

DELHI TRANSCO LIMITED

SCHEDULE-23: Notes forming part of Accounts.

Part A

1 (a). As per the decision of Govt of Delhi, Delhi Vidyut Board (DVB) was unbundled into different entities for the purpose of generation, transmission and distribution of the power in Union Territory of Delhi and in this respect the Govt issued notification for the said unbundling of DVB w.e.f 01.07.2002. In terms of provisions of the Delhi Electricity Reform Act 2000, the Govt of Delhi notified transfer scheme containing various provisions for transfer of assets, liabilities and provisions regarding the personnel allocated to the different entities created out of said unbundling. As per the said transfer scheme opening Balance Sheet of Delhi Transco Ltd (DTL) as on 01.07.2002 stood as under

(Rs. in Crores)

Liabilities		Assets	
Long Term Liabilities		Fixed Assets	
Authorized issued, subscribed, and paid up 180,000,000 shares of Rs.10 each in favor of Holding Company.	180.00	Gross Fixed Assets	650.00
Secured Loan payable to Holding Company	270.00	Less: Accumulated Depreciation	200.00
Total	450.00	Net Fixed Assets	450.00
Current Liability		Current Assets	
Power Purchase Liability payable to GENCO	42.00	Receivables due from DISCOMS	278.00
Other Power Purchase Liability	236.00	Cash & Bank Balance	7.00
Payable to Holding Company	14.00	Stores and Spares	5.00
Total	292.00	Loans to personnel	2.00
		Total Current Assets	292.00
Total Liabilities	742.00	Total Assets	742.00

Taking the values of the above Balance Sheet, the company started the business of trading and transmission of power for distribution through Discoms in Union Territory of Delhi. However during the financial year 2002-03 the company adjusted values of certain assets on the basis of independent valuation and consequently the Balance Sheet as on 31.03.2003 stood as under

(Rs. in Crores)

Liabilities		Assets	
Long Term Liabilities		Fixed Assets	
Authorized issued, subscribed, and paid up 180,000,000 shares of Rs.10 each in favour of Holding Company.	180.00	Gross Fixed Assets	670.14
Secured Loan payable to Holding Company	270.00	Less: Accumulated Depreciation	178.04
Capital Reserve	54.28	Net Fixed Assets	492.10
		Capital Work in Progress	12.18
Total	504.28	Total	504.28
Current Liability		Current Assets	
Power Purchase Liability payable to GENCO	42.00	Receivables due from DISCOMS	278.00
Other Power Purchase Liability	236.00	Cash & Bank Balance	7.05
Payable to Holding Company	14.05	Stores and Spares	5.00
		Loans to personnel	2.00

Total	292.05	Total Current Assets	292.05
Total Liabilities	796.33	Total Assets	796.33

However on the basis of fresh physical valuation of the assets the Book Values of the assets were adopted as per the opening Balance Sheet of the company as on the date of unbundling i.e. 01.07.2002 as depicted above after making necessary adjustments.

1(b). The physical verification and valuation of fixed assets and inventories of Rampura store, Chandrawal workshop is in process and adjustments in accounts will be carried out on completion of process. The transformers lying at Okhla workshop are to be repaired and handed over to discoms as per the shared facilities agreement. However as NDPL has filed a writ petition in the Delhi High Court, the process of valuation of inventories at Okhla shall be completed in due course.

2. (i) As per GNCTD Notification No. 187 dated 31-05-2002, the Govt. has made available to the Transco an amount of Rs. 3452 Crore during the period 2002-2003 to 2005-2006 as loan to be repaid to the Government in 15 years the first installment of which has fallen due in July. The Transco has used the loan to bridge the gap between its revenue requirement and bulk supply price.

(ii) The company has also taken interest bearing loan amounting to Rs 270 Crore from DPCL @ 12% which is repayable in 18 half yearly installments with a moratorium of 4 years. The first installment of repayment has fallen due in Dec 2006.

3. As per the decision of Govt of Delhi notified in terms of the Indian Electricity Act 2003, the business relating to power trading i.e. sale and purchase of power has been withdrawn from DTL w.e.f. 01.04.2007 and the Discoms including the deemed Discoms namely MES and NDMC will be allowed to purchase and sell power through their distribution system pertaining to the geographical allocation of each of Discoms. Accordingly w.e.f. 01.04.2007 DTL will only be dealing with the transmission (wheeling) of power to various Discoms through its transmission systems.

4. In terms of the provisions of Delhi Electricity Reform Act 2000 the company will be entitled to claim wheeling charges from the respective Discoms as per the tariff order issued by DERC w.e.f. 01.04.2007.

5. With effect from 01.04.2007 State Load Dispatch Centre (SLDC) will function as a separate unit of DTL and will be nodal agency for coordinating UI & Reactive Energy between the Discoms and the generating units and will charge its separate fees as may be decided by DERC. For this purpose DERC has also issued orders for the maintenance of separate accounts for SLDC w.e.f. 01.04.2007.

Part B

1.1. Physical Verification and Reconciliation of Assets

In terms of transfer scheme notified by the Govt. of Delhi of the purpose of unbundling of DVB, the fixed assets were transferred to the company on 01-07-2002 at the book values specified in the Opening Balance Sheet of DTL certified in pursuance of the said transfer scheme. However, in the accounts of DTL for the financial year 2002-03, the values of individual assets were taken as per the valuation report of M/s Dhamija & Associates, Chartered Accountants appointed by the company and thereafter the assets were depreciated each year and shown at net book value up-to the financial year 2004-05. Further, as per the decision of the management,

another firm of Chartered Accountants namely M/s J.P. Tulsian & Co. were appointed in the year 2004-05 for carrying out the physical verification of assets. In the accounts for the year 2005-06 the value of the fixed assets was retained again as per the Opening Balance Sheet of DTL as on 01-07-2002 after re-computing the yearly depreciation up-to 2005-06 and quantities as per physical verification by M/s J.P. Tulsian.

- 1.2. Again in the year 2006-07, M/s S.L. Aggarwal & Co., Chartered Accountants were appointed for conducting physical verification of the assets like plant & Machineries, Equipments & the discrepancies between the quantities as per book and physical verification conducted by M/s S.L. Aggarwal & Co., due to scrapping or dismantling of the assets have been provided for in the accounts of the current year as certified by O&M Department. The value of such dismantled/scraped assets works out to Rs. 569.34 lakhs.
- 1.3. However, in respect of the additions in the assets made by DTL after 01-07-2002 no reconciliation of the book value of these assets as the aforesaid additions to the assets after 01.07.2002 could be accounted for in the current year accounts only in terms of total amount of Capital Work Orders (CWO) and not in terms of individual assets added/constructed. Further the assets being used by SLDC were also not physically verified during the year 2006-07. Nevertheless the major & portion volume of total assets of the Company has been reconciled and discrepancies have been provided for in the current year accounts as stated in para 2 above.
- 1.4. Subject to the above, there is no diminution in the value of assets during the current year as per the certificate of the executive in-charge & thus there is no impairment during the year.
2. The assets of SCADA taken from PGCIL on lease basis have been shown in the fixed assets separately as Assets on lease. The company is making payment of lease every year to PGCIL as per the agreement of lease, which is reflected in the net amount due against leased assets.
3. During the year the company has paid Rs. 46.92 Lacs as advance tax towards Fringe Benefit Tax for the year 2006-07. However, due to fresh view taken on certain terms of expenditure, the company has calculated its revised FBT Tax liability & booked the same in the P&L A/C of the current year. The excess amount of Advance Tax amounting to Rs.118.77 Lacs (including Rs. 112.45 Lacs pertaining to last year) is shown as refundable in the accounts.
4. As per the order of DERC, the contingency Revenue created @ 0.25% of amount of gross block of assets during the previous years is not required as the Electricity Supply Act 1948 has been repealed by Electricity Act, 2003 which does not contain the provisions requiring the creation of said contingency reserve. The DERC also in its order on tariff petition as for the year 2006-07 has disallowed the expenditure against contingency reserve created by the company during the year 2005-06 and 2006-07. Accordingly in the current year account the contingency reserve for the year 2005-06 has been written back and balance shown in the accounts as on 31.03.2007

represents the cumulative amount of contingency reserve created up-to the year 2004-05.

5. The balances shown against DPCL, IPGCL, NTPC & other sundry debtors & creditors are subject to reconciliation & confirmations due to claims & counter claims between DTL & these entities. Therefore, anything receivable or payable by DTL as per the said reconciliation shall be accounted for after the same is confirmed and reconciled between these parties.
6. The capital work in progress(CWIP) have been capitalized into various assets during the year only on the receipt of completion certificate issued by the concerned executive & depreciation is charged on pro-rata basis on the basis of date of commencing of the assets as specified in the completion certificate.
7. In terms of the resolution passed by the BOD of DTL, the Administrative & General Expenditure attributable to IPGCL and DPCL have been debited to IPGCL and DPCL from the year 2002-03 to 2006-07, treating the apportioned expenditure up-to 2005-06 as prior- period adjustment
8. Income tax liability of the company under MAT has been computed to Rs.515.15 Lacs as per the provisions of section 115 JB of Income Tax Act 1961.

9. COMPANY AS A GOING CONCERN

- (a) Since inception the company has incurred losses due to gap between the sale price at which electricity was being sold to the DISCOMS and the purchase price which was being paid to the generating units. The mandatory provisions of Delhi Electricity Reform Act (DERA) 2000 and the transfer scheme/unbundling of DVB made effective by Govt of Delhi w.e.f. 01.07.2002 in terms of those provisions were aimed to use DTL as a socio-economic vehicle to serve two fold purposes- sale of electricity to the citizen of Delhi at the minimum possible rates at one end and to allow DTL as financial and administrative independent entity under the Company Act 1956 for optimizing its resources and thereby economizing the cost of electricity.
- (b) Even as per the mandatory provisions of Central Electricity Act 2003 and policy directions issued by Delhi Govt to DERC on 28.06.2006, only the trading of power has been withdrawn from the scope of DTL business and DTL will continue to carry on the transmission of power for distribution to citizen of Delhi after 01.04.2007.
- (c) Besides the aforesaid legal mandate the Govt. of Delhi has been providing soft loans directly as well as through DPCL, a Company owned by Delhi Govt., to DTL in order to meet successfully the two fold objectives as mentioned above. Further a proposal is in the advance stage of consideration for converting the power reform loan of Rs. 3452 Crores given to DTL at the time of unbundling, into the equity capital of the company; thereby make the company financially viable and strong.
- (d) Considering the aforesaid legal and operational mandate as well as the financial support of Govt. of Delhi, there is nothing to affect the "Going Concern" form of DTL besides the accumulated losses of Rs. 3648.32 Crores till the year 2006-07. Further it will not be out of place to mention here

that during the financial year 2005-06 and the current year, the company has earned profit before taxes amounting to Rs. 94.90 Crores and Rs. 40.46 Crores respectively, which the company expects to continue considering new tariff regulations being issued by DERC.

- (e) Therefore with respect to the continuous remarks of Statutory Auditors in their audit reports of the company, it is thus clarified that even though the company has past accumulated losses it remains a “Going Concern company” in terms of operational as well as legal mandate and also meets the requirement of AS1 (Financial Accounting Assumptions) with regard to “Going Concern” assumption of an entity.

10. Contingent Liabilities: -

- a. Bank Guarantees Rs. Nil (Previous Year Rs. Nil)
- b. Letters of Credit issued by the Company's Bankers amounts to Rs.1,37,40,32,981/- with back-up margin of LCs issued in favor of DTL by Discoms (Previous year – Rs.82,47,48,000/-) and a foreign LC amounting to CHF 181957.86 was opened by the company through its bankers in favour of foreign supplier against the 100% Backup Margin of FDR with the LCs issuing bank (SBI) (Previous year Rs. 4613203/-).
- c. The company is liable to issue sales declaration forms (Form C) to various suppliers against the supplies made during the year 2002-03 but during the relevant time company was not registered with the Delhi Sales Tax Department and could not get those forms issued from the department for issuing the same to the said suppliers. Though the company has taken up with the sales tax department yet the same has not been decided. In the event the department does not issue Form C, the company may have to pay differential amount @ 6% of the bill value plus interest thereon which works out to Rs. 150 Lacs. However at the same time this amount is recoverable from the Discoms to whom the said supplies have been made, but as same is not confirmed, the liability of Rs. 150 Lacs has been treated as contingent against the company
- d. Estimated Value of Contracts remaining to be awarded and executed on Capital Account (net of advance) and not provided for as at 31st March 2007 amounts to Rs. 98006.80 lacs (Previous year Rs. 52354.05 lacs).
- e. The contingent liability on account of arbitration cases / Court cases is Rs.6560.85 Lacs plus interest (Previous year Rs.2524.96 Lacs plus interest) against the counter claim of the company amounting to Rs. 939.37 Lacs as confirmed by legal department.
- g. The contingent liability for Power Purchase is as per detail given below:-
 - i. IPGCL Rs. 754.05 Lacs (Fixed & Variable Charges less Verified by System Department for 2005-06) (Previous year Rs. NIL)
 - ii. PPCL Rs. 106.83 Lacs (Excess generation, rate difference OC mode, fixed charges less verified) (Previous year Rs NIL).
 - iii. NHPC Rs. 18.77 Lacs (surcharge) (Previous year Rs. 189.23 Lacs)
 - iv. IPGCL Rs. 236.30 Lacs on account of property tax (2004-07).
 - v. PPCL Rs. 53.44 Lacs on account of property tax (2004-07).
- h. The company has paid property tax due up-to the financial year 2006-07 as per the rules of the MCD. However The MCD has raised the demand amounting to Rs. 2507.54 Lacs for the period from 2002-03 to 2003-04 against which the company has got stay from the Court. Pending the decision

of the court the demand of Rs. 2198.61 Lacs has been treated as contingent liability.

11. As per CERC orders, NTPC has refunded the Development Surcharge Securities, by virtue of investments in DSC Securities equivalent to Rs.3,793.62 Lakh, after adjustment of pre-acquisition interest of Rs. 63.02 Lakh. Out of this security amounting to Rs. 2,327.19 Lakh has been matured during the year leaving a balance of Rs. 1,466.42 Lakh. No diminution in the value of the investment is envisaged on permanent basis.
12. The expenditure incurred as on the date of balance sheet in DSIDC project at Bawana has been included in Capital work-in-progress and shown as deposit work. As per DERC order No. 5151 dated 13.08.2004, the company is required to meet the expenditure on the project out of the deposit funds and interest received thereon. Against the said deposit the company has earned the interest which company is liable to utilize for the Bawana project. However at the same time the company has spent the money from its own account amounting to Rs. 650 Lacs for the purpose of meeting necessary liabilities in connection with the Bawana project.
13. Sale / purchase of energy is accounted for based on tariff rates approved by the Delhi Electricity Regulatory Commission / Central Electricity Regulatory Commission. However, wherever rates have been fixed on provisional basis by the concerned Regulatory Commission provisional rates have been adopted for accounting. Difference if any will be accounted for in year of settlement.
14. The direct employee cost and overhead expenses of Planning and Construction departments attributable to capital works have been allocated to capital work in progress. The employee cost and other overhead expenses of Stores and Civil Departments attributable to both the capital works and repair & maintenance works have been allocated to capital scheme pro-rata in proportion to capital accretion during the year.
15. The disclosure of total outstanding dues to SSI as well as the names of the SSI to whom the company owes a sum as defined under the Industries (Development & Regulation) Act, 1951, which is outstanding for over 30 days, as required in part-I of the schedule-VI to the Companies Act, 1956 could not be ascertained.
16. **Deferred Tax:** Deferred Tax Assets after setting off deferred tax liability has not been considered in accounts on prudent basis as the company is not certain about the future availment of such benefit. However, deferred tax assets are as under:

	Rs. in Lakh
Deferred tax assets	
On unabsorbed depreciation	6552.59
On business loss (Carried forward)	118413.00
On Tax credit against MAT	515.15
TOTAL	125480.74
Deferred tax liabilities	
On difference of depreciation between Income Tax and Companies Act	6064.84
Net Deferred Tax Assets	119415.90

17. **Disclosure regarding leases**

The company has taken on lease certain Asset (SCADA) as per term of lease agreement, details of which as under:-

(Rs. In lacs)

Outstanding balance of minimum lease payments	As on 31.03.2007
• Not later than one year	167.22
• Later than one year and not later than five year	938.08
• Later than five year and more	2325.82
Total	3431.12

- 18.a. **Secured Loan of Rs. 270 Crores from Delhi Power Company Limited and Interest:-** This loan is as per transfer scheme and is secured by first charge on the assets of the company as specified in the Transfer Scheme /loan agreement. There was waiver of interest and moratorium of first four years on both interest and Principal repayment. Thereafter Principal has to be repaid in eighteen equal half yearly installments along with interest @12% p.a. Thus no provision for interest is made in accordance with Amended Notification No F.11 (99)/2001-Power/207 dated 26. 06.2002. The first installment has been paid on 31st December 2006.
- b. **Power Sector Reform Loan:** The Company has not received any loan from GNCTD against power Sector Reform during the current year; total loan support till 31.03.2007 is Rs. 345200.00 lakhs. The first installment for repayment was due on 01.07.2006 which has not been paid as the case has been referred to GNCTD for conversion of loan in to equity.
- c. **Plan Loan:** The Company got a loan of Rs.6000.00 lakh from GNCTD for Plan Work during the current year, thus making it a total of Rs.34125.32 lakhs outstanding as on 31.03.2007. An installment of Rs.2198.48 lakh has been refunded to GNCTD in FY 2006-07.
- d. **Grant in Aid:** The Grant in Aid of Rs.100.00 lakhs has been received from GNCTD in the year 2006-07 for expenditure to be incurred on Energy Conservation as the company has been nominated as Nodal Agency. The Company has incurred a sum of Rs. 175.52 Lacs out of the grant received during the year and opening balance of Rs. 34.89 Lacs and balance from its own funds which are shown as recoverable from Delhi Government.
19. **Interest on Loan:** -
Interest on Plan Loan received from GNCTD has also been provided @ 13%p.a. on the loans received during the year 2002-03 and 11.5% for the onward years out of which Interest amounting to Rs.1509.39 lacs (Previous year Rs.1282.71 Lacs has been capitalized by transferring to capital work in progress and rest has been charged to Profit and Loss account.
20. **Segment Reporting** : - The Company's principal and only business is transmission of bulk power and supply to Discoms within the territory of State of Delhi. Hence no segment reporting has been done.
21. **Related Party Disclosure:** -
a) Following is the list of the related parties as identified in accordance with Provisions of the Accounting Standard-18 Related Party Disclosure :

Name of the related Party	Nature of Relationship
DELHI POWER COMPANY LIMITED	HOLDING COMPANY
DIRECTORS	KEYMANAGEMENT PERSONNEL
I Mr.Rakesh Mehta	Chairman & Managing Director
II Dr.Pawan Singh	Director
III Mr. R.K. Saxena	Director

b) **Related Party Transaction:** -

As the overall account relating to the transactions made between the company and DPCL (related party) is under reconciliation the details of the said transactions shall be provided after confirmation / reconciliation. To that extent accounting standard AS 18 has not been complied with.

22. **Writing off of Pre-operative/ Preliminary Expenses :** - 5th and last installment of Rs.26,99,000/- (Previous year Rs.27,00,598-)being 1/5th of Pre-operative / Preliminary Expenses of Rs.1,34,98,995/- has been written off and charged to Profit & Loss Accounts, as per the accounting policy.

23. **Allocation of Corporate Office Expenses:** -As per board resolution dated 16.03.2007, 50% management expenses related to CMD secretariat and Director (Finance) secretariat have been apportioned to DPCL and 50% management expenses related to Director (HR) secretariat have been apportioned to IPGCL.

24. Expenditure in Foreign Currency: -	Year ending	
	31-03-2007	31.03.2006
	<u>Rs.Lacs</u>	
Traveling Expenses	43.72	0.27

25. **Quantitative Details**

	2006-2007(MU)	2005-2006(MU)
Total Number of Units Sold	23592.56	22972.93
Total Number of units Purchased during the period	24629.29	23644.52
Total Transmission loss in the System	1036.73	586.75
Energy units on banking arrangement	0.00	84.84

26. During the year the company has adjusted the outstanding amount of short term loan from DPCL with the incentive amounting to Rs. 667.81 Crore due from DPCL and the consequent and adjustment required for reversal of interest has also been made in the current year accounts.

27. As the company will not be engaged in the trading of power w.e.f 01.04.2007 the balance units of power receivable and due by the company against the banking arrangement agreement between the company and

other entities have been accounted for in the purchase of power and sale of power as the case may be.

28. The letter of credit opened by company in favor of generating unit have been discharged after the date of Balance Sheet and similarly the LCs opened by Discoms in favor of the DTL have also been discharged after receiving the dues from Discoms on account of Sale of Power as the company shall not be engaged in trading of power w.e.f. 01.04.2007.
29. The Company is charging the quantum of depreciation as provided under Schedule XIV of Companies Act considering Rs 650.00 crore of gross value of assets as provided by the transfer scheme and not on the net value of Rs 450.00 crore as per past practice.

Previous year's figures have been regrouped and reclassified wherever necessary.

P. K. Mallik
Company Secretary

Surender Babbar
Dy. General Manager (Finance)

Dr.Pawan Singh
Director (Finance)

Rakesh Mehta
Chairman & Managing Director

**As per Our Report of Even Date Attached
For Rajendra K. Goel & Co.**

(V.K.ISSAR)
Partner
M.No.9519
New Delhi
Dated: 29.06.2007

DELHI TRANSCO LIMITED

SCHEDULE - 24

BALANCESHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I REGISTRATION DETAILS

Registration No.	111529
State Code	55
Balance Sheet Date	31.03.2007

II CAPITAL RAISED DURING THE YEAR

(Amount in Rs. Thousands)

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

III POSITION OF MOBILISATION & DEPLOYMENT OF FUNDS

(Amount in Rs. Thousands)

Total Liabilities	44298413
Total Assets	44298413

SOURCES OF FUNDS

Paid-up Capital	1800000
Reserves & Surplus	55593
Secured Loans	4211862
Un-secured Loans	38230958

APPLICATION OF FUNDS

Net Fixed Assets	5662960
Investments	146642
Net Current Assets	544506
CWIP	1461064
Miscellaneous Expenditure	0
Accumulated Losses	36483240

IV PERFORMANCE OF THE COMPANY

(Amount in Rs. Thousands)

Turnover including other incomes	63968407
Total Expenditure	63563862
Profit / (Loss) Before Tax	404545
Profit / (Loss) After Tax	348338
Earnings per share (Rs.) (Weighted Average)	1.94
Dividend %	Nil

V GENERIC NAMES OF THREE PRINCIPAL PRODUCTS / SERVICES OF
COMPANY (As per monetary terms).

<u>Sl.No.</u>	<u>ITEM CODE NO. (ITC CODE)</u>	<u>PRODUCT DESCRIPTION</u>
	U-40103	Energy

P. K. Mallik
Company Secretary

Surender Babbar
Dy. General Manager (Finance)

Dr.Pawan Singh
Director (Finance)

Rakesh Mehta
Chairman & Managing Director

As per Our Report of Even Date Attached
For Rajendra K. Goel & Co.

(V.K.ISSAR)
Partner
M.No.9519
New Delhi
Dated: 29.06.2007