



**पावर ट्रेडिंग कारपोरेशन ऑफ इंडिया लिमिटेड**  
**Power Trading Corporation of India Ltd.**

**A N N U A L R E P O R T 2 0 0 3 - 2 0 0 4**



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## BOARD OF DIRECTORS

1. **Shri T.N. Thakur, Chairman & Managing Director, PTC**
2. Shri S.K. Dube, Director (Operations), PTC
3. Shri Gireesh B. Pradhan
4. Shri Ranjit Rae
5. Shri R.D. Gupta
6. Shri R. Krishnamoorthy
7. Shri J.Haque
8. Shri S.S. Jamwal
9. Shri FA Vandrevale
10. Shri V.K. Saxena
11. Shri G.P. Gupta
12. Shri D.P. Bagchi
13. Shri M.S. Verma
14. Shri P. Abraham

### Company Secretary

Rajiv Maheshwari



## NOTICE

NOTICE is hereby given that the fifth Annual General Meeting of the Members of Power Trading Corporation of India Ltd. (PTC) will be held on Friday, the 9<sup>th</sup> July 2004 at 09.30 a.m. at Air force Auditorium, Subroto Park, New Delhi-110010 to transact the following business: -

### Ordinary Business

1. To receive, consider and adopt the Directors' Report, Audited Profit & Loss Account for the year ended March 31, 2004 and Balance Sheet as on that date and Auditors' report.
2. To appoint a Director in place of Shri R.D. Gupta, who retires by rotation and is eligible for reappointment.
3. To appoint a Director in place of Shri J.Haque, who retires by rotation and is eligible for reappointment.
4. To appoint a Director in place of Shri S.S. Jamwal, who retires by rotation and is eligible for reappointment.
5. To appoint a Director in place of Shri F.A. Vandrevala, who retires by rotation and is eligible for reappointment.
6. Fixing of the remuneration for the Statutory Auditors for the Financial Year 2003-2004.

To consider and if thought fit, to pass with or without modification (s), the following resolution for the remuneration for the Statutory Auditors for the Financial Year 2003-2004 as Ordinary Resolution

“Resolved that M/s. D.C.G. & Company, Chartered Accountant who were appointed as Statutory Auditors of the Company for the Financial Year 2003- 2004 by the Comptroller and Auditor General of India (C&AG of India) be paid a remuneration of Rs. 35,000/- (Rs. thirty five thousand only) plus reimbursement of expenses incurred incidental thereto.

7. To consider and if thought fit, to pass with or without modification (s), the following resolution for Appointment and fixing of the remuneration for the Statutory Auditors for the Financial Year 2004-2005 as Special Resolution:  
Resolved that pursuant to the provisions of the Companies Act, 1956, M/s T.R. Chadha & Co. Chartered Accountants, B-30, Connaught Place, Kuthaila Building, New Delhi be and are hereby appointed as the Auditors of the Company to hold office until the conclusion of the next Annual General Meeting at such remuneration as may be decided by the Board of Directors of the Company. Further, Board of Directors of the Company are hereby authorized to take further necessary actions in this regard.”
8. To consider and if thought fit, to pass with or without modification (s), the following resolution for dividend for

the Financial Year 2003-2004 as Special Resolution:

“Resolved that dividend @ 8% for the FY 2003-2004 on the equity shares of Rs. 10/- each fully paid-up be and is hereby declared and to be paid as per the ownership as on closing hours on 1st July, 2004.”.

### SPECIAL BUSINESS

9. To appoint Shri R. Krishnamoorthy (who was appointed as an additional Director by the Board of Directors and he holds the office of Director only upto the date of this meeting) as Director, in respect of whom the Company has received a notice in writing from a Member proposing his candidature for the office of Director being nominee of Power Finance Corporation Limited (PFC) and to move the following as ordinary Resolution:  
“Resolved that Shri R. Krishnamoorthy be and is hereby appointed as a Director of the Company, liable to retire by rotation.”
10. To appoint Shri Ranjit Rae (who was appointed as an additional Director by the Board of Directors and he holds the office of Director only upto the date of this meeting) as Director, in respect of whom the Company has received a notice in writing from a Member proposing his candidature for the office of Director and to move the following as ordinary Resolution:  
“Resolved that Shri Ranjit Rae be and is hereby appointed as a Director of the Company, liable to retire by rotation.”
11. To appoint Shri Gireesh B. Pradhan (who was appointed as an additional Director by the Board of Directors and he holds the office of Director only upto the date of this meeting) as Director, in respect of whom the Company has received a notice in writing from a Member proposing his candidature for the office of Director and to move the following as ordinary Resolution:  
“Resolved that Shri Gireesh B. Pradhan be and is hereby appointed as a Director of the Company, liable to retire by rotation.”
12. To appoint Shri M.S. Verma (who was appointed as an additional Director by the Board of Directors and he holds the office of Director only upto the date of this meeting) as Director, in respect of whom the Company has received a notice in writing from a Member proposing his candidature for the office of Director and to move the following as ordinary Resolution:  
“Resolved that Shri M.S. Verma be and is hereby appointed as a Director of the Company, liable to retire by rotation.”



13. To appoint Shri G.P. Gupta (who was appointed as an additional Director by the Board of Directors and he holds the office of Director only upto the date of this meeting) as Director, in respect of whom the Company has received a notice in writing from a Member proposing his candidature for the office of Director and to move the following as ordinary Resolution:

“Resolved that Shri G.P. Gupta be and is hereby appointed as a Director of the Company, liable to retire by rotation.”

14. To appoint Shri D.P. Bagchi (who was appointed as an additional Director by the Board of Directors and he holds the office of Director only upto the date of this meeting) as Director, in respect of whom the Company has received a notice in writing from a Member proposing his candidature for the office of Director and to move the following as ordinary Resolution:

“Resolved that Shri D.P. Bagchi be and is hereby appointed as a Director of the Company, liable to retire by rotation.”

15. To appoint Shri P. Abraham (who was appointed as an additional Director by the Board of Directors and he holds the office of Director only upto the date of this meeting) as Director, in respect of whom the Company has received a notice in writing from a Member proposing his candidature for the office of Director and to move the following as ordinary Resolution:

“Resolved that Shri P. Abraham be and is hereby appointed as a Director of the Company, liable to retire by rotation.”

16. To consider and if thought fit, to pass with or without modification (s), the following resolution for change of name of the Company as Special Resolution:

“Resolved that pursuant to the provisions of Sec.21 and other applicable provisions, if any, of the Companies Act, 1956 and further subject to such approvals as may be required, the name of the Company be and is hereby changed from ‘Power Trading Corporation of India Ltd.’ to ‘PTC India Limited’.

Further resolved that the name ‘Power Trading Corporation of India Ltd.’ wherever it occurs in the Memorandum and Articles of Association of the Company be substituted by the new name ‘PTC India Limited’.

Further resolved that Board of Directors of the Company are hereby authorized to take all other necessary actions in this regard”

17. To consider and if thought fit, to pass with or without modification (s), the following resolution for amendment to the Articles of Association of the Company as Special Resolution:

“Resolved that pursuant to section 31 and other applicable provisions, if any, of the companies Act, 1956 and subject to

such approvals as may be necessary from appropriate authorities and subject to such conditions/ modifications, if any, as may be prescribed by the appropriate authorities in granting such approvals, which may be agreed to by the Board of Directors, the Articles of Association of the Company be and are hereby altered as follows:-

A- ‘Article 13 (a) of the Articles of Association of the Company be substituted by the following new Article 13 (a.):

“13 (a) – further issue of capital

If at any time the Company wishes to raise its subscribed share capital it shall first offer such shares in accordance with the provisions of Section 81 of the Act.

Provided, however, that subject to the limitations set forth in clause 10 above, Parties shall subscribe to the shares offered by the Company in agreed Proportion upto the authorised capital of Rs. 750 crore. If any Party fails to subscribe to these shares offered to it for subscription then after issue of advance notice to the such Party and expiry of the notice period such offered shares, which are unpaid shall be allotted to the other Party(s) ready and willing to subscribe in proportion to their respective shareholdings of the Company. It will be optional for the Partie(s) to subscribe to additional shares offered by the Company beyond the agreed proportion.”

B- ‘Article 20 (a) of the Articles of Association of the Company be substituted by the following new Article 20 (a).

“20(a) - Renewal of share Certificate

No certificate of any share or shares shall be issued either in exchange for those which are sub-divided or consolidated or in replacement of those which are defaced, torn or destroyed or where the cages on the reverse for recording transfers have been duly utilised, unless the certificate in lieu of which it is issued is surrendered to the Company and on payment of Rupee one per certificate. The Company shall, however, allow for sub division / consolidation of share certificates free of cost as and when required by the shareholders.”

C- ‘Article 28 of the Articles of Association of the Company be substituted by the following new Article 28.

“28 - Directors may make calls

The Board may, from time to time, subject to the terms on which any shares may have been issued and subject to the conditions of allotment, by a resolution passed at a meeting of the Board (and not by resolution by circulation) make such call as it thinks fit upon the Members in respect of all moneys unpaid on the shares held by them respectively and each member shall pay the amount of every call so made on him



to the person or persons and at the times and places appointed by the board. A call may be made payable by instalments. However, the option to make such calls shall be exercised with the sanction of the Company in the General Meeting.”

D - ‘Article 55 of the Articles of Association of the Company be substituted by the following new Article 55.

“55- Instrument of transfer to be completed and presented to the company

The Instrument of Transfer duly stamped and executed by the transferor and the transferee shall be delivered to the the Company in accordance with the provisions of the Act. The instrument of transfer shall be accompanied by the Share Certificate or such evidences the Board may require to prove the title of transferor and his right to transfer the shares and every registered Instrument of Transfer shall remain in the custody of the Company until destroyed by order of the Board. Any instrument of transfer which the Directors may decline to register shall be returned to the person depositing the same. However, the registration of transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the company on any account whatsoever.”

E- ‘Article 135 (iii) of the Articles of Association of the Company be substituted by the following new Article 135 (iii).

“Any proposal to merge the Company with another economic organization.”

F- ‘Article 136 (iv) of the Articles of Association of the Company be and is hereby added.

“To form a joint venture Company or partnership between the Company and any organization.”

**By Order of the Board of Directors,**

**(Rajiv Maheshwari)**  
**Company Secretary**

Date: 8<sup>th</sup> June, 2004

Place: New Delhi

#### Notes

1. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a member of the Company. A proxy form is enclosed. The instrument appointing a proxy should, however, be deposited at the registered office of the Company not less than 48 hours before the commencement of the meeting.
2. Explanatory Statement pursuant to Section 173 of the

Companies Act, 1956 in respect of Special Business set out in the notice is enclosed.

3. All documents referred to in the notice or in the accompanying explanatory statement are open for inspection at the registered office of the Company between 11:00 a.m and 1:00 p.m. on all working days upto the date of Annual General Meeting.
4. The register of members and the share transfer books of the Company will be closed from 2<sup>nd</sup> July 2004 to 9<sup>th</sup> July 2004 both days inclusive. The dividend in respect of equity shares held in the electronic form will be paid on the basis of beneficial ownership existed as on closing hours on 1st July, 2004 and as per details available from NSDL and CDSL.
5. Members/ proxies should bring their copy of the Annual Report for reference at the meeting as also the attendance slip duly filled in for attending the meeting.
6. Members are informed that in case of joint holders attending the meeting, only such joint holder who is highest in the order of names will be entitled to vote.
7. Shareholders holding the shares in physical form and desirous of making nominations are requested to send their requests in form no. 2B in duplicate (which will be made available on request) to the Investor Service Centre of the Company.
8. The details pertaining to the appointment / reappointment of Directors are furnished in statement of Corporate Governance in the Director’s Report/ in the Explanatory Statement in the notice.
9. In respect of holding in electronic form, members are requested to notify any change of address and change in bank details to their Depositories Participants.
10. The **communication address** of our Registrar and Share Transfer Agent (RTA) is **MCS Limited, Sri Venkatesh Bhavan, W-40, Okhla Industrial Area, Phase-II, New Delhi-110020.**

**To: All Shareholders and Auditors**

#### Annexure to the Notice

#### **EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956.**

#### **ITEM NO. 9, 10, 11, 12, 13, 14 AND 15**

Item no. 9, 10, 11, 12, 13, 14 and 15 of the Notice seek to obtain the Members approval in respect of appointment of Shri R. Krishnamoorthy, Shri Ranjit Rae, Shri Gireesh B. Pradhan, Shri M.S. Verma, Shri G.P. Gupta, Shri D.P. Bagchi and Shri P. Abraham.

#### **Shri R. Krishnamoorthy**

Shri R. Krishnamoorthy is Director (Fin.) of the Power Finance Corporation Ltd. (PFC). He is a fellow member of Institute of Cost and Work Accountants of India (ICWA). He has rich



experience of Finance as also in the Indian Power Sector.

**Shri Ranjit Rae**

Shri Ranjit Rae is Joint Secretary in the Ministry of External Affairs, Government of India. He is a member of the Indian Foreign Service since 1980. He does not have any Directorship in any other company.

**Shri Gireesh B. Pradhan**

Shri Gireesh B. Pradhan is Joint Secretary in the Ministry of Power, Government of India. He has earlier worked as Secretary to the Hon'ble Speaker of Lok Sabha and Joint Secretary to the President of India. He is a Director on the Board of the Powergrid Corporation of India Ltd and holds the position of Member of Audit Committee in the same company. .

**Shri M.S. Verma**

Shri M.S. Verma has worked as the Chairman of State Bank of India and the Chairman of Telecom Regulatory Authority of India (TRAI). He has rich experience in banking and other sectors of the Indian Economy. He is Director in International Asset Reconstruction Co. Pvt. Ltd., Uttranchal Jal Vidyut Nigam Ltd., Alliance Capital Asset Management India Pvt. Ltd., Contemporary Health Pvt. Ltd., Srei International Finance Ltd., Electro Steel Castings Ltd and IDBI Bank Ltd. Further, he is Chairman/ Member of the Committee (s) in International Assets Reconstruction Co. Pvt. Ltd., Uttranchal Jal Vidyut Nigam Ltd., Alliance Capital Asset Management India Pvt. Ltd., Contemporary Health Pvt. Ltd., Srei International Finance Ltd. and Electro Steel Castings Ltd.

**Shri G.P. Gupta**

Shri G.P. Gupta has worked as the Chairman of Industrial Development Bank of India (IDBI). He has rich experience in banking, Finance and other sectors of the Indian Economy. He is Director in Jammu & Kashmir Bank Ltd., BHEL, National Aluminium Company, M.P. Power Generation Company; Swaraj Engineers Ltd., and Birla Sun life Insurance Company Ltd. He is Chairman/ Member of Committees in National Aluminum Company, J&K Bank, BHEL, Swaraj Engineers Ltd. and HAL.

**Shri D.P. Bagchi**

Shri D.P. Bagchi has worked as Chief Secretary to the Government of Orissa. He has rich experience and has worked in various areas in the government. He is Chairman of Dispute Resolution Committee of MMTC.

**Shri P. Abraham**

Shri P. Abraham has worked as Secretary in the Ministry of Power, Government of India. He has rich experience in the field of administration and the Power Sector and was earlier chairman MSEB. He is Director in Future Polyesters Limited, Flex Industries Limited and Jindal Power Company.

The Company has received notices in writing from the shareholder(s) proposing the above names for Directorship in

PTC. Taking into consideration the vast knowledge, ability, background and experience of the above persons, it would be appropriate and in the best interest of the Company to appoint above persons as Directors of the Company.

Each of the present Directors whose appointment is proposed is concerned or interested only in his own appointment. The Directors recommend the resolution for approval of the shareholders.

**ITEMNO. 16- CHANGE OF THE NAME OF THE COMPANY**

Power Trading Corporation of India (PTC) was incorporated to initiate the concept of trading in electricity. Over the years since inception it has come to be recognized widely by its abbreviated name of PTC. As public has progressively gained more familiarity with the abbreviated name leading to recognition of PTC as a brand, it is proposed to adopt PTC India Limited as the new name for the Company. In addition, with the future growth and diversification plan of the company the current name may create an impression of narrow business domain.

The Directors recommend the resolution for approval of the shareholders.

No Director is deemed to be concerned or interested in this item.

**ITEM NO. 17 - AMENDMENT IN THE ARTICLES OF ASSOCIATION OF THE COMPANY**

PTC has gone for an IPO. Accordingly, an application was made to The Stock Exchange, Mumbai (BSE) and National Stock Exchange of India (NSE). However, NSE desired an undertaking from PTC that PTC shall amend some Articles in the Article of Association of PTC for getting them in conformity with the listing requirements of stock exchange. The proposal is to amend in the Article no.s 13 (a), 20 (a), 28, and 55 of the Articles of Association in pursuance of the above undertaking.

Further, with regard to the Article 135 (iii), it is very restrictive for progressive working of the Company and accordingly, it is proposed that this restriction may be limited to only 'any proposal to merge the Company with another economic organization' and provision relating to formation of joint venture / partnership may be brought under the sub clause (iv) of the Article 136 of the Articles of Association of the Company i.e. this proposal will require a special resolution in general meeting.

The Directors recommend the resolution for approval of the shareholders.

No Director is deemed to be concerned or interested in this item.

**By Order of the Board of Directors,**

**(Rajiv Maheshwari)  
Company Secretary**

Date: 8<sup>th</sup> June, 2004  
Place: New Delhi



## DIRECTORS' REPORT

To, The Members, Power Trading Corporation of India Ltd.

I have great pleasure in presenting to you, on behalf of the Board of Directors, the fifth Annual Report on the activities of your Company the Power Trading Corporation of India Ltd.(PTC), together with the Audited Accounts for the Financial Year 2003-2004.

### Performance and Financial Highlights

The Company achieved yet another milestone in its journey towards excellence by performing at a level far surpassing expectations during the Financial Year 2003-04. During the year, PTC clocked a trading volume of 11,029 MUs as against 4178 MUs during the previous year and achieved a turnover of Rs. 2,378 Crores (including other income) as against Rs. 927 Crore (including other income) in 2002-03. The Company has earned a profit after tax of Rs. 32.48 Crores for the FY 2003-04 compared to Rs. 9.84 Crores in the previous year.

The financial results of the Company for the FY 2003-04 vis-a-vis 2002-03 are summarized as under:

Particulars	For the Year ended 31.03.2004 (in Rupees Crores)	For the Year ended 31.03.2003 (in Rupees Crores)
Electricity Sales (including rebate on purchase of power)	2,371.81	923.37
Other Income	6.18	3.57
Electricity Purchase (including rebate on sale of power)	2,318.15	902.98
Employee Cost	4.32	1.51
Other Expenses	4.81	1.75
Profit before amortization, depreciation and prior period items (A-B)	<b>50.69</b>	<b>20.67</b>
Amortization and Depreciation	3.32	1.12
Prior Period Expenses/(Income)	(1.57)	0.02
<b>Profit Before Tax</b>	<b>48.94</b>	<b>19.53</b>
Provision for Taxation (including deferred tax expenditure)	16.46	9.69
<b>Net Profit After Tax</b>	<b>32.48</b>	<b>9.84</b>
Dividend (incl. div. tax)	13.54	2.23
Balance carried forward to Balance Sheet	18.94	7.61
Earning Per Share in Rs (Annualised)	4.16	3.90

### Dividend and Reserves

Pari-passu Dividend @ 8% is proposed for the FY 03-04. A sum of Rs. 18.94 Crores has been transferred to 'Reserves and Surplus' of the Company which stood at Rs. 64.45 Crores (including share premium).

### Capital Structure

An Initial Public Offer (IPO) for 5, 84, 99,990 equity shares of Rs. 10 each at a price to be determined by book building process was made by the Company. This issue constituted 39% of the post issue paid-up capital of Rs. 150 Crores. Since 4, 99,990 equity shares were reserved for the employees of the Company, net offer to public was for 5, 80, 00,000 equity shares at a price band of Rs. 14 to Rs. 16 per equity share of face value of Rs. 10 each. The final price was determined as Rs. 16

per share. As per SEBI norms 50% of the net offer was to be allocated to the Qualified Institutional Buyers (QIBs), 25% to high net worth investors and balance 25% to retail individual bidders. The issue was opened on March 01, 2004 and closed on March 08, 2004.

The equity shares of the Company were listed in 'The Mumbai Stock Exchange' (BSE) and 'The National Stock Exchange of India Ltd.' (NSE) on 07.04.2004.

As on 31.03.2004, the Authorized Share Capital of PTC was Rs. 750 crores and Paid-up Capital of the Company was Rs. 150 Crores. The four Central Public Sector Power Companies i.e. National Thermal Power Corporation Ltd. (NTPC), Power Grid Corporation of India Ltd. (POWERGRID), Power Finance Corporation Ltd. (PFC) and National Hydroelectric Power Corporation Ltd. (NHPC) have contributed 8% each, thereby bringing the aggregate to 32%. The balance 68% of the paid-up capital is held by Power Utilities, Financial Institutions, Insurance Companies, Banking Institutions, Corporations, Investment Companies, Foreign Institutional Investors Private Utilities and others including general public. The shareholding pattern of the Company as on 31.03.2004 is as follows:-

Sr. no.	Category	No. of shares held	Percentage of shareholding
1.	Promoters	48000000	32
2.	Mutual Funds and UTI	8421000	5.61
3.	Banks, Financial Institutions, Insurance Companies (Central / State Govt. Institutions / non-Government Institutions )	31502700	21
4.	FII's	16116300	10.74
5.	Private Corporate Bodies	21940100	14.63
6.	Indian Public	24019900	16.01
<b>Total</b>		<b>150000000</b>	<b>100</b>

### Growth in Net worth and Earning Per Share (EPS)

As on 31.03.2004, net worth of the Company was Rs. 207 Crores as compared to Rs. 76 Crores on 31.03.2003. Further as on 31.03.2004, EPS (Annualized) of the Company was Rs. 4.16 compared to Rs. 3.90 on 31.03.2003

### Use of Proceeds of IPO

Entire capital raised through the IPO has been called and received. The Company aims to use the net proceeds of the IPO to build a long-term capital base to be able to meet its capital requirements.

### Management Discussions and Analysis

PTC occupies the leader's position in the business of power trading. Maintaining this leadership position has been possible due to the Company's constant endeavors in introducing innovative products in response to customers' needs, and maintaining the highest standards of transparency. Trading opportunities in India exist across various time-epochs; like seasonal (variation in the seasonal patterns of power demand is quite significant), time-of-the-day (peak demand time of different cities / states during the same 24-hour period shows significant variations), and 'As and When Available' (unanticipated demand variations). PTC has structured innovative products to address the opportunities across all time-epochs. The Electricity Act, which was instituted during the year, seeks to achieve many significant objectives impacting the structure of the industry – mainly focusing on creation of competition and choice. PTC's business operations have been instrumental in forerunning the Act's objectives, and the impact of PTC's intermediation has



been that of an exacting influence on the standards of performance of various business entities in the industry – be they generators or buyer utilities.

During the year, significant regulatory developments include the announcement of rules and provisions for Open Access and for Licensing related to inter-state trading in electricity. Under the rules notified, the regulatory intention is promotion of competition, and there are no significant barriers to entry in the business. Several entities have therefore either started trading operations, or have applied for trading licenses. Conventional wisdom suggests that competition can impact the Company's business in two ways i.e. the trading margin and / or transaction volume and market share. A typical competitive entry strategy could be undercutting the margin. However, we visualize more comprehensive pricing structures coming into play, and the margin being determined on a 'Cost-plus-Risk' criterion, rather than solely Cost related criteria. This would have a compensating effect on any short term impact on profitability. Similarly, over the longer term, various competing business segments have the potential of developing into new businesses for traders, expanding the size of the market. The company welcomes these developments, and going forward, PTC also believes that its first mover advantage will be sustainable. We are in a knowledge driven business and to sustain its knowledge edge, we have the right talent pool.

The human resource profile of the Company is an optimal mix of industry experience and fresh blood from leading business schools in India. As on 31.03.2004, the Company had 66 employees on its rolls, across various executive and support categories. During the year, the Company has taken several steps in further reinforcing a performance driven working environment that encourages innovation. A Performance Linked Incentive Plan for employees was introduced, which aligns the organizational and individual objectives. In talent acquisition efforts, PTC continued to forge relationships with the top business schools in India. OD exercises were conducted on role clarifications, as well as evolving a statement of values and multi-rater appraisal systems, to build on the gains from similar exercises done in the past. An exercise on mapping key business processes and designing their 'To-be' states was also carried out to facilitate a phased implementation of an on-line, real time business environment. The Company believes that these will be the building blocks to setting up an operational power exchange in the long term.

Apart from consolidating its position in the existing business segments i.e. trading of short-term surplus power, long-term trading of power through future contracts with power projects and trade with neighbouring countries, the Company has identified growth engines for the future. The Company is now making concerted efforts to structure transactions with captive generators and industrial consumers, for which open access will be an enabler. A landmark order of the Kerala Electricity Regulatory Commission in the context of a transaction being structured by the Company requiring open access to an industrial customer located in the state could provide significant impetus to the development of case law in this area.

PTC's business model also provides an alternative to developers for financing projects on the strength of existence of a power market. In case of default by a buyer, PTC will be able to substitute with an alternative customer to mitigate the investors' risk. Exchange of power with neighbouring countries is another distinct activity with high potential for development, as India is the biggest market in the region, while Nepal and Bhutan are blessed with ample water resources, and Bangladesh with gas reserves. Government of India has identified PTC as a nodal agency for exchange of power with the Nepal Electricity Authority. During the year, the Company continued in performing its role in promoting regional co-operation in energy, with purchase of surplus power from 336 MW Chukha Project and 60 MW Kurichhu Power Project in Bhutan for sale to utilities in the Eastern Region. The 1020 MW Tala project in Bhutan, due to be commissioned by the middle of the year 2005, will provide India an opportunity for purchase of the entire power generation. Similarly, in the case of Nepal, presently exchanges take place at 21 points on the Indo-Nepal border. The 144 MW Kaligandaki project

has been partly commissioned and that would make Nepal a surplus State.

#### Trading of Power

Your Company's trading volumes, which touched a figure of 11029 MUs of energy during the year 2003-04, has been spread over a large number of customers. PTC purchased power from many state utilities like :-

Sr. no.	Power purchased from	MUs
1.	West Bengal Power Development Corporation Ltd.	2954
2.	Electricity Deptt. , Goa	531
3.	Malana Power Company Ltd.	279
4.	Andhra Pradesh Power Transmission Corporation	361
5.	Grid Corporation of Orissa	1966
6.	Uttarachhal Power Corporation Ltd.	757
7.	Delhi Transco Ltd.	762
8.	Damodar Valley Corporation	1273
9.	North-eastern Electric Power Corporation Ltd.	203
10.	Himachal Pradesh State Electricity Board	49
11.	Electricity Deptt. Chandigarh	16
12.	Electricity Deptt., Arunachal Pradesh	83
13.	Chukha Hydro Power Corporation	1495
14.	Kurichhu Hydro Power Corporation	257

The list of utilities to which PTC sold power had also increased during the financial year. The list includes

Sr. no.	Power sold to	MUs
1.	Delhi Transco Ltd.	1282
2.	Madhya Pradesh State Electricity Board	1526
3.	Maharashtra State Electricity Board	1837
4.	Gujarat Electricity Board	1011
5.	Karnataka Power Transmission Corporation Ltd.	822
6.	Chhattisgarh State Electricity Board	728
7.	Hararyana Vidyut Prasaran Nigam Ltd.	425
8.	Punjab State Electricity Board	385
9.	Assam State Electricity Board	367
10.	Rajasthan Rajya Vidyut Prasaran Nigam Ltd.	189
11.	Andhra Pradesh Power Transmission Corporation	290
12.	Govt. of Jammu & Kashmir	296
13.	Kerala State Electricity Board	69
14.	West Bengal State Electricity Board	697
15.	Union Territory of Podicherry	8

PTC has agreement for purchase and sale of power with various utilities for different periods ranging from 15 days to one year and for different durations of the day. PTC is also effecting trading at very short notice to meet the specific requirement of different utilities, as in the case of additional power required by MSEB for Ganesh Chaturthi Celebration ( in 2003), PTC arranged 150 MW of power to enable the festivities to go uninterrupted. Further, additional power supplied to Assam to keep it brightly lit during the Bihu festival (three days transaction during evening peak hours).

PTC has conceptualized various product modules for sale of surplus power namely Round the clock, Evening peak, Night Off-Peak, Afternoon Off-Peak, 18 hours a day Off- Peak etc. with variation in price to meet the requirements of customers.

During monsoon 2003, NEEPCO's hydel projects faced a situation of spilling of water, while limited local demand of the region did not warrant higher



generation levels. PTC enabled transfer of NEEPCO's surplus power generation to utilities in the Northern, Western and Southern regions through the Eastern region route. While NEEPCO augmented its cash flows in the process, the country benefited with better utilization of water resources

In the 2003 Monsoons, PTC structured a transaction for sale of surplus 'As – and-when-available' power, on a day ahead basis to neighbouring states. While Himachal managed its water resources more proactively, states like Punjab were the major beneficiaries of the available surplus power. This was an opportunity identified that gave symbiotic benefits to both the states, which geographically are neighbors.

Similarly, the un-requisitioned power from Delhi was supplied to Haryana and Punjab as a transaction on 'As –and-when-available' power basis.

#### **Facilitation of power projects**

Your company is giving an increased focus on facilitating new private power projects by taking steps to enter into long-term power purchase and sale agreements. This would provide stable and long term business, mitigating the risk of volatility in volume of business inherent in short term trading. While this will contribute to the power development programme in the country, it will also significantly enhance the strength of your Company to make it a major player in the Indian Power Sector in coming years. A overview of some projects that are under active consideration by your Company is given below:

#### **Middle & Lower Kolab Small Hydro Electric Projects (37 MW)- Orissa.**

These are run of river type projects , located in Koraput and Malkangiri districts of Orissa respectively. The projects are expected to be commissioned in 2005-06. Annual energy of about 120 MU is expected to be available from the projects. Power Purchase Agreement has already been signed with the Developer on 6<sup>th</sup> January, 2004. West Bengal State Electricity Board has agreed to purchase the entire generation for which MoU was earlier signed with them and the PPA is now in final stage of discussion.

#### **Samal Barrage Small Hydro Electric Project ( 20 MW)- Orissa**

The Samal Barrage Small Hydro Electric Project (5x4MW) is being developed by M/s. Orissa Power Consortium Limited (OPCL) in Angul district of Orissa. The project is expected to provide about 120 MU per year with peaking power for about 4 hours in a day, except during the rainy season, when it would provide round the clock power. PPA has already been signed with M/s. OPCL on 22<sup>nd</sup> March, 2004 and off-takers of power are being finalized.

#### **250 MW Thermal Power Project in Chhattisgarh.**

This project is being developed by M/s. Lanco Amarkantak Power Pvt. Limited in the State of Chhattisgarh and entire power would be purchased by PTC for 25 years. MOU has been signed by PTC with the Developers and PPA is now under discussion. Meanwhile, PTC is in the process of locating purchasers of power in Western Region.

#### **1000 MW Gas Project in Tamilnadu.**

This project is being set up near Chennai by M/s. Chennai Power Generation Ltd., a Company promoted by General Mediterranean Holding SA of Luxemburg. Entire power from the project would be purchased by PTC and an MOU has been signed with the Developer in December, 2003. The purchasers of power from this project are likely to be the States in Southern Region. Tamilnadu and Andhra Pradesh have expressed keen interest to purchase this power on long term basis.

#### **1200 MW Thermal Project in Gujrat**

This project would use refinery residue as fuel and is being set up by M/s. Vadinar Power Corporation Ltd. near Jamnagar in Gujrat. PTC has signed

MOU for purchase of power for 15 years and is now in the process of locating off-takers of power. The project is expected to be operational by 2006-2007.

#### **100 MW Malana Hydro Project in HP**

The project being developed by M/s. Everest Power Company, is a run of river plant with some pondage located in Kullu district of Himachal Pradesh. PPA for the project has been signed by PTC on 9<sup>th</sup> March, 2004. This project will generate 370 MU of annual energy and is likely to be completed by 2007.

The above projects would provide assured volume of business to PTC in the long run and this is a testimony of confidence and trust of market in the capabilities of your company.

#### **West Seti Hydro Electric Power Project (750 MW) - Nepal.**

The West Seti Hydro Electric project is being developed by M/s. Snowy Mountain Engineering Corporation (SMEC), an international developer, in Nepal. The salient feature of the project is its reservoir size which can hold water for one month generation of full capacity and this makes the project capable of producing peaking power for 7-8 hours a day almost round the year. Power Purchase Agreement has already been initialed with the Developers. PTC is now in the process of finalizing the off-takers of power from the project. The project is expected to be commissioned in 2009-10.

#### **Vemagiri Gas Based CCPP, Phase-II (370 MW)-Andhra Pradesh**

The Vemagiri Combined Cycle Power plant is being developed by the GMR group in the East Godavari district of Andhra Pradesh. Power from first phase of 370 MW has been tied up with AP TRANSCO and the developer now proposes to expand the permitted capacity of Phase-II by another 370 MW and sell this power through PTC. MoU has been signed with the developer. The off-takers of power from this project are likely to be the States in the Southern Region, specifically Tamil Nadu and Andhra Pradesh.

#### **Other Projects under consideration**

In addition to the above mentioned projects, a number of other developers have shown interest in tying up with PTC for long term sale of power . PTC is actively evaluating these projects for selection of projects considered to be marketable. Some of these projects are:

- 1000 MW Karcham Wangtoo Hydro Electric Project in Himachal Pradesh.
- 260 MW Gas project in Haryana
- 70MW DhamwariSuna Hydro Electric Project in Himachal Pradesh.
- Small Hydro Electric Projects in Uttaranchal and Orissa.
- 500 MW Mejia Thermal Power Plant (Units 5&6) of DVC in West Bengal.

#### **Cross-Border Operations**

One of the missions of the company is to promote exchange of power with neighbouring countries. The long-term prospect for regional cooperation in power, particularly with Bhutan and Nepal, is quite promising. Bhutan has the potential to become a major hydropower exporter. Some estimates have put the country's potential hydropower resources as high as 30,000 MW. Nepal has economically viable hydro potential of 43,000 MW and feasibility studies have already been carried out for 22,000 MW of hydro capacity in the country. India, due to its large economy and growing power demand, is the main potential export market for these neighbouring countries.

#### **Power trade with Bhutan**

The present power trade with Bhutan is being carried out under bilateral contractual arrangements with tariff fixation based on negotiations between the two Governments. Your company has signed long-term agreements with the Department of Energy, Royal Government of Bhutan for purchase of



surplus power from Chukha Hydro Electric Project (336 MW) and Kurichhu Hydro Electric Project (60 MW). The agreements became operational from 1st October 2002. The term of the agreement for purchase of surplus power from Chukha project is upto 31.03.2017 and for Kurichhu power is upto 31.03.2027.

Surplus power from Chukha project is being supplied to the Eastern Region constituents namely BSEB, DVC, GRIDCO, JSEB, Sikkim and WBSEB and from Kurichhu project to WBSEB and DVC.

The generation from both Chukha and Kurichhu projects was an all time high during the FY 2003-04 and the company purchased 1751.55 MUs from Bhutan for sale, which is about 16 % of the total energy traded. Of the energy purchased from Bhutan, Chukha project contributed 1494.75 MUs and Kurichhu project 256.80 MUs. The energy purchase figures for the previous year (Oct 2002-Mar 2003) was 333 MUs from Chukha Project and 81 MUs from Kurichhu project.

PTC would also trade power from upcoming Tala Hydro-Electric Project (1020 MW), a run-of-the river project on the Wangchu river, downstream of Chukha hydroelectric project. An underground powerhouse with six generating units of 170 MW each, it is envisaged to generate 4865 Million units of power in an average year. Project is expected to start operation in 2006-07.

#### **Power Trade with Nepal**

The bilateral exchange of power at the borders between the two countries is presently at a level of 50 MW and the two sides through Indo-Nepal Power Exchange Committee decide the tariff jointly at periodic intervals with underlying principle of meeting the cost of supply of power.

PTC, designated by Government of India as the nodal agency for matters related to exchange of power between the two countries, is negotiating with Nepal Electricity Authority (NEA) for trading of power on commercial principles. This may follow enforceable bilateral contract/ power purchase agreements between the sellers and buyers of the two countries at market-determined tariffs.

#### **Conservation of Energy, Technology Absorption, Foreign exchange earnings & outgo etc.**

PTC being engaged in trading of power, particulars relating to conservation of energy and technology absorption are not applicable to it. The Company has incurred an expenditure of Rs. 3.78 lacs (net on accrual basis) in foreign exchange during the financial year 2003-2004.

#### **Particulars of the employees**

During the Financial Year 2003-2004, no employee who was in receipt of gross remuneration in excess of Rs twenty four lacs per annum or Rs two lac per month was employed either for full or part of the year.

#### **Auditors**

M/s. D.C.G. & Co., Chartered Accountants, was appointed as Statutory Auditors of the Company for the Financial Year 2003-2004 by Comptroller & Auditor General of India (C&AG). The Statutory Auditors have audited the Accounts of the Company for the Year ended 31 March 2004 and Audited Accounts together with the Auditor's Report thereon are annexed to this report. It is gratifying to note that there are no qualifying remarks from Statutory Auditors on the Accounts of the Company.

In the previous years, the Audit of Accounts of the Company was under the purview of the C&AG. However, after the IPO, more than 51% of the equity capital of the Company (as on 31<sup>st</sup> March 2004) were held by the non Government Organizations and in response to Company's communication dated 22.04.2004, it has received a letter dated 06.05.2004 from the C&AG by which they have intimated that the audit of Accounts of PTC for the year 2003-2004 as well as transaction audit will not be undertaken by them.

M/s. T. R. Chadha & Co., Chartered Accountants, is proposed to be

appointed as Statutory Auditors of the Company for the Financial Year 2004-2005 by the Shareholders in the fifth annual General Meeting of the Company.

#### **DIRECTORS' RESPONSIBILITY STATEMENT**

In pursuance of section 217 (2AA) of the Companies Act 1956, the Directors make the following responsibility statement:

- (i) In the preparation of the Annual Accounts, the applicable Accounting standards have been followed by PTC along with proper explanation relating to material departures;
- (ii) The Directors had selected such Accounting policies and applied them consistently and made judgements 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 2003-04 and of the profit or loss of the Company for that period;
- (iii) Proper and sufficient care was taken by Directors for 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 frauds and other irregularities and
- (iv) The Annual Accounts were prepared on a going concern basis.

#### **CORPORATE GOVERNANCE**

##### **Company's philosophy on the code of governance**

Your company has put into practice sound corporate governance principles during the last five years. PTC follows principles to ensure that employees of the company subscribe to corporate ethics and apply them in their day to day conduct. The Company seeks fullest commitment of the management and Board to improve the practices in respect of good corporate governance. Company has complied with all the mandatory requirements of the stock exchange(s) or SEBI or any statutory authority on any matter and no penalty has been imposed on the Company by any of these institution.

Corporate governance is the mechanism by which values, principles, management policies and procedures of a company are made manifest in the real world. It refers to the entire system by which a company is managed and monitored, its corporate principles and guidelines and the system of internal and external controls and supervision to which the company's operations are subjected. Good, transparent corporate governance ensures that the company is managed and monitored in a responsible manner geared to value creation. Corporate governance is concerned with both the internal aspects of the company, such as internal controls, and the external aspects such as an organization's relationship with its shareholders and other stakeholders. Transparency and accountability are the fundamental principles to good corporate governance.

##### **Board of Directors**

The following changes have taken place in the Board of Directors of the Company since last report:-

1. Shri Shashi Shekhar was appointed as Director on 01.07.2003 and ceased to be Director of the Company w.e.f.06.10.2004.
2. Shri R. Krishnamoorthy was appointed as Director of the Company w.e.f.18.08.2003.
3. Shri K.G. Husnain was appointed as Director of the Company w.e.f. 18.08.2003.
4. Shri Ranjit Rae was appointed as Director of the Company w.e.f. 24.09.2003.
5. Shri Gireesh B. Pradhan was appointed as Director of the Company w.e.f. 29.12.2003.
6. Shri M.S. Verma was appointed as Director of the Company w.e.f. 07.05.2004.



7. Shri D.P. Bagchi was appointed as Director of the Company w.e.f. 07.05.2004.	Mr. S.S. Jamwal Non-executive Director	4	4	Nil	No
8. Shri G.P. Gupta was appointed as Director of the Company w.e.f. 07.05.2004.	Mr. F.A. Vandrevala Non-executive Director	4	1	14	No
9. Shri P. Abraham was appointed as Director of the Company w.e.f. 01.06.2004.	Mr. A.K. Palit Non-executive Director	1	1	NA	No
10. Shri A.K. Kutty, Dr. K. K. Govil and Shri A.K. Palit ceased to be directors of the Company w.e.f. 01.07.2003, 31.07.2003 and 18.08.2003 respectively.	Ceased to be a Director w.e.f. 18.08.2003				
11. Shri Mahendra Kumar has resigned and ceased to be Director (Business Development) of the Company w.e.f. 31.05.2004. Further, Shri K. G. Hussain has ceased to be a Director w.e.f. 01.06.2004.	Mr. Shashi Shekhar Ceased to be a Director w.e.f. 06.10.2003 Non-executive Director	1	1	NA	No

The Board places on record its warm appreciation of the valuable contribution made by the outgoing Directors as members of the Board.

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

There were four meetings of the Board of Directors held during the year 2003-2004 (17.04.2003, 16.09.2003, 29.12.2003 and 22.03.2004). Detailed Agenda Notes with necessary information were circulated in advance to the Board.

The Annual General Meetings (AGM) for the last three years was held on July 25, 2001, May 16, 2002 and May 21, 2003 respectively. All the meetings were held at the registered office of the Company. Two special resolutions were passed at the last AGM No postal ballots were used for voting.

Four Board Meetings were held during last year. All Directors including non-executive Directors actively participated and deliberated in the Board Meetings. The attendance of each director at the last Board Meetings held during the year is enlisted below:

Directors	Meetings held during the year in tenure of the Director	Meetings attended	Directorship in other companies	Attendance at the last AGM (21.05.2003)
Mr. T.N.Thakur (CMD)	4	4	Nil	Yes
Mr. S.K. Dube (Director –Operations )	4	4	Nil	Yes
Mr. Mahendra Kumar (Director –Business Development)	4	4	1	Yes
Mr. A.K. Kutty Non-executive Director Ceased to be a Director w.e.f.01.07.2003	1	1	NA	No
Mr. K.K. Govil Non-executive Director Ceased to be a Director w.e.f.31.07.2003	1	1	NA	No
Mr. J.Haque Non-executive Director	4	3	Nil	No
Mr. Shyam Wadhwa Non-executive Director Ceased to be a Director w.e.f. 21.05.2003	1	1	NA	No

Mr. R.D. Gupta Non-executive Director	3	2	3	No
Mr.R. Krishnamoorthy Non-executive Director	3	3	1	No
Mr.K.G. Husnain Non-executive Director	3	1	1	No
Mr. V.K. Saxena Non-executive Director	3	3	2	No
Mr. Ranjit Rae Non-executive Director	2	2	Nil	NA
Mr. Gireesh B. Pradhan Non-executive Director	1	1	1	Yes

At the last AGM, shareholders of the Company holding in aggregate 83% of the equity share capital had attended either in person or by proxy.

#### Audit Committee

Pursuant to the requirements of section 292A of the companies Act, 1956 and the provisions of Clause 49 of the listing Agreement, an Audit Committee has been constituted by the Board of Directors. Earlier, Audit Committee was chaired by Shri V. K. Saxena and its two other members are Shri J. Haque and Shri Ranjit Rae. However, after joining of new independent Directors, the Audit Committee of the Company was reconstituted on 07.05.2004 with S/ Shri M.S. Verma, D.P. Bagchi, G.P. Gupta and Gireesh B. Pradhan as members of the Audit Committee. All the members of the Committee are independent Directors. The Audit Committee had reviewed the Annual Financial Statements, before submission to the Board, as prescribed in section 292 (A) of the Companies Act 1956 and the terms of reference of the Committee, inter-alia, includes the work given in the listing agreement. In the past, the meetings of the Audit Committee were attended by the Members of the Committee and Chief Financial Officer of the Company. The Company Secretary acted as the Secretary of the Committee. The minutes of the Committee were placed before the Board of Directors for information. PTC has not denied any personnel access to the Audit Committee of the company in respect of matters involving alleged misconduct.

#### Investors Grievance Committee

Investors' Grievance Committee comprised of Shri S.S. Jamwal and Shri Mahendra Kumar. As Shri Mahendra Kumar has ceased to be Director w.e.f 31.05.2004 (AN) another Director will be nominated in this committee. The Company's equity shares were listed on 07.04.2004 and this committee would meet from time to time as and when required

#### Disclosures

There are no material significant transactions with related parties except those mentioned in the Annual Accounts for the FY 03-04 conflicting with the Company's interest. There was also no instance of non-compliance on any matter related to



the Capital Markets during the last years. The information relating to the Company are also available at Company's web-site www.ptcindia.com.

#### Remuneration of Directors

Presently, the Chairman & Managing Director and two whole-time Directors are on deputation from the Government of India and Powergrid Corporation of India Ltd., Promoter Company ( wholly owned Government of India Undertaking ) respectively. Since the remuneration is as per the deputation terms, Directors' remuneration committee has not been formed.

The remuneration paid to the Directors during the year 2003-2004 is as under:

Sr. no.	Director (Rs.)*	Designation	Remuneration
1.	Mr. T.N. Thakur	CMD	18,23,121
2.	Mr. S.K. Dube	Director (Operations)	12,93,351
3.	Mr. Mahendra Kumar	Director (Business Development)	15,65,557

The above remuneration includes performance linked incentive of Rs. 6,69,586/-, 3,90,869/- and 5,54,331/- to S/Shri T. N.Thakur, S.K. Dube and Mahendra Kumar respectively.

Note- Performance criteria are linked with profitability of the Company.

Non-executive Directors are paid sitting fee of an amount of Rs. 5000/- per meeting by the Company.

#### General Shareholders' Information

##### Registered office and address for correspondence

Rajiv Maheshwari,  
Company Secretary & Compliance officer ,  
PTC  
2<sup>nd</sup> Floor, NBCC Towers, 15 Bhikaji Cama Place, New Delhi-110066.

##### Financial Year

PTC follows the financial calendar from 1<sup>st</sup> April to 31<sup>st</sup> March.

#### Listed at

The Stock Exchange, Mumbai  
Phiroze Jeejeebhoy Towers,  
Dalal Street,Mumbai.

The National Stock Exchange of India Ltd. ,  
Exchange Plaza, Bandra-Kurla Complex,  
Bandra (E),  
Mumbai-400051.

#### General Information

SCRIP ID- PTC  
SCRIP Code-532524

#### Registrar and Share Transfer agent

Company has appointed M/s. MCS Limited, Sri Padmavati Bhavan, Plot no. 93, Road no. 16, and MIDC Area, andheri (E) Mumbai-93 as registrar and share transfer agent of the Company. Company's shares has also been issued in demat form and ISIN No. is INE877F01012.

#### Acknowledgment

The Board of Directors acknowledge with deep appreciation the co-operation received from the Government of India, particularly the Ministry of Power, State Electricity Boards, State Governments, Regional Electricity Boards, Central Electricity Authority, Central Electricity Regulatory Commission and State Electricity Regulatory Commission, Power Sector Organizations viz. Power Grid Corporation of India Ltd., National Thermal Power Corporation Ltd., Power Finance Corporation Ltd., National Hydroelectric Power Corporation Ltd. and valuable investors who subscribed in the recent IPO of the Company.

The Board wishes to place on record its appreciation for efforts and contribution made by the employees at all levels which made possible the significant achievements by your Company.

For and on behalf of the Board of Directors

(Tantra Narayan Thakur)  
Chairman & Managing Director

Date: 1st June, 2004  
Place: New Delhi

#### AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

The Board of Directors  
Power Trading Corporation of India Ltd. (PTC)  
New Delhi

The Company's equity shares were listed in the Stock Exchanges on 07.04.2004. We have reviewed the implementation of Corporate Governance procedures by the Company with the relevant records and documents maintained by the Company, furnished to us for our review and report on Corporate Governance.

On the basis of the above and according to the information and explanations given to us, in our opinion, the Company has complied in all material respects with the conditions of Corporate Governance stipulated in Clause 49 of the Listing Agreement to the Stock Exchanges.

For D.C.G. & Co.  
Chartered Accountants

(D.C. Gupta)  
Partner

Dated: 1st June, 2004  
Place: New Delhi



## AUDITORS' REPORT

We have audited the attached Balance Sheet of **Power Trading Corporation of India Limited** as at 31<sup>st</sup> March, 2004 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these Financial Statements based on our audit.

We conducted our audit in accordance with Auditing Standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free of material misstatement. An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Financial Statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of Sub Section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.

Further to our comments in the annexure referred to above, we report that:

1. We have obtained all the information and explanations, which to the best of our knowledge and beliefs were necessary for the purpose of our audit;
2. In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examinations of those books;

3. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;
4. In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
5. On the basis of written representations received from the Directors, as on 31<sup>st</sup> March, 2004 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31<sup>st</sup> March, 2004 in term of clause (g) of Sub-Section (1) of Section 274 of the Companies Act, 1956;
6. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - a. in the case of the Balance Sheet, of the state affairs of the company as at 31<sup>st</sup> March, 2004; and
  - b. in the case of the Profit and Loss Account, of the profit of the company for the year ended on that date.

For D.C.G. & CO.  
Chartered Accountants

Date : 7<sup>th</sup> May, 2004  
Place: New Delhi

D.C. Gupta  
Partner

### ANNEXURE TO THE AUDITORS REPORT (Referred to in our report of even date)

Re: POWER TRADING CORPORATION OF INDIA LIMITED

- (i) (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.  
(b) All the assets have been physically verified by the Management during the year as there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification  
(c) During the year, the company has not disposed off a major part of the plant and machinery.
- (ii) (a) The company had not taken or granted any loan secured or unsecured from/to companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (iii) In our opinion and according to the information and explanations give to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchase fixed assets and with regard to the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
- (iv) (a) According to the information and explanations given to us, we are of the opinion that there was no transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956.
- (v) In our opinion and according to the information and explanations given to us, the company has not accepted any deposits to which the provisions of sections 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 apply.
- (vi) In our opinion, the company has an internal audit system commensurate with the size and nature of business.
- (vii) Central Government has not prescribed the maintenance of cost records under section 209(1) (d) of the Companies Act, 1956.
- (viii) (a) The company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, income tax, sales tax and other material statutory dues applicable to it.  
(b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, custom duty, excise duty and cess were in arrears, as at 31<sup>st</sup> March, 2004 for a period of more than six months from the date they became payable.  
(c) According to the information and explanation given to us, there are no

- (i) dues of sale tax and income tax which have not been deposited on account of any dispute.
- (ix) In our opinion, the accumulated losses of the company are not more than fifty percent of its net worth. The company has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
- (x) In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- (xi) In our opinion, the company is not a chit fund or a nidhi / mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xii) In our opinion, the company has not given any guarantees for loans taken by others from banks or financial institutions.
- (xiii) In our opinion, the company has not taken any term loans.
- (xiv) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that the no funds raised on short-term basis have been used for long-term investment. No long-term funds have been used to finance short-term assets except permanent working capital.
- (xv) According to the information and explanations given to us, the company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act.
- (xvi) According to the information and explanations given to us the company has not issued any debentures during the period covered by our audit report.
- (xvii) We have verified the end use of money raised by public issues as disclosed in the notes to the financial statements.
- (xviii) According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.
- (xix) Clause ii, xii & xiv of paragraph 4 of the aforesaid order were not applicable to the Company

For D.C.G. & CO.  
Chartered Accountants

Date : 7<sup>th</sup> May, 2004  
Place: New Delhi

D.C. Gupta  
Partner



## BALANCE SHEET AS AT 31ST MARCH, 2004

(Amount in Rs.)

	Schedule		As at 31.03.2004	As at 31.3.2003
<b>SOURCES OF FUNDS</b>				
<b>Shareholders' Funds</b>				
Share Capital	A	1,500,000,000		725,000,100
<b>Reserves and Surplus</b>				
Share Premium Account		322,095,249		-
Profit & Loss Account		322,446,661	<b>2,144,541,910</b>	133,057,498
<b>Loan Funds</b>				
Secured Loans			-	-
Unsecured Loans			-	-
<b>Deferred Tax Liability (Net)</b>			<b>27,744,760</b>	35,529,493
<b>Total</b>			<b>2,172,286,670</b>	<b>893,587,091</b>
<b>APPLICATION OF FUNDS</b>				
<b>Fixed Assets</b>				
Gross Block	B	220,043,125		226,744,624
Less: Depreciation		27,062,330		16,741,652
<b>Net Block</b>		192,980,795		210,002,972
<b>Capital Work-in-Progress</b>		529,200		-
<b>Investments</b>	C		<b>1,340,907,940</b>	17,575,984
<b>Current Assets, Loans and Advances</b>				
Sundry Debtors	D	766,377,806		492,828,453
Cash and Bank Balances		1,276,501,512		988,296,641
Other Current Assets		3,276,561		6,550,880
Loans & Advances		246,060,348		144,817,755
			2,292,216,227	1,632,493,729
<b>Less: Current Liabilities &amp; Provisions</b>				
Current Liabilities	E	1,305,205,461		959,275,680
Provisions		422,640,909		101,106,266
<b>Net Current Assets</b>		1,727,846,370	<b>564,369,857</b>	572,111,783
<b>Miscellaneous Expenditure</b> (To the extent not written off or adjusted)	F		<b>73,498,878</b>	93,896,352
<b>Total</b>			<b>2,172,286,670</b>	<b>893,587,091</b>
<b>Significant Accounting Policies</b>	K			
<b>Notes to the Accounts</b>	L			

(Deepak Amitabh)  
Sr. Vice President(Fin.)

(S.K.Dube)  
Director

(Tantra Narayan Thakur)  
Chairman & Managing Director

As per our Report attached  
For D.C.G. & Co.  
Chartered Accountants

(Rajiv Maheshwari)  
Company Secretary

(D. C. Gupta)  
Partner

Dated : 7<sup>th</sup> May, 2004  
Place : New Delhi



## PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2004

(Amount in Rs.)

Schedule	For the year ended 31.03.2004	For the year ended 31.03.2003
<b>INCOME</b>		
Electricity Sales	23,201,666,814	9,003,816,723
Service Charges	31,511,364	33,348,713
Discount on Purchase of Power	-	18,746,250
Rebate on Purchase of Power	485,016,408	177,811,537
Other Income	61,622,366	32,736,995
Profit on Sale of Investments (net)	2,725	-
Foreign Currency Fluctuation	131,920	43,863
Excess Provisions Written Back	8,398	2,857,059
	<b>23,779,959,995</b>	<b>9,269,361,140</b>
<b>EXPENDITURE</b>		
Electricity Purchase	22,666,587,536	8,824,588,935
Rebate on Sale of Power	514,862,535	205,219,571
Employee Cost	43,178,752	15,097,735
Other Expenses	48,125,761	17,468,937
Loss on sale of fixed assets (net)	36,952	292,320
Provision for diminution in value of Investments	285,392	-
	<b>23,273,076,928</b>	<b>9,062,667,498</b>
<b>Profit/(Loss) before Amortisation, Depreciation &amp; Prior Period Items</b>	506,883,067	206,693,642
Amortization & Write Off		
Preliminary Expenses	915,992	915,992
Deferred Revenue Expenditure-Strategic Planning	381,997	381,997
Deferred Revenue Expenditure-Increase in Authorised Capital	2,980,220	2,980,220
Deferred Revenue Expenditure-Developmental Expenditure on Potential Power Projects	16,119,264	-
Depreciation	12,801,931	6,893,503
Prior Period Adjustments (net)	(15,728,423)	200,175
<b>Profit Before Tax</b>	<b>489,412,086</b>	<b>195,321,755</b>
<b>Provision for Taxation</b>		
-Current Tax	168,866,212	58,703,726
-Deferred Tax Expenditure/(Income)-(As per AS-22)	(6,938,795)	11,949,851
<b>Profit for the period</b>	<b>327,484,669</b>	<b>124,668,178</b>
Adjustment of Taxes relating to earlier year	3,566,444	2,702,745
Deferred Tax Expenditure/(Income)-(As per AS-22)	(845,938)	23,579,642
	<b>324,764,163</b>	<b>98,385,791</b>
Balance as per Last Account	133,057,498	57,019,931
	<b>457,821,661</b>	<b>155,405,722</b>
<b>Dividend</b>		
Dividend	120,000,000	22,348,224
Dividend Tax	15,375,000	-
<b>Balance carried to Balance Sheet</b>	<b>322,446,661</b>	<b>133,057,498</b>
<b>Significant Accounting Policies</b>	<b>K</b>	
<b>Notes to the Accounts</b>	<b>L</b>	
<b>Earning Per Share (Annualised)</b>	<b>4.16</b>	<b>3.90</b>

(Deepak Amitabh)  
Sr. Vice President(Fin.)

(S.K.Dube)  
Director

(Tantra Narayan Thakur)  
Chairman & Managing Director

As per our Report attached  
For D.C.G. & Co.  
Chartered Accountants

(Rajiv Maheshwari)  
Company Secretary

(D. C. Gupta)  
Partner

Dated : 7<sup>th</sup> May, 2004  
Place : New Delhi



## SCHEDULES FORMING PART OF THE ACCOUNTS

(Amount in Rs.)

	As at 31.03.2004	As at 31.3.2003
<b>SCHEDULE 'A'</b>		
<b>SHARE CAPITAL</b>		
<b>AUTHORISED</b>		
750,000,000 (previous year 750,000,000) Equity shares of Rs.10/- each	<u>7,500,000,000</u>	<u>7,500,000,000</u>
<b>ISSUED, SUBSCRIBED &amp; PAID UP</b>		
150,000,000 (Previous year 72,500,010) Equity Shares of Rs.10/- each fully paid up	<u>1,500,000,000</u>	<u>725,000,100</u>
Total	<u>1,500,000,000</u>	<u>725,000,100</u>

**SCHEDULE 'B'**  
**FIXEDASSETS**

Description	GROSS BLOCK			DEPRECIATION			NET BLOCK			
	AS AT 31-Mar-2003	ADDITIONS	SALES/ ADJUSTMENTS	AS AT 31-Mar-2004	UPTO 31-Mar-2003	FOR THE PERIOD	ADJUSTMENTS	UP TO 31-Mar-2004	AS AT 31-Mar-2004	AS AT 31-Mar-2003
Leasehold Land	-	-	35,209,595	35,209,595	-	-	-	-	35,209,595	-
Buildings	196,377,445	-	(43,817,778)	152,559,667	10,815,555	7,207,870	(2,413,279)	15,610,146	136,949,521	185,561,890
Furniture and Fixture	16,586,310	235,190	-	16,821,500	2,129,771	2,623,283	-	4,753,054	12,068,446	14,456,539
Vehicle	533,175	-	-	533,175	277,105	66,297	-	343,402	189,773	256,070
Office Equipments	13,247,694	1,791,969	(120,475)	14,919,188	3,519,221	2,904,481	(67,974)	6,355,728	8,563,460	9,728,473
<b>Total</b>	<b>226,744,624</b>	<b>2,027,159</b>	<b>(8,728,658)</b>	<b>220,043,125</b>	<b>16,741,652</b>	<b>12,801,931</b>	<b>(2,481,253)</b>	<b>27,062,330</b>	<b>192,980,795</b>	<b>210,002,972</b>
<b>Previous Year</b>	<b>201,440,429</b>	<b>25,897,163</b>	<b>(592,968)</b>	<b>226,744,624</b>	<b>3,343,748</b>	<b>13,559,398</b>	<b>(161,494)</b>	<b>16,741,652</b>	<b>210,002,972</b>	<b>198,096,681</b>

**SCHEDULE 'C'**

**INVESTMENTS**

	As at 31.03.2004	As at 31.3.2003
Short Term Investments-(Unquoted)		
-Grindlays Cash Fund (6,50,829.96 units of Rs. 10/- each @ Rs.10.5819/-, at cost) (Previous year 3,05,820.714 units of Rs. 10/- each @ Rs. 10.575/-, at cost)	6,805,440	3,234,207
-Principal Cash Management Fund (6,72,417.82 units of Rs. 10/- each @ Rs. 10/-, at cost) (Previous year 3,22,810.517 units of Rs. 10/- each @ Rs. 10/-, at cost)	6,724,178	3,228,105
-Franklin Templeton Money Plus Account (6,02,456.40 units of Rs. 10/- @ Rs. 10/-, at cost) (Previous year 11,11,367.20 units of Rs. 10/- each @ Rs. 10/-, at cost)	6,024,564	11,113,672
-JM High Liquidity Fund (1,86,883.99 units of Rs. 10/- @ Rs. 10.0226/-, at cost) (Previous year NIL)	1,872,351	-
-Kotak Mahindra Liquid Institutional Plan (12,64,157.44 units of Rs. 10/- @ Rs. 12.2281/-, at cost) (Previous year NIL)	15,458,244	-
-Birla Income Plus (7,22,265.91 units of Rs. 10/- @ Rs. 10.4948/-, at fair value) (Previous year NIL)	7,580,036	-
-JM Short Term Fund (1,36,50,596.04 units of Rs. 10/- @ Rs. 10.1145/-, at cost) (Previous year NIL)	137,454,861	-
-Templeton India Short Term Income Plan (92,673.34 units of Rs. 1,000/- @ Rs. 1,090.985/-, at cost) (Previous year NIL)	101,034,040	-
-Templeton India Income Builder Account Plan (5,13,832.94 units of Rs. 10/- @ Rs. 14.7854/-, at fair value) (Previous year NIL)	7,597,226	-



- Grindlays Fixed Maturity Plan (2,50,00,000 units of Rs. 10/- @ Rs. 10/- , at cost) (Previous year NIL)	250,000,000	-
- Principal Fixed Deposit-Annual Plan (2,50,00,000 units of Rs. 10/- @ Rs. 10/- , at cost) (Previous year NIL)	250,000,000	-
- Kotak Fixed Maturity Plan (1,00,00,000 units of Rs. 10/- @ Rs. 10.0145/-, at cost) (Previous year NIL)	100,000,000	-
- Reliance Fixed Term Scheme-Annual Plan (3,50,00,000 units of Rs. 10/- @ Rs. 10.0109/-, at cost) (Previous year NIL)	350,000,000	-
- Reliance Fixed Maturity-Monthly Plan (1,00,35,700 units of Rs. 10/- @ Rs. 10.0288/-, at cost) (Previous year NIL)	100,357,000	-
	<b>1,340,907,940</b>	<b>17,575,984</b>

## SCHEDULE 'D'

### CURRENT ASSETS, LOANS & ADVANCES

#### i. SUNDRY DEBTORS

##### (Out standing over six months)

Secured	-	-
Unsecured, considered good	3,644,564	-

##### (Due for less than six months)

Secured	-	-
Unsecured, considered good	762,733,242	492,828,453

<b>766,377,806</b>	<b>492,828,453</b>
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#### ii. CASH & BANK BALANCES

Cash, Stamps & Imprest	-	-
Balance with Scheduled Banks - Term Deposits	986,960,531	656,349,116
Current Accounts	289,540,981	331,896,488
Cheques in Hand	-	51,037

<b>1,276,501,512</b>	<b>988,296,641</b>
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#### iii. OTHER CURRENT ASSETS

Interest accrued	3,276,561	6,550,880
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<b>3,276,561</b>	<b>6,550,880</b>
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#### iv. LOANS & ADVANCES

<b>Loans - (Secured)</b>		
Employees	-	-

##### (Unsecured, considered good)

Employees	3,608,569	1,196,399
Others	-	72,375,000

##### Advances recoverable in cash or kind or for value to be received-

Employees	298,799	155,580
Others	12,600,201	8,511,271
Deposits with Custom, Port Trust & Other Authorities	7,623,967	532,500
Prepaid taxes	221,928,812	62,047,005

<b>246,060,348</b>	<b>144,817,755</b>
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Total

<b>2,292,216,227</b>	<b>1,632,493,729</b>
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## SCHEDULE 'E'

### CURRENT LIABILITIES & PROVISIONS

#### (i) Current Liabilities

Sundry Creditors-Trade & others	1,204,094,303	929,590,125
Book Overdraft (Bank)	2,495,306	1,309,343
Advances from Customers	93,898,221	23,864,953
Security Deposit Received	263,060	39,000
Other Liabilities		
- Towards Promoters	1,701,639	1,506,898
- Statutory Liabilities	1,360,057	2,965,361
- Others	1,392,875	-
Sub-total (i)	<u>1,305,205,461</u>	<u>959,275,680</u>

#### (ii) Provisions

- Pay Revision	-	225,000
- Retirement Benefits	4,508,139	246,695
- Proposed Dividend	120,000,000	-
- Dividend Tax	15,375,000	-
- Taxation	231,136,382	64,521,990
- Others	51,621,388	36,112,581
Sub-total (ii)	<u>422,640,909</u>	<u>101,106,266</u>

**Total** 1,727,846,370 1,060,381,946

## SCHEDULE 'F'

### MISCELLANEOUS EXPENDITURE

(to the extent not written off or adjusted)

#### (A) Deferred Revenue Expenditure-

(i) Developmental Expenditure on potential Power Projects	64,477,054	80,596,319
(ii) Increase in Authorised Capital	8,940,660	11,920,880
(iii) Strategic Planning	81,164	463,161

Sub-total (A) 73,498,878 92,980,360

#### (B) Preliminary Expenses

- 915,992

**Total** 73,498,878 93,896,352

## SCHEDULE 'G'

### OTHER INCOME

Interest-Gross (Tax Deducted at Source Rs. 65,87,596/- Previous Year Rs. 61,33,892/-)	33,867,655	29,078,233
Dividend (Tax Deducted at Source Nil Previous Year Rs. 2,12,364/-)	24,968,960	2,219,891
Rental Income (Tax Deducted at Source Rs.5,73,402/- Previous Year Rs. 2,92,503/-)	2,785,751	1,392,871
Sale of Tender Document	-	46,000
	<u>61,622,366</u>	<u>32,736,995</u>

## SCHEDULE 'H'

### EMPLOYEE COST

Salaries, Allowances & Benefits	36,591,952	23,168,883
Contribution to Provident & Other Funds	1,711,528	1,541,689
Gratuity & Leave Encashment	1,021,963	1,658,344
Staff Welfare Expenses	3,853,309	3,328,061
	<u>43,178,752</u>	<u>29,696,977</u>

Less : Developmental Expenditure on potential Power  
Projects transferred to Deferred Revenue Expenditure

- (14,599,242)

**43,178,752** **15,097,735**



## SCHEDULE 'I'

### OTHER EXPENSES

Reimbursement of Expenses on Office premises/utilities	-	1,843,622
Remuneration & Expenses on Consultants	4,163,247	869,391
Advertisement	1,899,233	1,436,231
Communication	2,225,035	1,444,671
Business Development	4,214,462	2,518,308
Travelling and Conveyance Expenses	9,399,743	5,886,310
Printing & Stationery	1,333,129	1,183,285
Fees & Expenses to Directors	95,000	90,000
Repair & Maintenance Expenses	2,768,660	2,020,148
Bank Charges	1,928,015	1,171,064
EDP Expenses	304,746	205,824
Books & Periodicals	182,268	122,837
Insurance Expenses	114,121	223,497
Water & Electricity Expenses	2,124,458	1,029,641
Rates, Fees & Taxes	1,923,518	746,249
Furnishing Expenses	72,426	147,383
Security Expenses	323,405	184,392
Property Tax	3,695,000	3,695,285
Other General Expenses	1,269,235	899,588
<b>Interest Expenses</b>		
Interest on Short Term Loan	2,291,200	206,884
Interest-Others	7,715,955	2,474,296
<b>Auditors Remuneration</b>		
Statutory Audit fees	71,250	36,750
Tax Audit Fees	11,655	11,025
Other Matters	-	9,450
	<b>48,125,761</b>	<b>28,456,131</b>
Less : Developmental Expenditure on potential Power Projects transferred to Deferred Revenue Expenditure	-	(10,987,194)
	<b>48,125,761</b>	<b>17,468,937</b>

## SCHEDULE 'J'

### PRIOR PERIOD ADJUSTMENTS (NET)

#### INCOME

Depreciation written back	(2,413,279)	-
Rebate Refunded*	(13,315,144)	-
*(Pertains to refund of rebate wrongly deducted by Madhya Pradesh Electricity Board and Bihar State Electricity Board on power purchased in previous year)		
	<b>(15,728,423)</b>	<b>-</b>

#### EXPENDITURE

Depreciation	-	4,588
Others	-	195,587
	<b>-</b>	<b>200,175</b>



## SCHEDULE-K

### SIGNIFICANT ACCOUNTING POLICIES

#### 1. Basis of preparation of Accounts

The financial statements are prepared under the historical cost convention and in accordance with applicable Accounting Standards in India. The financial statements adhere to the relevant presentational requirement of the Companies Act, 1956.

#### 2. Fixed Assets

- i. Fixed Assets are stated at original cost less accumulated depreciation. Cost of acquisition is inclusive of freight, duties, taxes and other incidental expenses related to acquisition, installation and commissioning.
- ii. Depreciation is provided on Written Down Value method as per the rates and in the manner prescribed in the Schedule XIV to the Companies Act, 1956. In respect of the assets costing Rs. 5,000/- or below, depreciation is provided at 100%.

#### 3. Revenue

- i. Revenue from sale of power is accounted for based on rates agreed with the beneficiaries, excluding service charges wherever separately indicated in the agreement.
- ii. Service charges include transaction fee charged under the contracts of purchase and supply of power.
- iii. Revenue in the form of Management and/or Success Fee for services rendered in relation to development work of potential Power Projects is recognised when such fee is assured and determinable under the terms of the respective contract.
- iv. The surcharge on late/non-payment of dues by sundry debtors for sale of energy is not treated as accrued due to uncertainty of its realization and is, therefore, accounted for on receipt basis.

#### 4. Expenditure

- i. Developmental expenditures incurred in relation to potential Power Projects up to 31<sup>st</sup> March, 2003 are being carried forward as Deferred Revenue Expenditure and shall be written off equally in five years beginning with the financial year 2003-04. Such expenditure inter-alia include payments to consultants, legal expenses, salaries and allowances to employees engaged in the developmental activities, other direct

expenses and allocation of common expenses in proportion to the employee cost and is net of incidental revenue arising from sale of tender documents, processing fee, etc.

- ii. Pre-acquisition Development Expenditure i.e. payment towards developmental expenditure on potential Power Projects (net of revenue earned thereagainst), in respect of the period prior to take over of the developmental work by the company is treated as 'Deferred Revenue Expenditure' to be written off equally in five years from the year of take over.
- iii. Payments to consultants, other than those related to potential Power Projects, where the aggregate value of assignment exceeds Rs.10,00,000 and benefit of which is expected to accrue over a number of years, are treated as Deferred Revenue Expenditure to be written off over a period of 5 years .
- iv. Preliminary Expenses are amortized over a period of 5 years.
- v. Prepaid and prior-period items up to Rs. 5000/- are accounted to natural heads of accounts.
- vi. The expenditure, the benefits of which shall accrue in future over a number of years, may be treated as 'Deferred Revenue Expenditure' at the discretion of board and shall be written off equally in five years beginning with the year of its incidence.

#### 5. Retirement Benefits

- i. Liability towards retirement benefits to employees of the company in respect of gratuity and leave encashment is accounted for on actuarial valuation basis.
- ii. Liability in respect of gratuity, leave encashment and provident fund of employees on deputation with the company are accounted for on the basis of terms and conditions of deputation of the parent organisations.

#### 6. Foreign Exchange

Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction. Liability / receivables on account of foreign currency are converted at the exchange rates prevailing as at the end of the year and gains / losses thereon are taken to the Profit & Loss Account, except in case of liabilities relating to fixed assets, which are adjusted to the cost of acquisition of the asset.



## 7. Investments

Long term investments are carried at cost less provision, if any, for permanent diminution in the value of such investments. Whereas short term investments are carried at lower of cost and fair value.

## SCHEDULE-L

### NOTES TO THE ACCOUNTS

- During the year PTC has come up with the an Initial Public Offer (IPO) of equity shares of 5,84,99,990 @ Rs. 16 per share (including premium of Rs. 6 per share). Entire proceeds of IPO has been called for and received and kept with the Schedule Commercial Banks.
- In addition during the year PTC has called for and received the sums indicated below from the share holders towards equity subscription and same has been utilized towards the business operations.

Sl. No.	Details of Shareholders	Amount (in Rs. Crores)
a.	National Thermal Power Corporation Ltd. (Promoter)	6.00
b.	National Hydro Power Corporation Ltd. (Promoter)	4.00
c.	Power Finance Corporation Ltd. (Promoter)	4.00
d.	The Tata Power Company Ltd.	5.00
<b>Total</b>		<b>19.00</b>

Above does not include premium of Rs. 1.50 crores (for 50 lakhs shares at a premium of Rs. 3/- per share) received from The Tata Power Company Ltd.

- During the financial year 2001-02, PTC had paid a sum of Rs. 2.0 lakhs to Central Electricity Authority (CEA) as advance towards carrying out consultancy works. The assignment has since been completed but CEA has not yet submitted its bill. Pending this the advance has been adjusted on the basis of execution certificate given by the department.
- Public issue expenses, to the extent directly identifiable, amounting Rs. 4,39,04,691/- has been adjusted against the Share Premium Account.
- As per PPAs entered into with the off takers of Chukha and Kurichhu power projects, the interest earned on the Term Deposits made with commercial banks for the payments received from them, is passed back to them. PTC has

accounted for the same as income as well as an expense in its books of accounts.

- The Deferred Tax Liability/Assets have been determined on the basis of Accounting Standard 22 (AS-22) "Accounting for Taxes on Income" and details thereof are as follow:-

	For the Period ending 31.03.2004 (Rs.)	Adjustment As at 01.04.2003 (Rs.)
<b>Deferred Tax Assets arising on account of timing differences in:</b>		
Depreciation	—	2,51,293
Deferred Revenue Expenditure	59,19,827	6,32,503
Retirement benefits	41,217	—
Property Tax	13,25,581	—
	<u>72,86,625</u>	<u>8,83,796</u>

### Deferred Tax Liability on account of timing differences in:

Depreciation	3,47,830	—
Deferred Revenue Expenditure	—	—
Property Tax	—	35,700
Retirement benefits	—	2,158
	<u>3,47,830</u>	<u>37,858</u>
Net Deferred Tax Liability/ (Assets)	(69,38,795)	(8,45,938)

- PTC had purchased office accommodation valuing Rs. 18.78 crores (inclusive of stamp duty) at Bhikaji Cama Place from M/s National Buildings Construction Corporation Ltd., a Govt. of India Undertaking and 'Agreement to Sell' in respect thereof had been signed on 21.02.2002 and possession taken over. Sale Deed in respect of the premises is executed but yet to be registered.
- During the year the value of the building was segregated to leasehold land of Rs.3.52 crores (including stamp duty) on the basis of land premium fixed by Ministry of Urban Affairs and Employment (land and Development) as per their letter no. L-II-1 (978)/97/234 dated 6/6/1997. Excess depreciation charged on the value of land during the previous years has been written back. As the lease is perpetual no amortizations in respect of leasehold land has been provided.
- Where ever the invoices are yet to be received, the billing/liability has been accounted for based on the data available.



10. Names of small scale industrial undertakings to which the company owes any sum, which was outstanding for more than 30 days as at the Balance Sheet date - NONE.
11. Estimated amount of capital commitments- Rs. 14.69 lakhs (Previous Year - Rs. 1.31 lakhs).
12. Claims not acknowledged as debts - Rs.73,34,539/- (Previous year - Rs. 73,34,539/-).
13. Quantitative information in respect of purchase and sale of power:

	Qty. in MUs		Value (Rs. in crores)	
	31.03.2004	31.03.2003	31.03.2004	31.03.2003
Sale	11,028.96*	4178.30	2,320.17	900.38
Purchase	11,016.48*	4178.30	2,266.66	882.46

\* Difference is due to the delivery point of sale being different from that of purchase

	31.03.2004	31.03.2003
	Rs.	Rs.
12 Remuneration to Directors (including Chairman & Managing Director)		
Salary, Allowances & Benefits	44,23,898	17,17,227
Contribution to Pension Fund	61,824	61,824
Leave Salary Contribution	1,44,737	55,815
Contribution to Gratuity Fund	51,570	8,168
Directors' Sitting Fees	95,000	90,000
	<u>47,77,029</u>	<u>19,33,034</u>

In addition to the above remuneration, the whole time Directors have been allowed the use of staff car on payment of Rs. 780/- p.m. as contained in the Ministry of Finance (BPE) Circular No. (18)/pc 164 dtd. 29.11.1964 as amended.

13. Expenditure in foreign currency: (on accrual basis)

	31.03.2004	31.03.2003
	Rs.	Rs.
Payment to Consultants	*(131,920)	(43,863)
Traveling	4,81,335	6,52,666
Others	28,561	11,765

\* Pertains to the foreign exchange fluctuation for the payment to be made to foreign consultant.

14. Income earned in foreign exchange 31.03.2004 31.03.2003  
Rs. Rs.  
NIL NIL
15. The actuarial valuation in respect of retirement benefits of the company's employees has been made as on 31.03.2004.

(Deepak Amitabh)  
Sr.Vice President (Fin.)

16. Current liabilities, Sundry debtors and Loans and Advances are subject to confirmation.
17. Audit Fee is subject to approval by the shareholders.
18. The company has entered into the following related party transactions. Such parties and transactions have been identified as per Accounting Standard 18 "Related Party Disclosures" issued by the Institute of Chartered Accountants of India.

Name of Related Party	Nature of Transaction	Amount (Rs.) (For the period ending 31/03/2004)
The Tata Power Company Ltd.	Significant Influence	Director sitting fees to nominee directors 5,000 Equity Contribution 6,50,00,000
National Thermal Power Corporation Ltd.	Significant Influence	Director sitting fees to nominee directors 15,000 Equity Contribution 6,00,00,000 Salary, Allowance and other related payments 62,89,033
Power Grid Corporation of India Ltd.	Significant Influence	Director sitting fees to nominee directors 15,000 Salary, Allowance and other related payments 77,99,652
Power Finance Corporation Ltd.	Significant Influence	Director sitting fees to nominee directors 15,000 Equity Contribution 4,00,00,000 Salary, Allowance and other related payments 8,89,342
National Hydro Power Corporation Ltd.	Significant Influence	Director sitting fees to nominee directors 20,000 Equity Contribution 4,00,00,000 Salary, Allowance and other related payments 10,48,471
Damodar Valley Corporation	Significant Influence	Director sitting fees to nominee directors 10,000 Sale of Power 42,52,23,827 Purchase of power 2,65,22,29,870
IDBI	Significant Influence	Director sitting fees to nominee directors 15,000

#### Key Management Personal

Sh. T.N.Thakur	Chairman & Managing Director	Whole time Directors remuneration	18,23,121
Sh. Mahendra Kumar	Director (BD)	Whole time Directors remuneration	15,65,557
Sh. S.K. Dube	Director (OPN)	Whole time Directors remuneration	12,93,351

19. Figures of the previous year have been regrouped/reclassified wherever considered necessary to conform to current year's classification.

20. Schedules A to L form an integral part of accounts.

(S.K.Dube)  
Director

(Tantra Narayan Thakur)  
Chairman & Managing Director

As per our Report of even date  
For D.C.G. & Co.,  
Chartered Accountants

(Rajiv Maheshwari)  
Company Secretary

Dated: 7<sup>th</sup> May, 2004  
Place: New Delhi

(D.C. Gupta)  
Partner



**CASHFLOW STATEMENT  
FOR THE PERIOD ENDED 31ST MARCH, 2004**

(Amount in Rs.)

**CASH FLOW FROM OPERATING ACTIVITIES**

Net Profit Before Tax		489,412,086
<b>Adjustment for:</b>		
Depreciation		10,320,678
Amortised Expenditure		20,397,473
Loss on sale of fixed assets		36,952
Excess Provision written back		(8,398)
Foreign Exchange Fluctuation		(131,920)
Other Income		(61,622,366)
<b>Operating Profit before Working Capital Changes</b>		<b>458,404,505</b>
<b>Adjustment for:</b>		
Sundry Debtors		(273,549,353)
Loans & Advances		58,639,214
Other Current Assets		3,274,319
Current Liabilities		345,929,781
Provisions		13,867,305
<b>Cash Generated from Operating Activities</b>		<b>606,565,771</b>
Direct Taxes Paid (Net)		(159,881,806)
<b>Net Cash from Operating Activities</b>	<b>(A)</b>	<b>446,683,965</b>

**CASH FLOW FROM INVESTING ACTIVITIES**

Other Income		61,622,366
Purchase of fixed assets		6,156,750
Loss on sale of fixed assets		(36,952)
Sale of fixed assets		15,549
Purchase of investments		(1,323,331,956)
<b>Net Cash used in Investing Activities</b>	<b>(B)</b>	<b>(1,255,574,243)</b>

**CASH FLOW FROM FINANCING ACTIVITIES**

Proceeds from issue of Share Capital (including share premium)		1,097,095,149
<b>Cash flow from Financing Activities</b>	<b>(C)</b>	<b>1,097,095,149</b>
<b>Net increase in cash and cash equivalent</b>	<b>(A+B+C)</b>	<b>288,204,871</b>
<b>Cash and Cash equivalent (Opening Balance)</b>		<b>988,296,641</b>
<b>Cash and Cash equivalent (Closing Balance)</b>		<b>1,276,501,512</b>

(Deepak Amitabh)  
Sr.Vice President (Fin.)

(S.K.Dube)  
Director

(Tantra Narayan Thakur)  
Chairman & Managing Director

As per our Report of even date  
For D.C.G. & Co.,  
Chartered Accountants

(Rajiv Maheshwari)  
Company Secretary

Dated: 7<sup>th</sup> May, 2004  
Place: New Delhi

(D.C. Gupta)  
Partner



**INFORMATION PURSUANT TO PART IV OF  
SCHEDULE VI OF THE COMPANIES ACT, 1956**

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

<b>I Registration Details</b>		
Registration Number 55-99328		State Code 55
Balance Sheet Date 31 <sup>st</sup> March, 2004		
<b>II Capital raised during the period (Amount – Rs. in thousands)</b>		
Public Issue		Rights Issue
5,85,000		Nil
Bonus Issue		Private Placement
Nil		1,90,000
<b>III Position of Mobilisation and Deployment of Funds (Amount – Rs. in thousands)</b>		
Total Liabilities		Total Assets
21,72,287		21,72,287
<b>Sources of Funds</b>		
Paid-up Capital		Reserves and Surplus
15,00,000		6,44,542
Secured Liabilities		Unsecured Loans
Nil		Nil
Deferred Tax Liability		
27,745		
<b>Application of Funds</b>		
Net Fixed Assets		Investments
1,93,510		13,40,908
Net Current Assets		Misc. Expenditure
5,64,370		73,499
Accumulated Losses		
Nil		
<b>IV Performance of Company (Amount – Rs. in thousands)</b>		
Turnover*		Total Expenditure
2,37,79,960		2,32,90,548
Profit/(Loss) before Tax		Profit/(Loss) after Tax
4,89,412		3,24,764
* including 'Other Income'		
Earnings per share in Rs.		Dividend Rate %
4.16 (annualized)		8%
<b>V Generic Names of Three Principal Products/ Services of the Company (as per monetary terms)</b>		
Product/Service Description		Item Code Number
1. Trading of power		Not Applicable

**(Rajiv Maheshwari)**  
Company Secretary

**(Deepak Amitabh)**  
Sr. Vice President (Finance)

**(S K Dube)**  
Director (Ops.)

**(Tantra Narayan Thakur)**  
Chairman and Managing Director

Dated: 7<sup>th</sup> May, 2004  
Place: New Delhi



### VISION

To be a Frontrunner in developing a power market and striving to correct market distortions

### MISSION

Develop power market for optimal utilization of energy.

Promote power trading to optimally utilize the existing resources

Catalyze development of power projects particularly environment friendly Hydro projects

Promote exchange of power with neighbouring countries

### VALUES

- Transparency
- The Customer is always right
- Encouraging Individual initiative
- Continuous Learning
- Teamwork

#### FIFTH ANNUAL GENERAL MEETING

DATE : 9th July, 2004

DAY : Friday

TIME : 09.30 A.M.

PLACE : Air Force Auditorium  
Subroto Park,  
New Delhi-110 010

- NOTE:**
1. Shareholders are requested to bring their copy of the Annual Report with them to the Annual General Meeting.
  2. No gifts or coupons would be given to the shareholders for attending the Annual General Meeting.



ATTENDANCE SLIP

**POWER TRADING CORPORATION OF INDIA LTD.**  
2nd Floor, NBCC Tower, 15 Bhikaji Cama Place, New Delhi-110066

Please complete this attendance slip and hand it over at the entrance of the meeting hall. Joint holders may obtain attendance slip on request.

DPID no.	
Client ID no.	

No. of shares
---------------

Name :

Address :

I hereby record my presence at the 5<sup>th</sup> Annual General Meeting of the Company to be held on Friday, the 9<sup>th</sup> July, 2004 at 09:30 a.m. at Air force Auditorium, Subroto Park New Delhi-110010.

SIGNATURE



**FORM OF PROXY**

**POWER TRADING CORPORATION OF INDIA LTD.**  
2nd Floor, NBCC Tower, 15 Bhikaji Cama Place, New Delhi-110066

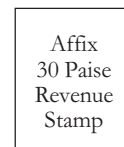
DPID no.	
Client ID no.	

Proxy no.
-----------

Name & Address :

I/We .....  
of ..... in the district of .....  
..... being a member/ members of the above – named company hereby appoint  
..... of ..... in the district of .....  
or failing him ..... of ..... in the district of .....  
..... as my/our proxy to vote for me/us on my/our behalf at the fifth Annual General Meeting /  
General Meeting (not being an Annual General Meeting) of the company to be held on the .....  
day of ..... and at any adjournment thereof.

Signed this ..... day of ..... 2004.



Signature

*Note: - The proxy must be deposited at the registered office of the Company not less than 48 hours before the time for holding the meeting.*



## **Power Trading Corporation of India Ltd.**

2<sup>nd</sup> Floor, NBCC Tower,  
15 Bhikaji Cama Place, New Delhi-110066  
Tél. : (O) 011-51659127, 51659128, 51659500 (5 Lines)  
Fax: 011-51659126