March, 2012. (Dividend paid in the Previous Year was ₹ 1 per share)



iv) **Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity**

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

v) **Dividend History**

(₹ in Crore)

Year	Total Paid-up Capital	Total Amount of Dividend Paid for the Financial Year	Date of AGM in which dividend was declared	Date of Payment of Final Dividend
2010-11	30.64	3.06	24.08.2011	13.09.2011
2011-12	30.64	4.60*	26.03.2012**	30.03.2012#

\* Amount of interim Dividend

\*\* Date of Board Meeting

# Date of Payment of Interim Dividend

vi) **Location of POSOCO Plants**

POSOCO has no plants.

vii) **Shareholding Pattern**

The entire shares of the Company are owned by Power Grid Corporation of India Limited.

viii) **Address for correspondence:**

Power System Operation Corporation Limited,  
1st Floor, B-9, Qutab Institutional Area,  
Katwaria Sarai, New Delhi – 110 016.

	Telephone No.	Fax No.
Registered Office	011-26536832, 26524522	011-26524525, 26536901
website	www.nldc.in	
Company Secretary Ms. Priti Chaturvedi	011-26561309	011 -26524525
Email ID	priti@posoco.in	

For and on behalf of  
POWER SYSTEM OPERATION CORPORATION LIMITED

  
(R.N. Nayak)  
Chairman

Date : 27.07.2012

Place: New Delhi

**Annexure-I**

**Non-Mandatory Requirements**

- The Board:** The Company is headed by a non-executive Chairman. No person has been appointed as independent director who has been a Director, in the aggregate, exceeding a period of nine years on the Board of POSOCO.
- Audit qualifications:** The financial statement for the year 2011-12 has no audit qualifications.
- Training of Board Members:** A presentation on the following matters was given to the Directors:
  - Presentation on POSOCO as a whole was provided to the Directors so as to give them an insight into the functioning of the Company.
  - Presentation on activities assigned to POSOCO by MoP and CERC through new Regulations.
  - Presentation on half yearly / annual review of POSOCO.



## Certificate on Corporate Governance

To  
The Members,  
Power System Operation Corporation Limited.

I have examined the compliance of conditions of corporate governance by Power System Operation Corporation Limited, for the year ended on 31st March, 2012, as stipulated in the DPE Guidelines.

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

In my opinion and to the best of my information and according to the explanation given to me, I certify that the Company has complied with the conditions of Corporate Governance except that it has an independent director who constitute one fourth of the total number of directors as against the requirement of one third the total number of directors, and that the Audit Committee has only one independent director as against the requirement of two, in implementation of the Guidelines on Corporate Governance for CPSEs issued by the Department of Public Enterprises.

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

*T. V. Narayanaswamy*  
(T.V. NARAYNASWAMY)  
COMPANY SECRETARY

Date : 24.07.2012  
Place: New Delhi

## ACCOUNTING POLICIES

### 1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

### 1.2 USE OF ESTIMATES

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

### 1.3 RESERVES AND SURPLUS

LDC Development fund is created in terms of Central Electricity Regulatory Commission (fees and charges of the Regional Load Despatch Centre and other related matters) Regulations 2009. In terms of clause 9(2) of the regulations, the charges on account of return on equity, interest on loan, depreciation and other income of the Regional Load Despatch Centres and NLDC such as registration fee, application fee, short term open access charges etc. shall be deposited to the LDC development fund. The funds shall be utilised for loan repayment, servicing the capital raised in the form of interest and dividend payment, meeting stipulated equity portion in asset creation and margin money for raising loan from financial institutions and funding R&D Projects. Any asset created out of the money deposited to the LDC development fund shall not be considered for computation of the return on equity and interest on loan.

### 1.4 GRANTS-IN-AID

1.4.1 Grants in aid received from Central Govt or other authorities towards capital expenditure for projects, betterment of system operation and specific depreciable assets are shown as "Grants-in-aid" till the utilisation of grant.

1.4.2 On capitalisation of related assets, grants received for specific depreciable assets are treated as deferred income and recognised in the profit and loss account over the useful period of life and in proportion to which depreciation on these assets is provided.

### 1.5 FIXED ASSETS

Fixed assets are shown at historical cost comprising of purchase price and any attributable cost of bringing the assets to its working condition for intended use.

### 1.6 CAPITAL WORK IN PROGRESS

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

1.6.2 Interest during construction is apportioned to Capital Work In Progress (CWIP) on the closing balance of Specific asset or part of asset being capitalized. Balance, if any, left after such capitalization is kept as a separate item under the CWIP.

### 1.7 INTANGIBLE ASSETS

The cost of software (which is not an integral part of the related hardware) acquired for internal use and resulting in significant future economic benefits, is recognized as intangible assets in the books of accounts when the same is ready for its use.

### 1.8 CONSTRUCTION STORES

Construction stores are valued at cost.

### 1.9 BORROWING COST

1.9.1 All the borrowed funds ( except short term funds for working capital) are earmarked to specific projects. The borrowing costs (including interest, and guarantee fee etc.) are allocated to the projects in proportion to the funds so earmarked.

1.9.2 The borrowing costs so allocated are capitalised or charged to revenue, based on whether the project is under construction or in operation.

### 1.10 TRANSACTION IN FOREIGN CURRENCY

1.10.1 Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of transaction. Foreign currency loans, deposits and liabilities are translated or converted with reference to the rates on the date of the balance sheet.

1.10.2 FERV arising on transactions contracted prior to April, 1 2004 is adjusted to carrying cost of capital work-in-progress/fixed assets in case of capital assets. For transactions contracted on or after 1st April, 2004 the same is charged to Profit & Loss account irrespective of whether the project is under construction or operation.

1.10.3 Other exchange differences are recognized as income or expenses in the period in which they arise.

### 1.11 REVENUE RECOGNITION

1.11.1 System operation and Market operation charges comprising RLDC fees and charges are recognised on the basis of tariff approved by Central Electricity Regulatory Commission(CERC). Human Resource and Operation and Maintenance expenses component of tariff are restricted to the actual expenditure. Charges towards projected capital expenditure are restricted to charges based on actual capital expenditure.

Any excess in collection of System Operation and Market Operation charges over the revenue recognised is transferred to the

liability to be adjusted on true up exercise by the CERC after the expiry of the control period.

- 1.11.2 Income from Short Term Open Access (STOA) is accounted for on the basis of regulations notified by CERC. Income on account of operating charges, scheduling and system operation charges from Short Term Open Access (STOA) in terms of the Central Electricity Regulatory Commission (Open Access in Inter State transmission), Regulations is accounted for as and when the bilateral /collective transactions takes place.
- 1.11.3 Non refundable application money from the Short Term Open Access (STOA) is accounted as income on receipt of application along with the fees.
- 1.11.4 Transmission charges collected for the disbursement to STUs/CTUs/SEBs from the Short Term Open Access (STOA) are passed on to the respective STUs/CTUs/SEBs . The unpaid amount as at balance sheet date is depicted as liability.
- 1.11.5 Supervision Charges  
Overhead charges on account of supervision of SCADA Annual Maintenance Charges are accounted on accrual basis.
- 1.11.6 Registration fees  
One time registration fees of new users and power exchanges is accounted for on accrual basis.
- 1.11.7 Liquidated damages/warranty claims and interest on advances to suppliers are accounted for on certainty.
- 1.11.8 Bank Interest earned on the fixed deposits lying in unscheduled Interchange Pool Account Fund, Congestion Charge Account, Reactive Energy Charges Account and Inter regional exchange account are credited directly to respective Fund accounts.
- 1.11.9 Surcharge is being accounted for when no significant uncertainty as to measurability and collectability exists.

## **1.12 DEPRECIATION**

- 1.12.1 The depreciation has been provided on straight line method at the rates and methodology specified in the norms notified by CERC for the purpose of recovery of RLDC fees and charges. With effect from 01/04/2009 (effective date of CERC Regulations, 2009), useful life has been considered/worked out prospectively based on the unamortized balance of such asset on the basis of the rate of depreciation specified by the CERC except for mobile phones which have been depreciated at 33.33%.
- 1.12.2 Where the cost of depreciable asset has undergone a change due to increase/decrease in long term liabilities on account of exchange rate fluctuation, price adjustment, change in duties or similar factors, the unamortized balance of such asset is depreciated prospectively over the residual life.
- 1.12.3 Assets costing ₹ 5,000/- or less or where the written down value is less than ₹ 5,000/ or less at the beginning of the year, are charged to revenue.

## **1.13 EXPENDITURE**

- 1.13.1 Pre-paid /prior period items up to ₹ 1,00,000/ are accounted to natural heads of accounts.
- 1.13.2. Expenditure of research and development, other than Capital Expenditure, are charged to revenue in the year of incurrance.

## **1.14 IMPAIRMENT OF ASSETS**

Cash generating units as defined in AS-28 on "Impairment of Assets" are defined at the balance sheet date with respect to carrying amount vis-à-vis recoverable amount thereof and impairment loss, if any, is recognised in the profit loss account. Impairment loss, if need to be reversed subsequently, is accounted for in the year of reversal.

## **1.15 EMPLOYEE BENEFITS**

- 1.15.1 The liability for retirement benefits of employees in respect of gratuity, which is ascertained annually on actuarial valuation at the year end, is provided and funded separately.
- 1.15.2 The liability for compensated absence (both for earned & half pay leave), leave encashment, post retirement medical benefits & settling allowance to employees are ascertained annually on actuarial valuation at the year end and provided for.
- 1.15.3 Actuarial gains/losses are recognized immediately in this Statement of Profit & Loss.

## **1.16 PROVISIONS AND CONTINGENT LIABILITIES**

A provision is recognised when the company has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made based on technical valuation and past experience. Provisions are not discounted to its present value and are determined based on management estimate required to settle the obligation at the balance sheet date. No provision is recognised for liabilities whose future outcome cannot be ascertained with reasonable estimate. Such contingent liabilities are not recognised but are disclosed in the schedule of contingent liability on the basis of judgement of the management/ independent expert. These are reviewed at each balance sheet date and adjusted to reflect the current management estimate.

## **1.17 INCOME TAX**

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

## Balance Sheet as at 31st March 2012

Description	Note No.	(₹ in Crore)	
		As at 31st March, 2012	As at 31st March, 2011
<b>I. EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
(a) Share capital	2.1	30.64	30.64
(b) Reserves and surplus	2.2	86.12	46.29
		<b>116.76</b>	<b>76.93</b>
<b>Non-current liabilities</b>			
(a) Long-term borrowings	2.3	-	40.31
(b) Deferred Revenue	2.4	1.27	2.00
(c) Other Long term liabilities	2.5	23.57	18.14
(d) Long-term provisions	2.6	26.95	23.70
		51.79	84.15
<b>Current liabilities</b>			
(a) Short-term borrowings	2.7	-	49.04
(b) Trade payables	2.8	2.13	1.55
(c) Other current liabilities	2.9	622.43	951.43
(d) Short-term provisions	2.10	76.01	35.13
		<b>700.57</b>	<b>1037.15</b>
<b>Total</b>		<b>869.12</b>	<b>1198.23</b>
<b>II. ASSETS</b>			
<b>Non-current assets</b>			
(a) Fixed assets			
(i) Tangible assets	2.11	37.71	50.96
(ii) Intangible assets	2.12	1.53	0.18
(iii) Capital work in progress	2.13	2.83	0.69
(iv) Construction stores	2.14	0.06	0.06
		<b>42.13</b>	<b>51.89</b>
(b) Deferred tax Assets (Net)	2.15	<b>6.69</b>	<b>3.35</b>
(c) Long-term loans and advances	2.16	<b>11.74</b>	<b>24.78</b>
<b>Current assets</b>			
(a) Trade receivables	2.17	21.72	90.02
(b) Cash and Bank Balances	2.18	675.09	994.57
(c) Short-term loans and advances	2.19	97.77	21.72
(d) Other current assets	2.20	13.98	11.90
		<b>808.56</b>	<b>1118.21</b>
<b>Total</b>		<b>869.12</b>	<b>1198.23</b>
<b>Accounting Policies</b>	1		
<b>Notes on Accounts</b>	2		

Notes referred above are integral part of the Balance Sheet

For and on behalf of the Board of Directors

(Priti Chaturvedi)  
Company Secretary

( S. K. Soonee)  
Chief Executive Officer

( R. T. Agarwal )  
Director

( R. N. Nayak )  
Chairman

As per our report of even date  
For B. C. Jain & Co.  
Firm Regn. No. 01099 (C)

(Ranjeet Singh )  
Partner  
M.No. 73488

Place :Gurgaon  
Date : 28th May 2012



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

Description	Note No.	(₹ in Crore)	
		For the year ended 31st March, 2012	For the year ended 31st March, 2011
<b>I. Revenue from operations</b>	2.21	161.59	88.97
<b>II. Other income</b>	2.22	52.75	26.74
<b>III. Total Revenue (I + II)</b>		<b>214.34</b>	<b>115.71</b>
<b>IV. Expenses:</b>			
Employee benefits expense	2.23	74.22	36.55
Finance costs	2.24	5.74	1.23
Depreciation and amortization expense	2.25	20.11	30.92
Operation , Maintenance and Other Administrative Expenses	2.26	40.14	20.60
<b>Total expenses</b>		<b>140.21</b>	<b>89.30</b>
<b>V. Profit before Prior period Adjustment and tax (III - IV)</b>		74.13	26.41
<b>VI. Prior period items</b>	2.27	(5.76)	-
<b>VII. Profit before tax (V - VI)</b>		79.89	26.41
<b>VIII. Tax expense:</b>			
(1) Current tax		32.71	18.55
(2) Deferred tax		(3.34)	(3.35)
		29.37	15.20
<b>IX. Profit after tax (VII - VIII)</b>		<b>50.52</b>	<b>11.21</b>
<b>X. Earnings per equity share:</b>	2.44		
(1) Basic		16.49	7.33
(2) Diluted		16.49	7.33
<b>Accounting Policies</b>	1		
<b>Notes on Accounts</b>	2		

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

For and on behalf of the Board of Directors

**(Priti Chaturvedi )**  
Company Secretary

**( S. K. Soonee )**  
Chief Executive Officer

**( R. T. Agarwal )**  
Director

**( R. N. Nayak )**  
Chairman

As per our report of even date  
For B. C. Jain & Co.  
Firm Regn. No. 01099 (C)

**(Ranjeet Singh )**  
Partner  
M.No. 73488

Place :Gurgaon  
Date : 28th May 2012



## CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2012

(₹ in crore)

Particulars	For the year ended 31st March, 2012	For the year ended 31st March, 2011
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit Before Tax	79.89	26.41
<b>Adjustment for :</b>		
Depreciation	20.11	30.92
Transfer from Grants in Aid	(0.73)	(3.06)
Net Loss on Disposal / Write off of Fixed Assets	0.05	0.01
Interest and Finance Charges	5.74	1.23
Provisions write back	(0.01)	-
Un-realised FERV gain	-	(0.01)
FERV written off	-	0.09
<b>Operating profit before Working Capital Changes</b>	<b>105.05</b>	<b>55.59</b>
<b>Adjustment for :</b>		
Increase/(Decrease) in Trade payables and other liabilities	(363.13)	(1,055.94)
(Increase)/Decrease in Other current assets	(2.08)	29.09
(Increase)/Decrease in Loans and Advances	4.04	90.16
(Increase)/Decrease in Trade and other receivables	68.30	(90.02)
	<b>(292.87)</b>	<b>(1,026.71)</b>
Contribution received for LDC Development Fund	-	14.19
Direct taxes paid	(67.05)	(19.00)
<b>Net Cash from operating activities</b>	<b>(254.87)</b>	<b>(975.93)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
(Increase)/Decrease in Tangible and Intangible Assets	(8.26)	(6.26)
(Increase)/Decrease in Work in Progress	(2.14)	-
<b>Net cash used in investing activities</b>	<b>(10.40)</b>	<b>(6.26)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Loans raised/ (repaid) during the year	(40.31)	49.04
Dividend paid	(7.66)	-
Dividend tax paid	(0.50)	-
Interest and Finance Charges Paid	(5.74)	(1.32)
Net Cash from Financing Activities	<b>(54.21)</b>	<b>47.72</b>
<b>D. Net change in Cash and Cash equivalents (A+B+C)</b>	<b>(319.48)</b>	<b>(934.47)</b>
E. Cash and Cash equivalents(Opening balance)	994.57	0.05
F. Cash and Cash equivalents taken over from the Holding Company		1,928.99
G. Cash and Cash equivalents(Closing balance) (D+E+F)	<b>675.09</b>	<b>994.57</b>

Note:

1. Cash and cash equivalents consists of Cash in hand and balances with banks. Cash and cash equivalents included in the Cash Flow Statement comprise of following Balance Sheet amounts as per Note 2.18.

Cash and cash equivalents	258.50	266.58
Other Bank balances (*)	416.59	727.99
	<b>675.09</b>	<b>994.57</b>

(\*) Amounts available for specific use only

In designated current accounts / flexi deposit accounts operated and maintained in terms of CERC regulations (refer para 4 of Notes on accounts)

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

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

**(Priti Chaturvedi )**  
Company Secretary

**( S. K. Soonee)**  
Chief Executive Officer

**( R. T. Agarwal )**  
Director

**( R. N. Nayak )**  
Chairman

As per our report of even date  
For B. C. Jain & Co.  
Firm Regn. No. 01099 (C)

**(Ranjeet Singh )**  
Partner  
M.No. 73488

Place :Gurgaon  
Date : 28th May 2012

## Note 2.1 Share capital

Description	(₹ in Crore)	
	As at 31st March, 2012	As at 31st March, 2011
<b>Equity Share Capital</b>		
<b>Authorised Capital</b>		
20,00,00,000 (Previous Year 20,00,00,000) equity shares of ₹ 10/- each	200.00	200.00
<b>Issued Subscribed and paid up</b>		
3,06,40,000 (Previous Year 3,06,40,000) equity shares of ₹ 10/-each fully paid up	30.64	30.64
<b>Total</b>	<b>30.64</b>	<b>30.64</b>

### Further Notes:

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

Particulars	As at 31 March, 2012		As at 31 March, 2011	
	No. of Shares	Amount (₹ in crore)	No. of Shares	Amount (₹ in crore)
Shares outstanding at the beginning of the year	30,640,000	30.64	50,000	0.05
Shares Issued during the year	NIL	NIL	30,590,000	30.59
Shareg bought back during the year	NIL	NIL	NIL	NIL
Shares outstanding at the end of the year	30,640,000	30.64	30,640,000	30.64

2) The holders of equity shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

3) 3,06,40,000 (Previous Year 3,06,40,000) equity shares are held by Powergrid Corporation of India Limited - Holding Company and its nominees.

4) Out of above 3,05,90,000 (Previous Year 3,05,90,000) equity shares of ₹ 10 /- each have been allocated as fully paid shares, in pursuant to agreement to sell assets without consideration being received in cash.

## Note 2.2/Reserves and surplus

Description	(₹ in Crore)	
	As at 31st March, 2012	As at 31st March, 2011
<b>General Reserve</b>		
As per last Balance Sheet	-	-
Additions during the year	5.20	-
Deductions during the year	-	-
Closing Balance	5.20	-
<b>LDC Development Fund</b>		
As per Last Balance Sheet	46.29	-
Additions during the year	23.95	46.29
Deductions during the year	-	-
Closing Balance	70.24	46.29
<b>Surplus (Balance in Profit and Loss Account)</b>		
As per last Balance Sheet		(1.28)
<b>Add:Additions</b>	-	
Profit after tax as per Statement of Profit and Loss	50.52	11.21
<b>Less: Appropriations</b>		
LDC Development Reserve	23.95	6.37

Description	(₹ in Crore)	
	As at 31st March, 2012	As at 31st March, 2011
General Reserve	5.20	-
Interim dividend paid	4.60	-
Dividend tax	0.74	-
Proposed Final Dividend	4.60	3.06
Dividend tax	0.75	0.50
<b>Closing Balance</b>	10.68	-
<b>TOTAL</b>	<b>86.12</b>	<b>46.29</b>

### Note 2.3/Long-term borrowings

Description	(Figures in ₹ Crores)	
	As at 31-Mar-2012	As at 31-Mar-2011
Unsecured Loan from Power Grid Corporation of India Ltd. - Holding Company on account of take over liability in relation to the assets transferred.	-	40.31
<b>TOTAL</b>	<b>-</b>	<b>40.31</b>

### Note 2.4/Deferred Revenue

Description	(Figures in ₹ Crores)	
	As at 31-Mar-2012	As at 31-Mar-2011
Grants in aid	1.27	2.00
<b>TOTAL</b>	<b>1.27</b>	<b>2.00</b>

### Note 2.5/Other Long term liabilities

Description	(Figures in ₹ Crores)	
	As at 31-Mar-2012	As at 31-Mar-2011
i) Deposits Retention money from contractors and others.	2.44	8.09
ii) Liability on account of Truing up (refer Note No.2.38 of Other Notes on Accounts)	19.81	6.51
iii) Dues for Capital Expenditure	0.76	0.96
iv) Others	0.56	2.58
<b>Total</b>	<b>23.57</b>	<b>18.14</b>

### Note 2.6/Long-term provisions

Description	(Figures in ₹ Crores)	
	As at 31-Mar-2012	As at 31-Mar-2011
Employee Benifits		
As per last Balance Sheet	23.70	-
Additions during the year	3.25	23.70
Amounts utilised/paid during the year	-	-
<b>TOTAL</b>	<b>26.95</b>	<b>23.70</b>

### Note 2.7/ Short-term borrowings

Description	(Figures in ₹ Crores)	
	As at 31-Mar-2012	As at 31-Mar-2011
(Unsecured)		
Other Unsecured Loan from Power Grid Corporation of India-Holding Co.	-	49.04
<b>TOTAL</b>	<b>-</b>	<b>49.04</b>

## Note 2.8/Trade payables

Description	(Figures in ₹ Crores)	
	As at 31-Mar-2012	As at 31-Mar-2011
For goods and services	2.13	1.55
<b>Total</b>	<b>2.13</b>	<b>1.55</b>

### Further Notes:

Based on information available the company, there are no suppliers/service providers who are registered as micro, small for medium enterprises under "The Micro, Small and Medium Enterprises Development Act, 2006" as on 31<sup>st</sup> March, 2012 and as on 31<sup>st</sup> March, 2011.

## Note 2.9/Other current liabilities

Description	(Figures in ₹ Crores)	
	As at 31-Mar-2012	As at 31-Mar-2011
i) Dues for Capital Expenditure	0.68	0.88
ii) Employee related liability	0.12	0.01
iii) Advances from Customers	189.48	200.67
iv) Others	5.51	5.22
(Liabilities in respect of Designated accounts operated and maintained in terms of CERC Regulations (Refer Note no.2.31 of Other Notes on Accounts))	426.64	744.65
	<b>621.63</b>	<b>950.54</b>
<b>Total</b>	<b>622.43</b>	<b>951.43</b>

## Note 2.10/Short-term provisions

Description	(Figures in ₹ Crores)	
	As at 31-Mar-2012	As at 31-Mar-2011
<b>a) Provision for Employee Benefits</b>		
i) Transmission incentive special		
As per last Balance Sheet	8.76	
Addition during the year	9.30	8.76
Amount paid/adjusted during the year	7.58	
Closing Balance	10.48	8.76
ii) Provision for Wage revision		
As per last Balance Sheet	3.08	
Additions during the year	3.07	3.08
Amounts utilised/paid during the year	-	
Closing Balance	6.15	3.08
iii) Other Employee Benefits (Leave Encashment, Settlement Allowance, Post retirement medical benefits etc.)		
As per last Balance Sheet	1.18	
Additions during the year	2.79	1.18
Amounts utilised/paid during the year	1.94	
Closing Balance	2.03	1.18
<b>Total (A)</b>	<b>18.66</b>	<b>13.02</b>
<b>b) Others</b>		
i) Taxation (Including interest on Tax)		
As per last Balance Sheet	18.55	-
Additions during the year	32.71	18.55

(Figures in ₹ Crores)

Description		As at 31- Mar-2012	As at 31- Mar-2011
Amount adjusted during the year	-		-
Closing Balance		51.26	18.55
ii) Proposed Dividend			
As per last Balance Sheet	3.06		-
Additions during the year	9.20		3.06
Amounts paid during the year	7.66		-
Closing Balance		4.60	3.06
iii) Dividend Tax			
As per last Balance Sheet	0.50		-
Additions during the year	1.49		0.50
Amounts paid during the year	0.50		-
Closing Balance		1.49	0.50
<b>Total (B)</b>		<b>57.35</b>	<b>22.11</b>
<b>Total (A+B)</b>		<b>76.01</b>	<b>35.13</b>

## Note 2.11/Tangible assets

(Figures in ₹ Crores)

Description	Gross Block					Depreciation/Amortisation					Net Block	
	As on 01-Apr- 2011	Additons during the year	Sale / Dis- posal	Adjust- ment during the year	As at 31-Mar- 2012	Upto 31-Mar- 2011	Additons during the year	Sale / Dis- posal	Adjust- ment during the year	As at 31-Mar- 2012	As at 31-Mar- 2012	As at 31-Mar- 2011
Civil Works												
a) RLDCs	9.87	-	-	-	9.87	1.57	0.33	-	-	1.90	7.97	8.30
b) Township	0.05	-	-	-	0.05	0.01	-	-	-	0.01	0.04	0.04
Temporary Erection	0.11	0.01	-	-	0.12	0.09	0.02	-	-	0.11	0.01	0.02
Water Supply Drainage & Sewerage	0.03	-	-	-	0.03	-	-	-	-	-	0.03	0.03
<b>Plant &amp; Machinery</b>												
a) RLDCs	2.50	0.17	-	-	2.67	0.67	0.14	-	-	0.81	1.86	1.83
b) ULDC	247.37	0.12	-	0.18	247.31	215.84	17.61	-	3.26	230.19	17.12	31.53
c) Communi- cation	0.52	-	-	-	0.52	0.17	0.03	-	-	0.20	0.32	0.35
Furniture Fixtures	7.38	0.33	0.01	0.01	7.69	2.44	0.55	-	-	2.99	4.70	4.94
Office equip- ment	2.01	0.48	0.01	0.02	2.46	0.82	0.19	-	0.03	0.98	1.48	1.19
Electronic Data Process- ing & Word Processing Machines	6.49	2.01	-	0.08	8.42	3.83	0.79	-	0.29	4.33	4.09	2.66
Vehicles	0.01	-	-	-	0.01	-	-	-	-	-	0.01	0.01

(Figures in ₹ Crores)

Description	Gross Block					Depreciation/Amortisation					Net Block	
	As on 01-Apr-2011	Additons during the year	Sale / Disposal	Adjustment during the year	As at 31-Mar-2012	Upto 31-Mar-2011	Additons during the year	Sale / Disposal	Adjustment during the year	As at 31-Mar-2012	As at 31-Mar-2012	As at 31-Mar-2011
Constrn.and Workshop equipment	0.01	-	-	-	0.01	0.01	-	-	-	0.01	-	-
Electrical Installation	0.07	0.03	-	-	0.10	0.03	0.01	-	-	0.04	0.06	0.04
Miscellaneous Assets/ Equipments	0.11	-	-	-	0.11	0.09	-	-	-	0.09	0.02	0.02
<b>Grand Total</b>	<b>276.53</b>	<b>3.15</b>	<b>0.02</b>	<b>0.29</b>	<b>279.37</b>	<b>225.57</b>	<b>19.67</b>	<b>-</b>	<b>3.58</b>	<b>241.66</b>	<b>37.71</b>	<b>50.96</b>
Previous Year		276.53			276.53		225.57			225.57	50.96	

### Note 2.12/Intangible assets

(Figures in ₹ Crores)

Description	Gross Block					Depreciation/Amortisation					Net Block	
	As on 01-Apr-2011	Additons during the year	Sale / Disposal	Adjustment during the year	As at 31-Mar-2012	Upto 31-Mar-2011	Additons during the year	Sale / Disposal	Adjustment during the year	As at 31-Mar-2012	As at 31-Mar-2012	As at 31-Mar-2011
Electronic Data Processing Software	0.25	1.87	-	-	2.12	0.07	0.44	-	-0.08	0.59	1.53	0.18
	<b>0.25</b>	<b>1.87</b>	<b>-</b>	<b>-</b>	<b>2.12</b>	<b>0.07</b>	<b>0.44</b>	<b>-</b>	<b>-0.08</b>	<b>0.59</b>	<b>1.53</b>	<b>0.18</b>
Previous Year		0.25			0.25		0.07			0.07	0.18	

### Note 2.13/Capital work in progress

(Figures in ₹ Crores)

Description	As on 01-Apr-2011	Additions	Adjustments	capitalised during the year	As at 31-Mar-2012
<b>Civil Works</b>					
Regional Load Despatch Centre & Office (Incl. civil work)	0.19	0.41			0.60
<b>Plant &amp; Equipments (including associated civil works)</b>					
ULDC	0.48	1.73			2.21
Incidental Expenditure during Construction	0.02				0.02
<b>TOTAL</b>	<b>0.69</b>	<b>2.14</b>			<b>2.83</b>

### Note 2.14/Construction stores

(Figures in ₹ Crores)

Description	As at 31-Mar-2012	As at 31-Mar-2011
Construction Stores (Including Material In Transit pending issue to contractors and with contractors of ₹ 0.06 Crore)	0.06	0.06
<b>TOTAL</b>	<b>0.06</b>	<b>0.06</b>



## Note 2.15/Deferred tax Assets (Net)

Description	(Figures in ₹ Crores)	
	As at 31-Mar-2012	As at 31-Mar-2011
Deferred Tax Asset		
Employee Benefits-Leave encashment, Incentive u/s 43B	1.33	-
Wage Revision Provision	9.95	-
Provisions	0.01	2.53
Interest on Truing up	1.57	-
<b>Sub-total (A)</b>	<b>12.86</b>	<b>2.53</b>
Deferred Tax Liability		
Towards Fixed Assets (Net)	6.17	(0.82)
<b>Sub-total (B)</b>	<b>6.17</b>	<b>(0.82)</b>
<b>Net Deferred Tax Assets</b>	<b>6.69</b>	<b>3.35</b>

## Note 2.16/Long-term loans and advances

Description	(Figures in ₹ Crores)	
	As at 31-Mar-2012	As at 31-Mar-2011
<b>Other loans and advances</b>		
<b>i) Employees (including Interest Accrued)</b>		
a) Secured	6.17	5.79
b) Unsecured - Considered good	0.42	0.31
-Considered doubtful	0.05	0.05
	6.64	6.15
Less: Provision for Bad & Doubtful Advances	0.05	0.05
	6.59	6.10
<b>ii) Advances recoverable in cash or in kind or for value to be received (Unsecured considered good)</b>		
a) Contractors & Suppliers	0.01	1.14
b) Employees	0.99	2.01
c) Others	2.38	15.39
d) Others-Third Party	1.61	-
e) Balance with Customs Port Trust and other authorities	0.16	0.14
	5.15	18.68
	11.74	24.78
<b>TOTAL</b>	<b>11.74</b>	<b>24.78</b>
Due from		
Directors	-	-
Officers	0.60	0.64

## Note 2.17/Trade receivables

Description	(Figures in ₹ Crores)	
	As at 31-Mar-2012	As at 31-Mar-2011
<b>i) Debts Outstanding for a period exceeding Six Months</b>		
Considered Good	3.14	-
Considered Doubtful	0.03	-

Description	As at 31-Mar-2012	As at 31-Mar-2011
<b>ii) Other Debts</b>		
-Billed Debtors	17.74	88.75
-Unbilled Debtors	0.84	1.27
	<u>21.75</u>	<u>90.02</u>
Less: Provision for bad & doubtful debts	0.03	-
<b>TOTAL</b>	<u><b>21.72</b></u>	<u><b>90.02</b></u>

## Note 2.18/Cash and Bank Balances

(Figures in ₹ Crores)

Description	As at 31-Mar-2012	As at 31-Mar-2011
<b>1) Cash and Cash Equivalents</b>		
Balance with Banks		
-In Current Accounts / Flexi deposit Accounts	231.40	225.25
-In LDC Development Account	27.10	41.32
Cash on hand	-	0.01
	<u><b>258.50</b></u>	<u><b>266.58</b></u>
<b>2) Other Bank Balances</b>		
-In Designated Current Accounts / Flexi Deposit accounts operated & maintained in terms of CERC regulations (Refer Note no. 2.31 of Other Notes on Accounts)	416.59	727.99
	<u><b>416.59</b></u>	<u><b>727.99</b></u>
<b>TOTAL</b>	<u><b>675.09</b></u>	<u><b>994.57</b></u>

## Note 2.19/Short-term loans and advances

(Figures in ₹ Crores)

Description	As at 31-Mar-2012	As at 31-Mar-2011
<b>A) Loans</b>		
<b>a) Employees including interest accrued</b>		
Secured Considered good	1.47	1.25
<b>b) Related parties</b>		
Holding Company- Power Grid Corp of India Ltd.	7.85	-
<b>Total(A)</b>	<u><b>9.32</b></u>	<u><b>1.25</b></u>
<b>B) Advances recoverable in cash or in kind or for value to be received</b>		
<b>a) Employees</b>	1.13	1.18
<b>b) Others</b>		
Contractors & Suppliers (Including Material issued on loan)	0.17	
Advance Tax & TDS	86.05	19.00
Others	1.10	0.29
	<u>87.32</u>	<u>19.29</u>
<b>Total (B)</b>	<u><b>88.45</b></u>	<u><b>20.47</b></u>
<b>Total(A+B)</b>	<u><b>97.77</b></u>	<u><b>21.72</b></u>
Directors	-	-
Officers	0.41	0.23

## Note 2.20/Other current assets

(Figures in ₹ Crores)

Description	As at 31-Mar-2012	As at 31-Mar-2011
a) Interest accrued but not due		
Interest accrued on Term/Fixed Deposits	9.54	11.90
Interest accrued on Term/Fixed Deposits-In Designated A/c	4.30	-
b) Others	0.14	-
<b>TOTAL</b>	<b>13.98</b>	<b>11.90</b>

## Note 2.21/Revenue from operations

(Figures in ₹ Crores)

Description	For the Year ended 31-Mar-2012	For the Period ended 31-Mar-2011
<b>A.Sales of services</b>		
i) Revenue from System and Market Operation	158.54	87.58
ii) Consultancy Project Management and Supervision Fees	3.05	1.39
<b>Total</b>	<b>161.59</b>	<b>88.97</b>

## Note 2.22/Other income

(Figures in ₹ Crores)

Description	For the Year ended 31-Mar-2012	For the Period ended 31-Mar-2011
<b>A) Interest from</b>		
Indian Banks	23.93	4.70
Employees Loans and Others	0.36	0.16
<b>Total (A)</b>	<b>24.29</b>	<b>4.86</b>
<b>B) Others</b>		
Deferred Income (Transferred from Grants-in-aid)	0.85	3.06
Short Term Open Access-Other Charges	25.44	11.31
Surcharge	0.17	-
FERV gain	-	0.01
Provision written back	0.01	-
Miscellaneous income	1.99	7.50
<b>Total (B)</b>	<b>28.46</b>	<b>21.88</b>
<b>TOTAL</b>	<b>52.75</b>	<b>26.74</b>

## Note 2.23/Employee benefits expense

(Figures in ₹ Crores)

Description	For the Year ended 31-Mar-2012	For the Period ended 31-Mar-2011
Salaries wages allowances & benefits	65.03	28.11
Contribution to provident and other funds	4.29	4.53
Welfare expenses	4.90	3.91
<b>TOTAL</b>	<b>74.22</b>	<b>36.55</b>

## Note 2.24/Finance costs

Description	(Figures in ₹ Crores)	
	For the Year ended 31-Mar-2012	For the Period ended 31-Mar-2011
A) Interest on Loan from		
Foreign Banks and Financial Institutions	0.15	0.12
Secured/Unsecured redeemable Bonds	0.54	0.51
Others	4.84	0.34
	<b>5.53</b>	<b>0.97</b>
B) Other Borrowing Cost		
Guarantee Fee	0.20	0.18
Other finance charges	0.01	0
	<b>0.21</b>	<b>0.18</b>
C) Foreign Exchange Rate Variation	22.42	0.08
Less: Recoverable from Beneficiaries at the time of Truing Up (Refer Note No. 2.38 (II) of Other Notes on Accounts).	22.42	-
<b>TOTAL</b>	<b>5.74</b>	<b>1.23</b>

## Note 2.25/Depreciation and amortization expense

Description	(Figures in ₹ Crores)	
	For the Year ended 31-Mar-2012	For the Period ended 31-Mar-2011
Depreciation/Amortization-Tangible Assets	19.67	30.85
Amortization-Intangible Assets	0.44	0.07
<b>Total</b>	<b>20.11</b>	<b>30.92</b>

## Note 2.26/Operation, Maintenance and Other Administrative Expenses

Description	(Figures in ₹ Crores)	
	For the Year ended 31-Mar-2012	For the Year ended 31-Mar-2012
Repair & Maintenance		
Buildings	0.55	0.21
Plant & Machinery		
RLDCs	20.46	9.99
Others	1.62	1.09
	<b>22.08</b>	<b>11.08</b>
Power charges	2.74	1.08
Training & Recruitment Expenses	1.35	0.54
Communication expenses	0.94	0.41
Travelling & Conv.exp.(excluding foreign travel)	3.32	1.27
Foreign travel	0.28	0.10
	<b>3.60</b>	<b>1.37</b>
Statutory Audit Fees	0.07	0.07
Tax Audit Fees	0.02	0.02
Miscellaneous expenses	1.13	0.76
Security Expenses	2.36	1.00
Rebate to Customers	2.40	0.09
Other Expenses	2.85	3.96
	<b>40.09</b>	<b>20.59</b>
Loss on Disposal/Write off of Fixed Assets	0.05	0.01
<b>Total</b>	<b>40.14</b>	<b>20.60</b>

## Note 2.27/Prior period items

(Figures in ₹ Crores)

Description	For the Year ended 31-Mar-2012	For the Period ended 31-Mar-2011
<b>A. PRIOR PERIOD AND EXTRAORDINARY ITEMS</b>		
Prior Period items		
<b>Income</b>		
Depreciation written back	3.29	-
Others	3.09	-
<b>(A)</b>	<b>6.38</b>	-
<b>Expenditure</b>		
Depreciation	0.09	-
Interest cost	0.22	-
Others	0.31	-
<b>(B)</b>	<b>0.62</b>	-
Prior period expenditure/(income ) (A - B)	<b>(5.76)</b>	-
<b>Total</b>	<b>(5.76)</b>	-

### OTHER NOTES:-

**2.28** The Financial Statements for the period ended 31st March, 2011 were prepared as per the then applicable Schedule VI to the Companies Act, 1956. Consequent to the notification of Revised Schedule VI under the Companies Act, 1956, the Financial Statements for the year ended 31st March, 2012 are prepared as per Revised Schedule VI. Accordingly, the previous period figures have also been reclassified to confirm to this year classification. The adoption of revised Schedule VI for the previous period figures does not impact recognition and measurement principles followed for preparation of Financial Statements.

### 2.29 Nature Of Operations:-

The Company was incorporated on 20th March 2009 as a wholly owned subsidiary of the Power Grid Corporation of India Limited, a Government of the India Enterprise, to take over the business of the System Operations and Market Operations, which were earlier carried out by the Holding Company(POWERGRID). POSOCO is responsible for the following operations:-

- i) To supervise and control all aspect concerning operations and manpower requirement of RLDCs and NLDC.
- ii) To act as the apex organisation for human resources requirement of NLDC and RLDCs.
- iii) To ensure planning and implementation of infrastructure required for smooth operation and development of National and Regional LDCs.
- iv) To coordinate the functioning of NLDC and all RLDCs.
- v) To advise and assist state level Load Despatch Centres, including specialized trainings etc.
- vi) To perform any other function entrusted to it by the Ministry of Power.

**2.30** As per the memorandum of understanding consequent upon sale of moveable assets to POSOCO, all operations and transactions (billing and banking) carried, on or after October 1, 2010 by the RLDCs and NLDC, in the name of Holding Company are deemed to have been carried on behalf of POSOCO.

### 2.31 **Unscheduled Interchange Pool Account Fund(UI), Congestion Charge Account, Reactive Energy Charges Account(RE) Inter Regional Exchange Account(IRE) and Short Term Open Access (STOA) collection account.**

The Central Electricity Regulation Commission vide following regulations has directed the Regional Load Dispatch Centres in each region to operate and maintain Unscheduled Interchange Pool Account Fund, Congestion Charge Account, Reactive Energy Charges Account.

All payments on account of Unscheduled Interchange charges including Additional Unscheduled Interchange charges levied and interest, if any, received for late payment are credited to the funds called the "Regional Unscheduled Interchange Pool Account Fund", maintained and operated by the Regional Load Despatch Centres in accordance with provisions of Central Electricity Regulatory Commission (Unscheduled Interchange charges and related matters) Regulations.

All payments on account of Congestion Charges and interest, if any, received for late payment are credited to the funds called

the "Congestion Charge Account", maintained and operated by the Regional Load Despatch Centres in accordance with provisions of Central Electricity Regulatory Commission (Measures to relieve congestion in real time operation) Regulations.

All payments on account of Reactive Energy Pool Account are credited to the funds called the "Reactive Energy Account", maintained and operated by the Regional Load Despatch Centres in accordance with provisions of Central Electricity Regulatory Commission.

These funds are equally matched with fund balance in the bank accounts in the current and fixed deposit accounts except for difference due to interest accrued and TDS on interest, which are funded on the receipt of the interest and TDS Certificates.

As on 31/03/2012, the total balance in these designated bank accounts were amounting to ₹ 416.59 Cr. as against the liability in these funds amounting to ₹ 426.64 Cr. The net difference in the Liability and the designated bank accounts amounting to ₹ 10.05 Cr. on account of the Interest accrued and TDS on interest is subject to reconciliation and consequential adjustments if any.

### 2.32 LDC Development Fund

Revenue during the year on account of Depreciation, Interest on Loan, Return on Equity (based on truing-up adjustment) amounting to ₹ 40.84 Cr. and other income amounting to ₹ 54.13 Cr. comprising mainly of STOA and interest income is required to be deposited in LDC Development Fund in terms of CERC Regulation. The fund has been utilised towards loan/ interest repayment of ₹ 41.20 Cr., income tax of ₹ 14.12 Cr. (after adjustment of ₹ 15.25 Cr. of deferred tax), dividend of ₹ 10.69 Cr. (including dividend tax), & Capex ₹ 5.02 Cr. resulting in net accretion of ₹ 23.95 Cr. to fund.

A sum of ₹ 27.10 Cr. is lying in the designated bank account against LDC Development Fund of ₹ 70.24 Cr. as on 31.03.2012. The amount required to be contributed during the FY 2012-13 is ₹ 43.13 Cr.

Utilisation of the Fund for payment of statutory dues for income tax including its methodology and any under- recovery of the fees and charges has already been taken up with the CERC and necessary adjustments will be made in the accounts as per directions of CERC.

**2.33** The CERC while giving approval under sub-section (4) of the section 28 of the Electricity Act 2003, read with the CERC (Fees and charges of Regional Load despatch Centre and other related matters) Regulations 2009 for the RLDCs charges has noted that at present the system operation is not subject to the service tax.

**2.34** Deferred Tax Liability, being the difference between WDV as per books and WDV as per income tax is claimable from beneficiaries, of ₹ 15.25 Cr. has materialised during the year. The same has been accounted for as income recoverable from Holding Company. However, CERC Regulations, 2009 applicable for RLDC Fees & Charges does not contain any such provisions.

**2.35** Pending reconciliation, materials amounting to ₹ 0.06 Cr. (previous period ₹ 0.06 Cr.) (included under Construction Stores – as per accounting policy note no. 1.8) is shown as construction stores lying with contractors.

**2.36** a) Balances in Loans and advances, TDS certificates Receivables/Recoverables, STOA Advance from customers, Sundry Creditors, Advances from Customers and Sundry Debtors are subject to reconciliation, confirmation and consequential adjustments, if any.

b) In the opinion of the management, the value of Current Assets, Loans and Advances, on realisation in the ordinary course of business, will not be less than the value at which these are stated in the Balance Sheet.

**2.37** The company is providing for depreciation based on the CERC norms, which is in line with the tariff policy issued by the MOP for the block period 2009-14, which provides that the rates of depreciation as notified by CERC would be applicable for the purpose of tariff as well as accounting.

Depreciation charge for the FY 2011-12 is higher by ₹ 10.30 Cr. (previous period ₹ 22.42 Cr.) as compared to the depreciation as per rates provided in the Schedule XIV of the Companies Act, 1956.

**2.38** i) In respect of System and Market Operation charges ₹ 33.39Cr. (Previous period ₹ 6.51Cr.) has been de-recognised from income during the year and the same is transferred to the liability account to be adjusted on truing up exercise by the CERC after the expiry of the control period (2009-14) as per accounting policy note no 1.11.1 regarding revenue recognition.

ii) FERV loss of ₹ 22.42 Cr. is recoverable from constituents in line with regulations of CERC and the same shall be considered by CERC at the time of truing-up exercise.

iii) Pre-incorporation expenses of ₹ 0.83 Cr. (Previous period ₹ 1.27 Cr.) lying for which billing is yet to be done.

**2.39** The Company has provided liability of ₹ 3.07 Cr. (Previous period ₹ 3.08 Cr.) accumulated balance till date ₹ 6.15 Cr., for pension contribution payable as Superannuation benefits as per DPE guidelines. The scheme of superannuation benefits is yet to be finalised.

Other income includes ₹ 0.85 Cr. (Previous period ₹ 3.06 Cr.) being the amount transferred from Grants-in-aid received (as per accounting policy note no. 1.4).

**2.40** The Company is following AS-15 (revised 2005) 'Employee Benefits'.

The information under this clause has been provided on estimated basis based on the actuarial valuation taken as a whole for employees of Power Grid Corporation of India Ltd. including employees of POSOCO.

- a) All the employees of POSOCO are on secondment basis from its Holding Company Power Grid Corporation of India Ltd. Above employees shall continue to draw pay and allowances and other facilities as they have been drawing with the POWERGRID and shall be subject to rules and policies as applicable to them in POWERGRID before their transfer to POSOCO except incentives, which shall be protected through special allowance at the rate as would have been admissible as if they were continuing their service with POWERGRID.
- b) Liability on account of Leave encashment, Post Retirements Medical Plan, Baggage Allowance, Gratuity and Superannuation liability is based on actuarial liability calculated as per the report of Actuary Valuer.

**Defined Employee Benefit Schemes are as under:-**

**A. Provident Fund**

Company pays fixed contribution to Provident Fund at predetermined rate to a separate trust managed by the Holding Company in the name of Power Grid Employees Provident Fund Trust, which invests the funds in permitted securities. The contribution to the fund for the period is recognized as expense and is charged to Profit and Loss Account. The obligation of the Company is limited to such fixed contribution. However, the trust is required to pay a minimum rate of interest on contributions to the members as specified by GOI. The fair value of the assets of the provident fund including the return on the assets thereof, as on the Balance Sheet date is greater than the obligations under the defined contribution plan.

**B. Gratuity**

The company has a defined benefit gratuity plan with a separate trust maintained by the Holding Company in the name of the Power Grid Employees Gratuity fund Trust. Every employee who has rendered continuous service of five years or more is entitled to get gratuity at 15 days salary (15/26 X last drawn basic salary plus, dearness allowance) for each completed year of service on superannuation, resignation, termination, disablement or on death subject to a maximum of ₹ 10 Lacs. The scheme is funded by the Company and is managed by a separate trust. The liability for the same is recognised on the basis of actuarial valuation on annual basis on Balance Sheet date.

**C. Post-Retirement Medical Facility (PRMF)**

The company has Post-Retirement Medical Facility (PRMF), under which retired employees and the spouse are provided medical facilities in the empanelled hospitals. They can also avail treatment as Out-Patient subject to a ceiling fixed by the company. The scheme is unfunded and is recognised in Profit and Loss Account on the basis of actuarial valuation on annual basis on Balance Sheet date.

**D. Other Defined Retirement Benefits (ODRB)**

The Company has a scheme for settlement at the time of superannuation at home town for employees and dependents. The scheme is unfunded and is recognised in Profit and Loss Account on the basis of actuarial valuation on annual basis on Balance Sheet date.

**E. Other Employee Benefits**

Provision for Leave Encashment for the year amounting to ₹ 4.72 Cr. (previous period ₹ 1.66 Cr.) for the year up to 31st March 2012 has been made on the basis of actuarial valuation for the POSOCO employees.

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



a) Expenses recognised in Profit and Loss Account

(₹ in Cr.)

	GRATUITY	PRMF	ODRB
	Current Year	Current Year	Current Year
Current Service Cost	0.98	0.27	0.03
Interest cost on benefit obligation	1.74	0.61	0.06
Expected return on plan assets	(1.74)	-	-
Net actuarial (gain)/loss recognized in the year	0.52	0.51	-
Expenses recognized in the Profit and Loss Account	0.46	1.39	0.09

b) The amount recognized in the Balance Sheet:

(₹ in Cr.)

	GRATUITY	PRMF	ODRB
	Current Year	Current Year	Current Year
(i) Present value of obligation as at 31/03/2012	21.88	8.39	0.73
(ii) Fair value of plan assets as at 31/03/2012 (*)	21.42	-	-
Difference (i) – (ii)	(0.46)	(8.39)	(0.73)
Net liability recognized in the Balance Sheet	(0.46)	(8.39)	(0.73)

(\*) The fund is maintained with the Powergrid Employees Gratuity Fund Trust. Difference, if any in the plan assets is shown in the Books of the Holding Company as a whole for employees of Power Grid Corporation of India Ltd. and employees of Power System Operation Corporation Ltd.

c) Weighted Average Rate of Return on plan assets during the year is 8.94% (Previous period 8.79%)

d) Changes in the Present Value of the Defined Benefit obligations.

(₹ in Cr.)

	GRATUITY	PRMF	ODRB
	Current Year	Current Year	Current Year
Present value of obligation as at 31/03/2011	20.46	7.16	0.65
Interest cost	1.74	0.61	0.05
Current Service Cost	0.98	0.27	0.03
Benefits paid	(0.82)	(0.16)	0
Net actuarial (gain)/loss on obligation	0.48	0.51	0
Present Value of obligation as at 31/03/2012	21.88	8.39	0.73

**F. Details of the Plan Asset (Gratuity)**

The details of the plan assets at cost as on 31st March, 2012 are not given in view of the fact, that the Fund is maintained with Powergrid Employees Gratuity Fund Trust as a whole for employees of Power Grid Corporation of India Ltd and employees of Power System Operation Corporation India Ltd. on secondment basis.

**G. Actuarial Assumptions**

Principal assumptions used for actuarial valuation are:

- Method used - Projected Unit Credit ( PUC)
- Discount rate – 8.5% (Previous period 8%)
- Expected rate of return on assets (Gratuity only) – 8.5% (Previous period 8.5%)
- Future salary increase- 6% (Previous period 5.5%)

The estimate of future salary increases, considered in actuarial valuation, takes into account

- (i) inflation,
- (ii) Seniority
- (iii) Promotion and
- (iv) Other relevant factors, such as supply and demand in the employment market.

#### 2.41 Segment Reporting

The Company's principle business is power system and market operation and no other business segment exists other than this. The Company operates within India and does not have operations in economic environments with different risks and returns. Hence, it is considered operating in single geographical segment.

#### 2.42 Related Party Disclosures

##### a) Joint Ventures with Holding Company:-

- i) Powerlinks Transmission Limited
- ii) Torrent Power Grid Limited
- iii) Jaypee POWERGRID Limited
- iv) Parbati Koldam Transmission Company Ltd
- v) Teestavalley Power Transmission Limited
- vi) North East Transmission Company Limited
- vii) National High Power Test Laboratory Private Limited
- viii) Energy Efficiency Services Limited.

##### b) Holding Company:-

Power Grid Corporation of India Limited

##### c) Key Management Personnel

i)	Sh. R. N. Nayak	Chairman (from 01.09.2011 to till date)
ii)	Sh. S. K. Chaturvedi	Ex-Chairman (Superannuated from POWERGRID on 31.08.2011)
iii)	Sh. R T Agarwal	Director (from 16.05.2011 to till date)
iv)	Sh. I. S. Jha	Director (from 01.09.2011 to till date)
v)	Sh. Santosh Saraf	Director (from 26.03.2012 to till date)
vi)	Sh. J. Sridharan	Ex-Director (Superannuated from POWERGRID on 30.04.2011)
vii)	Sh. F. A. Vandrevala	Ex-Director (Resigned on 10.07.2011 upon completion of Tenure in POWERGRID)

##### d) Transactions with the Holding Company are as follows:

The Company has received system operation charges of ₹ 15.48 Cr. and allowed a rebate of ₹ 0.30 Cr. Further, the company has paid ₹ 914.70 Cr. on account of Transmission Charges and ₹ 27.07 Cr. on account of UI & IRE Charges and ₹ 2.74 Cr. on account of other transactions to the Holding Company.

##### e) Director's sitting fee ₹ 30,000/- (Previous period ₹ 10,000) for independent director.

#### 2.43 Disclosures regarding Leases

##### Operating Leases:-

The Company's significant leasing arrangements are in respect of operating leases of premises for residential use of employees, offices are usually renewable on mutually agreed terms but are not non-cancellable. Employees' remuneration and benefits include ₹ 4.35 Cr. (Previous period ₹ 1.59 Cr.) towards lease payments net of recoveries in respect of premises for residential use of employees.



### Contingent Liabilities:

Demand of Rent for the office and staff quarters accommodation raised by the WREB, Mumbai till date is ₹ 3.02 Cr. (previous period ₹ 1.00 Cr.), which was disputed by the Company and Company has sought for the transfer of the ownership of office accommodation and residential quarters before the Ministry of power, Govt. of India. However, no decision has come so far.

#### 2.51 a) VALUE OF IMPORTS CALCULATED ON CIF BASIS

( ₹ in Cr.)		
	Current Year	Previous period
i) Capital Goods	-	-
ii) Spare Parts	-	-

#### b) EXPENDITURE IN FOREIGN CURRENCY (ON ACCRUAL BASIS)

( ₹ in Cr.)		
	Current Year	Previous period
i) Repair & Maintenance	9.28	2.92
ii) Foreign Travel	0.06	0.01
iii) Others	-	-

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

( ₹ in Cr.)				
	%	Current Year	%	Previous Year
i) Imported	-	-	-	-
ii) Indigenous (Including fuel)	100%	Nil	-	0.05

#### d) EARNINGS IN FOREIGN EXCHANGE

( ₹ in Cr.)		
	Current Year	Previous period
Income	Nil	Nil

- 2.52 a) The figures of the current year are not comparable with previous period figures since figures of previous period was for six months only.  
 b) Figures have been rounded off to nearest Rupees in crore up to two decimal.  
 c) Previous period figures have been re-grouped/re-arranged wherever necessary.

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

**(Priti Chaturvedi)**  
Company Secretary

**(S. K. Soonee)**  
Chief Executive Officer

**(R. T. Agarwal)**  
Director

**(R. N. Nayak)**  
Chairman

**For B C Jain & Co.**  
Chartered Accountants  
Firm Regn. No 01099C

**(Ranjeet Singh)**  
Partner  
Membership No. 73488

Place: Gurgaon  
Dated: 28th May, 2012



## AUDITORS' REPORT

To,

The Members,

Power System Operation Corporation Limited,

1. We have audited the attached Balance Sheet of Power System Operation Corporation Limited as at March 31, 2012, and the Statement of Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material mis-statements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. The Company is governed by the Electricity Act, 2003. Though the said Act has repealed the Electricity (Supply) Act 1948 and Electricity Regulatory Commission Act, 1998, certain provisions of the repealed Act, to the extent they are not inconsistent with the provisions of said Act, continued to be applied by the Company while preparing the financial statements. Further, the provisions of the said Act read with the rules thereunder have prevailed wherever the same have been inconsistent with the provisions of the Companies Act, 1956.
4. As required by the Companies (Auditor's Report) Order, 2003, read with Companies (Auditor's Report) (Amendment) Order, 2004 issued by the Central Government of India in terms of section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
5. Further to our comments in the annexure referred to in paragraph 4 above, we report that:
  - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - b) In our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of the books.
  - c) The Balance Sheet, Statement of Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
  - d) In our opinion, subject to our observations in paragraph 3 above, the Balance Sheet, Statement of Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Sub-Section (3C) of Section 211 of the Companies Act, 1956.
  - e) In pursuance to the notification No. GSR 829(E) dated 17.7.2003, issued by the Department of Company Affairs; clause (g) of sub-section (1) of section 274 of Companies Act, 1956 pertaining to disqualification of Directors is not applicable to a Government Company.
  - f) In our opinion and to the best of our knowledge and according to information and explanation given to us, the said financial statements, read together with the Notes on Accounts and Accounting Policies annexed thereto, insofar as these are not inconsistent with the Electricity Act, 2003, give the information required by the Companies Act, 1956, in the manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India :
    - i) in the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2012.
    - ii) in the case of Statement of Profit and Loss Account, of the profit for the year ended on that date; and
    - iii) in the case of Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For B C Jain & Co.  
Chartered Accountants  
Firm Regn. No. 01099C

(Ranjeet Singh)

Partner

M.No. 73488

Place : Gurgaon

Dated: 28 May, 2012

## ANNEXURE TO THE AUDITORS' REPORT

### RE: POWER SYSTEM OPERATION CORPORATION LIMITED

#### ANNEXURE REFERRED TO IN PARAGRAPH 4 OF OUR REPORT OF EVEN DATE

1. a) The Company has generally maintained records of Fixed Assets, showing full particulars including quantitative details and situation of Fixed Assets.  
b) The assets have been physically verified by external agencies during the year and discrepancies, though not material, noticed on such verification have been reconciled /adjusted in the books of account. In our opinion, frequency of verification is reasonable.  
c) During the year the Company has not disposed off substantial part of its Fixed Assets.
2. There was no inventory carried by the Company. Therefore, clause 4(ii)(a), (b) and (c) of paragraph 4 of the Order is not applicable for the year.
3. a) The Company has not granted any loans, secured or unsecured to / from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.  
b) The Company had taken unsecured Loans from Power grid Corporation of India Limited-Holding Company amounting to ₹ 89.35 Cr. as on 31/03/2011. In our opinion based on the information, prima facie, the rate of interest and other terms and conditions of loans taken by the Company are not prejudicial to the interest of the Company. During the year the company has repaid the loan.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control systems, commensurate with the size of the Company and the nature of its business, with regard to fixed assets and income from system operation and market operation. During the course of our audit we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the underlying internal control systems.
5. According to the information and explanation given to us, there are no contracts or arrangements referred to in section 301 of the Companies Act 1956, during the year, to be entered in the register maintained under that section. Accordingly Clause (v) of paragraph 4 of the Order is not applicable.
6. Since the Company has not accepted any deposit from the public, the question of compliance with the directives issued by the Reserve Bank of India and the provisions of section 58-A, 58-AA and other relevant provisions of Companies Act, 1956, and rules framed there under, does not arise.
7. The Company has an Internal Audit system. In our opinion, the scope and coverage of Internal Audit are commensurate with the size and nature of its business.
8. The Central Government has not prescribed maintenance of Cost Records under Section 209 (1)(d) of the Companies Act, 1956.
9. a) According to the information and explanation given to us, the Company is regular in depositing undisputed statutory dues except some delays with appropriate authorities including Provident Fund, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and other statutory dues applicable to the Company and that there are no undisputed statutory dues outstanding as on 31.3.2012 for a period of more than six months from the date they became payable.  
As informed, the provisions of the Employees State Insurance Act are not applicable to the Company.  
b) According to the information and explanation given to us, there is no disputed income tax / sales tax / customs duty / wealth tax / service tax / excise duty / cess dues, which have not been deposited by the company.
10. The Company is registered for a period not less than five years. Therefore, clause 4(x) of paragraph 4 of the Order is not applicable for the year.
11. On the basis of audit procedures adopted by us and according to the records, the Company has not defaulted in repayment of dues to any financial institution or bank or bondholders.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The Company is not a chit fund or nidhi/mutual benefit fund/society. Accordingly, Clause xiii of paragraph 4 of the Order is not applicable.
14. In our opinion, the Company is not dealing in or trading in shares, debentures, and other investments. Accordingly, Clause xiv of paragraph 4 of the Order is not applicable.
15. As informed to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions
16. In our opinion on an overall basis and according to the information and explanation given to us, the Company has not obtained any term loans during the year.
17. In our opinion, on an overall basis, and according to the information and explanation given to us, the Company has not used the funds raised on short term basis for long term investment
18. The Company has not made any Preferential allotment shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956 during the year.
19. The Company has not issued the debentures during the year.



20. The Company, during the year, has not raised any money by public issue.
21. According to the information and explanations given to us, one case of fraud of Company's mis-appropriation of funds to the extent of ₹ 0.66 Lacs was noticed, which has been recovered with interest during the year.

For B C Jain & Co.  
Chartered Accountants  
Firm Regn. No. 01099C

Place : Gurgaon  
Dated: 28 May, 2012

(Ranjeet Singh)  
Partner  
M.No. 73488





