

# TATA POWER TRADING COMPANY LIMITED

## Directors' Report

To The Members of  
Tata Power Trading Company Limited

The Directors present their Eleventh Annual Report on the business and operations of the Company and the statement of account for the year ended 31<sup>st</sup> March 2014.

### FINANCIAL PERFORMANCE SUMMARY

(₹ in crore)

		2013-14	2012-13
<b>A</b>	<b>FINANCIAL RESULTS</b>		
	Units Traded (MUs)	<b>11488</b>	<b>9431</b>
(a)	Revenue from Power Supply	4139.20	3786.77
(b)	Income from Advisory Services/Consultancy	1.07	2.52
(c)	Other Income	5.72	5.13
(d)	<b>Total Income</b>	<b>4145.99</b>	<b>3794.42</b>
(e)	Cost of Power Purchased	4057.57	3727.06
(f)	Operating, Administration and other finance charges	29.88	30.24
(g)	<b>Total Expenditure</b>	<b>4087.45</b>	<b>3757.30</b>
(h)	Profit Before Tax	58.54	37.12
(i)	Provision for Taxation	19.34	12.64
(j)	<b>Net Profit After Tax</b>	<b>39.20</b>	<b>24.48</b>
(k)	Balance brought forward from previous year	47.24	30.88
(l)	Amount Available for Appropriation	86.44	55.36
<b>B</b>	<b>APPROPRIATIONS</b>		
(m)	Proposed Equity Dividend	8.00	4.80
(n)	Additional Income-tax on Dividend	1.36	0.82
(o)	General Reserve	4.00	2.50
	<b>TOTAL</b>	<b>13.36</b>	<b>8.12</b>
(p)	<b>Balance carried to Balance Sheet</b>	<b>73.08</b>	<b>47.24</b>

### DIVIDEND

Considering the Company's financial performance, the Directors have recommended a dividend of ₹ 5/- per share on the paid-up Equity share capital of 1,60,00,000 Equity Shares of ₹ 10/- each for the FY 2013-14 (previous year: ₹ 3/- per share) subject to approval of the shareholders.

### OPERATING RESULTS AND PROFITS

During the year, the Company reported a Profit after Tax (PAT) of ₹ 39.20 crore, as against ₹ 24.48 crore for the previous year, a growth of 60%. The Operating Revenue was higher at ₹ 4140.26 crore, as against ₹ 3789.29 crore on account of higher growth in MUs.

The increase in profit was due to increase in MUs traded and due to the fact that many buyers could not avail discount for early payment for power due to their poor financial health. The Company has achieved CAGR of 31% in terms of power traded over the past 5 years.

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In addition to power trading business, the Company also provided consultancy services for Energy Management. The Company earned revenues of ₹ 1.07 crore from advisory services/consultancy business during the year.

The Earnings per share (EPS) has increased to ₹ 24.50/- as against ₹ 15.30/- in the previous year.

The Company's short term credit facility from banks was rated as 'A' by India Rating Agency.

## STRATEGIC OUTLOOK

Indian power is expected to mature further with imminent ushering in of ancillary market, eventually replacing UI regime and providing a platform for trading services related to frequency control, voltage control, black start etc. It is also expected that financial risk hedging products, linked to power transactions may be introduced in the Indian power market sooner rather than later. These developments will provide positive thrust to power trading.

Over the near term, however, power trading business is expected to continue to be beset by corridor constraints especially affecting the customers in the southern region and worsening financial health of several key traditionally power purchasing discoms.

The Company is actively evaluating emerging business opportunities in various geographies such as Bhutan, Nepal, Bangladesh, Pakistan and Turkey in the near term future.

The Company is hopeful about improving prospects of revival of REC market and is engaged in advocacy efforts in that direction.

The Company is also engaged in advocacy efforts to facilitate cross border trade as Government of India has now shifted import of power from restricted category to free category. The Company is gearing up for commencing import of power from Bhutan after the Dagachhu hydro power project achieves commercial operation in near future.

## CORPORATE GOVERNANCE STRUCTURE

- a. The Company recognizes its role as a corporate citizen and endeavours to adopt the best practices and the highest standards of Corporate Governance through transparency in business ethics, accountability to its customers, government and others.
- b. The Company functions through the Board of Directors and three Committees of the Board, viz. the Audit Committee, the Remuneration Committee and the Finance Committee, which have been delegated appropriate powers to perform their duties.
- c. The Board of Directors comprises of M/s S. Ramakrishnan, R. N. Subramanyam, Arun Srivastava, Ashok Sethi, Non - Executive Directors and Mr. Sanjeev Mehra,

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Managing Director. During the year under review, 5 meetings were held. The maximum time-gap between any 2 consecutive meetings did not exceed 4 months.

- d. The Audit Committee of the Board comprises M/s. S. Ramakrishnan, R. N. Subramanyam, Arun Srivastava, Non - Executive Directors. During the year under review, 4 meetings were held by Audit Committee. The Managing Director, the Internal Auditor and the Statutory Auditor were also present at Audit Committee Meetings. The Company Secretary acts as the Secretary of the Audit Committee.
- e. The Remuneration Committee of the Board comprises M/s S. Ramakrishnan, and Arun Srivastava, Non - Executive Directors. Mr. S. Ramakrishnan is the Chairman of the said Committee. The Remuneration Committee approved compensation of MD, COO and CFO in keeping with the broad decision taken at holding Company level.
- f. The Company has signed an agreement with Tata Sons Limited subscribing to the TATA Brand Equity and Business Promotion Scheme (BEBP Agreement). On signing the Agreement, the Company is abiding by the Code of Conduct and norms for the new TATA brand identity.
- g. As a good corporate governance practice, the Company is adopting quarterly audited accounts.
- h. Besides the transactions mentioned in the Notes to the Accounts, there were no other materially significant related party transactions that may have a potential conflict with the interests of the Company at large.
- i. The Company follows Accounting Standards issued by the Institute of Chartered Accountants of India and in the preparation of financial statements, the Company has not adopted a treatment different from that prescribed in any Accounting Standard.

## **DIRECTORS**

Mr. S. Padmanabhan resigned with effect from 30<sup>th</sup> June 2014. The Board has placed on record its appreciation of the valuable contribution made to the Company by Mr. Padmanabhan.

In accordance with the provisions of the Act and the Article of Association of the Company, Mr. S. Ramakrishnan is liable to retire by rotation and is eligible for re-appointment. Attention of the Members is invited to the relevant item in the Notice of the Annual General Meeting and the Explanatory Statement thereto.

## **PUBLIC DEPOSITS**

The Company has not accepted any deposits from public in terms of Section 58A and/or Section 58AA of the Companies Act, 1956 during the year under review and as such, no amount is outstanding as on the date of the Balance Sheet.

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## PARTICULARS OF EMPLOYEES

The Company has no employee in the category mentioned in Section 217(2A) of the Companies Act, 1956.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis Report is annexed to this report.

## AUDITORS

M/s Deloitte, Haskins and Sells (DHS), Gurgaon, Chartered Accountants, who are the statutory auditors of your Company, hold office until the conclusion of the forthcoming Annual General Meeting. It is proposed to re-appoint DHS as statutory auditors of the Company from the conclusion of the forthcoming AGM till the conclusion of the Fourteenth AGM to be held in the year 2017, subject to ratification of their appointment at every AGM. DHS has, under Section 141 of the Act, furnished a certificate of its eligibility for re-appointment. The Members year on year will be requested, to ratify their appointment as Auditors and to authorize the Board of Directors to fix their remuneration.

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

Conservation of Energy: The disclosures required in Form A of Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 pertaining to conservation of energy are not applicable to the Company.

Technology Absorption: Nil

Foreign exchange earnings and outgo: During the year, the Company's foreign earning were Nil (previous year: Nil). The outgo during the year was ₹ 18,46,479/- (previous year: ₹ 1,01,81,045/-) mainly on account of annual maintenance of Power Management System software platform and foreign travel.

## SOCIAL RESPONSIBILITY

The Company is committed to discharging its responsibility as a good corporate citizen. As part of its social responsibility, training workshops were conducted as follows:

- (i) In Noida, the Company imparted training to women employees, School Teachers, college students and housewives in Self motivation and self defence techniques. Rotary Club of Delhi (Riverside), facilitated organizing fo training to more than 50 identified participants..
- (ii) The Company also imparted training to 60 lady employees of Provident Fund office in the area of Motivation and self defence techniques
- (iii) Under greenolution- Noida city cleaning drive was done by TPTCL team.

## DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors, based on the representations received from the Management, hereby confirm that –

# TATA POWER TRADING COMPANY LIMITED

- (i) In the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;
- (ii) They have, in the selection of the accounting policies consulted the Statutory Auditors and have applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- (iii) They have taken proper and sufficient care, to the best of their knowledge and ability for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safe guarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) They have prepared the annual accounts on a going concern basis.

## ACKNOWLEDGEMENT

The Directors place on record their appreciation to all the Shareholders, Clients, Business Associates and Bankers.

The Directors are thankful to the Ministry of Power, Government of India, CERC, the concerned state governments and all concerned statutory authorities, including regulatory authorities for their support, and look forward to their continued support in future.

The Directors wish to convey their appreciation to the employees for their hard work, solidarity, cooperation and support to enable the Company to meet challenges and grow consistently.

On behalf of the Board of Directors



S. Ramakrishnan  
Chairman

Place : Mumbai

Date : 24<sup>th</sup> July 2014

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## Management Discussion & Analysis

### **POWER SECTOR OVERVIEW**

India has an installed generation capacity of 243 GW as on 31<sup>st</sup> March 2014. Generation capacity in the country has been steadily increasing, driven by fresh investments by private players, attracted by a combination of factors such as growing demand for power in tandem with economic growth and creation of a vibrant power market that provides price signals for trading of merchant power. India's generating capacity comprises of 145 GW of coal based capacity, 22 GW of gas based capacity, 41 GW of Hydro capacity, 30 GW of renewable capacity and about 5 GW of nuclear capacity.

In order to meet the increasing demand of power, the Government of India has announced a capacity addition target of 88,537 MW in the XII plan (2013–17). The private sector is expected to add about 53% of this capacity.

The transmission sector plays an important role in the present power scenario which is characterized by geographical and seasonal diversity factors impacting demand and supply situation by facilitating transfer of power where required. In India, generation and transmission come under Central as well as State arena; being concurrent subjects. The Indian power transmission system is one of the largest integrated electricity transmission networks in the world. Inter-state transmission system (ISTS) in India is continuously expanding with current Inter – Region Transmission capacity in excess of 27750 MW. The national transmission grid system is divided into five regional grids i.e. North, East, West, South and the North-east. During the year, all the grids are frequency synchronized with synchronization of the Southern Region on 31.12.2013 creating a single National Grid. Currently Southern Region beneficiaries are facing acute shortage of power due to corridor constraint in import of power resulting in market splitting and higher prices.

Following a major failure in the northern grid in July 2012, RLDCs/NLDCs/CTU have initiated corrective measures to maintain grid discipline by close monitoring and restricting over drawal by states, maintaining safe limits of system over loading etc. As a major step forward in the direction of market development, creation of ancillary market; the central regulator has come out with staff paper on draft regulations. In our view, above developments would certainly catalyze significant increase in trading activities in future.

### **POWER TRADING - INDUSTRY OVERVIEW**

Tata Power Trading Company Limited was the first company to be granted a license by the Central Electricity Regulatory Commission (CERC) in June 2004. TPTCL is the second largest power trader in India. Electricity traded in the short term power market during FY 2013-14 was 104.64 BUs, 10.87% of total generation; comprising of 5.52% through Bilateral, 3.12% through Power Exchanges and 2.23% through UI . The volume growth of short term power market from FY 13 to FY 14 was recorded as 5.76%. While the growth of volume from FY 13 to FY 14 on Exchanges was higher i.e. 27.57%, there was reduction in UI volume by 9.98%, and there was a slight dip of 0.37% on OTC transaction as a percentage of total short term volume. Due to stringent deviation settlement mechanism imposed by RLDC, overdraw by Discoms has reduced significantly. This has led to substantial reduction in of UI market.

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In the next year both short term bilateral sale and power exchange DAM transactions segments are expected to grow at brisk pace. TPTCL is expected to consolidate its position as one of market leaders in both the segments. Further, TPTCL has been able to achieve a significant share of trading of renewable energy certificates business segment. TPTCL is looking forward to leverage emerging opportunities in the Ancillary Market Services to be introduced shortly in near future.

While the outlook for power trading is bright in the long term, the sector is currently facing several challenges such as

## **1. Poor Financial health of Discoms:**

Although several states have raised tariffs in the last few years, the financial condition of distribution entities still remains a matter of concern. Improvement in financial health of Discoms would be crucial to power trading market development. Procurement by discoms on the Case-1 route is not progressing as envisaged, due to poor financial condition of the distribution entities. Merchant prices are also dampening as load-shedding is preferred by the discoms in comparison to increasing the procurement prices

## **2. Lower trading Margins:**

The competition has grown fierce due to an increase in the number of CERC licensed traders from 13 in FY05 to 42 in FY14. Due to this, trading margins are under immense pressure.

## **3. Transmission Constraints:**

Power trading was also adversely affected by continued corridor constraints for power flow from ER and WR to SR leading to prevalence of high prices for the customers in the Southern states. During the year, corridor constraints also cropped for power flow from ER and W3 which led to stranding of significant generating capacities in the newly carved out W3 sub-region.

The constraint in transmission corridor between NEW grid and SR grid is expected to be resolved by 2016.

## **4. Fuel price risk:**

There is an obligation on the Discoms for competitive bidding through Case I or Case II route for power procurement. Such procurement is not progressing as envisaged earlier, since the sellers are unwilling to take fuel price risks and would like it to be built into the tariff. Revised standard bidding documents with amendments aimed at addressing these issues are expected to mitigate this risk.

## **5. Shortfall in Coal Supply**

Several major power plants in the Northern Region are in crisis due to shortage in of coal. As a result power supply may get severely hit as many thermal power plants are operating with only 3 to 4 days of coal stocks. Primarily the main reasons of the shortfall is due to lower output of coal from

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major coal mines, shipment delays to name a few. In addition, this situation was exacerbated by transportation constraints for coal across the country

## **6. Lack of regulatory clarity for import of power**

Although Gol has shifted the subject of import of power from restricted category to free category, existing regulation lack clarity with regard to allowing import of power by traders like TPTCL i.e. entities other than PTC or NVVN who were designated as nodal agencies by the Gol. The Company has filed a petition at CERC for seeking regulatory clarity in this regard.

## **7. Traders not being allowed to participate in Case-1 bidding**

Ministry of Power have recently revised the norms for competitive bidding process to be followed by Discoms for purchasing power on long term and medium term basis. According to the new norms power traders are no longer allowed to participate in Case-1 bids.

## **8. Open access not growing:**

The unwillingness of Discoms to allow open access to their consumers, in spite of facilitative provisions in Electricity Act, 2003, is acting as a major barrier to further growth and competition in the power trading sector. Growth in power trading can accelerate even further if the transmission corridor constraints, restrictive open access regime being followed in various states, excessive levels of cross subsidy charge etc do not hamper customer's desire to avail open access power.

## **OPERATIONS OVERVIEW**

TPTCL is the only trading company having regional offices in Hyderabad, Mumbai and Noida along with resident representatives in Kolkata and Dehradun.

TPTCL operates control room at its NOIDA premise and functions on 24x7 on 365 days basis.

The Company transacted 11,488 MUs in FY14 as compared to 9,431 MUs in the previous year and has shown a CAGR of 31% over the past five years. The Company was ranked the second largest trader with a market share of 14.03% in FY14.

Under the TEAM initiative launched by Tata Power, TPTCL is playing a key role for supplying conventional / renewable power to several Tata Group Companies enabling them to achieve energy cost optimization. The Company is also assessing feasibility of using roof top solar installations for RPO management is also being pursued with Tata Group Companies.

In the area of REC trading the Company has emerged as one of the largest trader in the REC market during the year.

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## COAL TRADING

Coal is the most valuable and reliable source of energy to the economy of the nation. More than half of the current commercial requirements are met by coal. Global production of coal in 2012 was 7831 MMT and the major producers were China (3549 MMT), US (935 MMT) and India (595 MMT). Global coal trade is around 1800 MMT per annum. India has third largest coal reserves after US and China and it is third largest producer as well as consumer of coal. The current proven reserves at 118 billion MT in India are likely to last for 150 years.

The gap between the demand and supply of coal in power industry is expected to increase continuously and the total quantity of coal expected to be imported is about 213 MMT in concluding year of XII plan i.e. 2016-17. As per the present Import policy, coal can be freely imported (under Open General Licence) by Consumers as well as traders for further supply to the end user industries / power plants. TPTCL has started exploring the Coal Trading market and plan to develop it as a new area of business, in addition to power trading.

## RISKS AND CONCERNS

Poor financial health of distribution sector is a matter for deep concern and has increased counterparty risks while the trading margins are reduced due to fierce competition. Distribution companies (Discoms) prefer to shed load rather than purchase power, resulting in lower off-take and dampened prices in the merchant market. This has led to an anomalous situation wherein consumers have to invest in generating expensive power using backup power equipment while inexpensive power remains un-dispatched due to load shedding by Discoms. In addition, the unwillingness of Discoms to allow for open access to their consumers in spite of the provisions in EA 2003 is acting as a barrier to further growth and competition in the sector. Corridor congestion to Southern Region has constrained power flow to the region thereby increasing the power rates in Southern Region.

The company enters into customized contracts with various counterparties including Discoms, Industrial Consumers, as well as CPPs and IPPs. Timely settlement of disputes arising out of non adherence to contractual terms by counterparties is a challenge. Clarity in jurisdiction and delay with respect to outcome of petitions filed in various SERCs may also affect business performance.

With rapid growth in business volume and correspondingly increase in number of transactions that need to be processed and tracked for payments and receipts, there is a need to augment capacity of existing transaction processing platform. The Company has initiated steps to identify and implement a suitable solution.

The Company takes into account factors such as credit worthiness and payment track record of counter parties and accordingly adopts appropriately customized risk mitigation approaches.

**Deloitte  
Haskins & Sells**

**AUDITED FINANCIAL STATEMENTS**

**TATA POWER TRADING COMPANY LIMITED**

**31 MARCH, 2014**

# Deloitte Haskins & Sells

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## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TATA POWER TRADING COMPANY LIMITED**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of **TATA POWER TRADING COMPANY LIMITED** ("the Company"), which comprise the Balance Sheet as at 31 March, 2014, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

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

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

### **Auditors' Responsibility**

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

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

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



**Deloitte  
Haskins & Sells**

**Opinion**

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

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

**Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government in terms of Section 227(4A) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, we report that:
  - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
  - (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
  - (d) In our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards notified under the Act (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13 September, 2013 of the Ministry of Corporate Affairs).
  - (e) On the basis of the written representations received from the directors as on 31 March, 2014 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March, 2014 from being appointed as a director in terms of Section 274(1)(g) of the Act.

**For Deloitte Haskins & Sells**  
Chartered Accountants  
(Firm's Registration No. 015125N)



*Alka Chadha*

**Alka Chadha**  
Partner  
(Membership No. 93474)

**MUMBAI, 19 May, 2014**

**Deloitte  
Haskins & Sells**

**ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT**

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

- i. Having regard to the nature of the Company's business/activities/results during the year, clauses (ii), (vi), (x), (xii), (xiii), (xiv), (xviii), (xix) and (xx) of paragraph 4 of the Order is not applicable to the Company.
- ii. In respect of its fixed assets:
  - a. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
  - b. The fixed assets were physically verified during the year by the management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.
  - c. During the year no fixed assets were disposed off by the Company.
- iii. The Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956.
- iv. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the company and the nature of its business with regard to purchase of fixed assets and the sale of goods and services. The Company's operations did not give rise to purchase of inventory. During the course of our audit, we have not observed any major weakness in such internal control system.
- v. Based on the examination of the books of account and related records and according to the information and explanations provided to us, there are no contracts or arrangements with companies, firms or other parties which need to be entered in the register maintained under Section 301 of the Companies Act, 1956.
- vi. In our opinion, the Company has an adequate internal audit system commensurate with the size and the nature of its business.
- vii. According to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under Section 209(1)(d) of the Act for the Company. Accordingly, the provisions of clause 4(viii) of the Order are not applicable to the Company.
- viii. According to the information and explanations given to us in respect of statutory dues:
  - a. the Company has generally been regular in depositing undisputed statutory dues, including Income Tax, Service Tax, Cess and other material statutory dues applicable to it with the appropriate authorities.



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We are informed that the provisions of the Provident Fund and Employees' State Insurance Act, 1948 are not applicable to the Company and that the operations of the Company during the year did not give rise to Investor Education and Protection Fund, Sales Tax, Wealth Tax, Customs Duty and Excise Duty.

- b. there were no undisputed amounts payable in respect of Income Tax, Service Tax, Cess and other material statutory dues in arrears as at 31 March, 2014 for a period of more than six months from the date they became payable.

We are informed that the provisions of the Provident Fund and Employees' State Insurance Act, 1948 are not applicable to the Company and that the operations of the Company during the year did not give rise to Investor Education and Protection Fund, Sales Tax, Wealth Tax, Customs Duty and Excise Duty.

- c. Details of dues of Income Tax which have not been deposited as on 31 March, 2014 on account of disputes are given below:

Name of the statute	Nature of dues	Forum where dispute is pending	Period to which the amount relates	Amount Involved (Rs.)
Income Tax Act, 1961	Income Tax	Commissioner of Income Tax (Appeals)	Financial Year - 2007-08	188,526

According to the information and explanations given to us, there were no dues in respect of Service Tax and Cess which had not been deposited as on 31 March, 2014 on account of any disputes.

The Company's operations do not give rise to any Sales Tax, Wealth Tax, Customs Duty and Excise duty during the year.

- ix. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to banks. The Company has neither taken any loans from financial institutions nor has it issued any debentures.
- x. According to the information and explanations given to us, the Company has not given guarantees for loans taken by others from banks and financial institutions.
- xi. In our opinion and according to the information and explanations given to us and the records of the Company examined by us, the term loans have been applied by the Company during the year for the purposes for which they were obtained.



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- xii. In our opinion and according to the Information and explanations given to us, and on an overall examination of the Balance Sheet of the Company, we report that funds raised on short-term basis have, *prima facie*, not been used during the year for long-term investment.
- xiii. To the best of our knowledge and according to the Information and explanations given to us, no fraud by the Company and no material fraud on the Company has been noticed or reported during the year.

**For Deloitte Haskins & Sells**  
Chartered Accountants  
(Firm's Registration No. 015125N)



*Alka Chadha*

**Alka Chadha**  
Partner  
(Membership No. 93474)

**MUMBAI, 19 May, 2014**

**TATA POWER TRADING COMPANY LIMITED**  
**BALANCE SHEET AS AT 31 MARCH, 2014**

	Notes	As at 31.03.2014 Rs.	As at 31.03.2013 Rs.
<b>I EQUITY AND LIABILITIES</b>			
1. Shareholders' funds			
(a) Share capital	3	160,000,000	160,000,000
(b) Reserves and surplus	4	1,043,297,041	744,860,818
		<u>1,203,297,041</u>	<u>904,860,818</u>
2. Current liabilities			
(a) Short-term borrowings	5	348,692,762	500,000,000
(b) Trade payables	6	2,160,863,786	3,051,023,783
(c) Other current liabilities	7	188,900,739	184,196,538
(d) Short-term provisions	8	116,141,512	84,695,704
		<u>2,814,598,799</u>	<u>3,819,916,025</u>
<b>TOTAL</b>		<u><b>4,017,895,839</b></u>	<u><b>4,724,776,843</b></u>
<b>II ASSETS</b>			
1. Non-current assets			
(a) Fixed assets			
Tangible assets	9	4,521,457	5,666,074
Intangible assets	9	7,002,969	8,957,286
		<u>11,524,426</u>	<u>14,623,360</u>
(b) Non-current investments	10	30,000,000	-
(c) Deferred tax assets (net)	11	20,405,900	70,185,000
(d) Long-term loans and advances	12	7,318,701	6,021,580
		<u>69,249,027</u>	<u>91,679,940</u>
2. Current assets			
(a) Trade receivables	13	3,893,656,549	3,727,282,970
(b) Cash and bank balances	14	6,393,359	705,896,318
(c) Short-term loans and advances	15	43,596,904	198,956,886
(d) Other current assets	16	-	960,721
		<u>3,948,646,812</u>	<u>4,633,096,903</u>
<b>TOTAL</b>		<u><b>4,017,895,839</b></u>	<u><b>4,724,776,843</b></u>

See accompanying notes forming part of the financial statements

1-28

In terms of our report attached.

For Deloitte Haskins & Sells  
Chartered Accountants

*Alka Chadha*  
Alka Chadha  
Partner

For and on behalf of the Board of Directors

*S. Ramakrishnan*

S. Ramakrishnan  
Chairman

*Sanjeev Mehra*

Sanjeev Mehra  
Managing Director

*Apekha Jain*  
Apekha Jain  
Company Secretary

Mumbai  
19 May, 2014

Mumbai  
19 May, 2014

*Sourav Mukherjee*

**TATA POWER TRADING COMPANY LIMITED**  
**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH, 2014**

	Notes	Year ended 31.03.2014 Rs.	Year ended 31.03.2013 Rs.
1. Revenue from operations	17	41,402,646,076	37,892,854,128
2. Other Income	18	57,195,036	51,323,121
3. Total revenue (1+2)		<u>41,459,841,112</u>	<u>37,944,177,249</u>
4. Expenses			
(a) Cost of power purchased		41,278,155,455	37,809,573,489
Less: Cash discount earned		<u>(702,478,476)</u>	<u>(538,969,989)</u>
(b) Compensation expenses / (income) (net)		<u>40,575,676,979</u>	<u>37,270,603,500</u>
Compensation incurred		16,911,171	45,839,708
Less: Compensation earned		<u>(16,559,909)</u>	<u>(43,583,708)</u>
(c) Finance costs	19	124,177,495	52,187,831
(d) Depreciation and amortisation expense	9	3,367,184	5,786,984
(e) Other expenses	20	170,806,869	242,211,772
Total expenses		<u>40,874,379,789</u>	<u>37,573,046,087</u>
5. Profit before tax (3-4)		585,461,323	371,131,162
6. Tax expenses			
Current tax expense for current year		143,650,000	147,750,000
Current tax expense relating to prior years		-	110,604
Net current tax expense		143,650,000	147,860,604
Deferred tax		<u>49,779,100</u>	<u>(21,499,800)</u>
Total tax expense		<u>193,429,100</u>	<u>126,360,804</u>
7. Profit for the year (5-6)		<u>392,032,223</u>	<u>244,770,358</u>
8. Earnings per equity share (face value of share Rs. 10 each)	26		
Basic and diluted		24.50	15.30

See accompanying notes forming part of the financial statements 1-28

In terms of our report attached.

For Deloitte Haskins & Sells  
Chartered Accountants

*Alka Chadha*  
Alka Chadha  
Partner



Mumbai  
19 May, 2014

For and on behalf of the Board of Directors

*S. Ramakrishnan*  
S. Ramakrishnan  
Chairman

*Santeev Mehra*  
Santeev Mehra  
Managing Director

*Ankita Jain*  
Ankita Jain  
Company Secretary

Mumbai  
19 May, 2014

**TATA POWER TRADING COMPANY LIMITED**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH, 2014**

	Year ended 31.03.2014	Year ended 31.03.2013
	Rs.	Rs.
<b>A. Cash flow from operating activities</b>		
Profit before taxes	585,461,323	371,131,162
Adjustments for:		
Depreciation / amortisation	3,367,184	5,786,984
Interest expenditure	115,265,118	44,419,877
Bank charges	8,912,377	7,767,954
Interest income	(4,380,704)	(1,067,468)
Liabilities no longer required written back	(8,778,832)	-
Dividend Income from current Investments	(16,421,965)	(9,193,704)
Provision for diminution in value of long term Investment	-	25,000,000
Provision for doubtful trade receivables and advances / (written back)	(27,502,557)	55,633,119
<b>Operating profit before working capital changes</b>	<b>655,921,944</b>	<b>499,477,924</b>
Adjustments for:		
Trade receivables	(155,734,500)	(2,947,284,546)
Short-term loans and advances	167,223,467	(85,190,687)
Trade payables	(881,381,165)	2,560,814,751
Other current liabilities	8,143,928	33,308,454
<b>Cash generated from operations</b>	<b>(205,826,326)</b>	<b>61,125,896</b>
Taxes paid	(150,089,713)	(125,480,253)
<b>Net cash used in operating activities</b>	<b>A (355,916,039)</b>	<b>(64,354,357)</b>
<b>B. Cash flow from Investing activities</b>		
Purchase of fixed assets	(268,249)	(10,769,728)
Purchase of current investments	(19,696,421,778)	(11,430,995,401)
Sale of current Investments	19,696,421,778	11,430,995,401
Purchase of non-current Investments	(30,000,000)	-
Bank balances not considered as cash and cash equivalents	132,000,000	(132,000,000)
Interest received	5,341,425	106,747
Dividend received	16,421,965	9,193,704
<b>Net cash used in Investing activities</b>	<b>B 123,495,141</b>	<b>(133,469,277)</b>
<b>C. Cash flow from financing activities</b>		
Proceeds from short-term borrowings	12,595,728,110	6,250,000,000
Repayment of short-term borrowings	(12,747,035,348)	(5,750,000,000)
Interest paid	(118,704,846)	(40,980,148)
Bank charges paid	(8,912,377)	(7,767,954)
Dividend paid	(48,000,000)	(32,000,000)
Tax on dividend	(8,157,609)	(5,191,200)
<b>Net cash from financing activities</b>	<b>C (35,082,061)</b>	<b>414,060,698</b>
<b>D. Net decrease in cash and cash equivalents</b>	<b>(A+B+C) (567,502,959)</b>	<b>216,237,064</b>
<b>E. Cash and cash equivalents at the beginning of the year</b>	<b>573,896,318</b>	<b>357,659,254</b>
<b>F. Cash and cash equivalents at the end of the year</b>	<b>6,393,359</b>	<b>573,896,318</b>
(refer note 14A)		

See accompanying notes forming part of the financial statements 1-28

In terms of our report attached,

For Deloitte Haskins & Sells  
Chartered Accountants

*Alka Chadha*  
Alka Chadha  
Partner



For and on behalf of the Board of Directors

*S. Ramakrishnan*  
S. Ramakrishnan  
Chairman

*Sanjeev Mehra*  
Sanjeev Mehra  
Managing Director

*Akhita Jain*  
Akhita Jain  
Company Secretary

Mumbai  
19 May, 2014

Mumbai  
19 May, 2014

**TATA POWER TRADING COMPANY LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

**Note 3 Share capital**

	As at 31.03.2014		As at 31.03.2013	
	Nos.	Rs.	Nos.	Rs.
<b>Authorised</b>				
Equity shares of Rs. 10 each	20,000,000	200,000,000	20,000,000	200,000,000
6% Non cumulative redeemable preference shares of Rs. 10 each	18,000,000	180,000,000	18,000,000	180,000,000
	<u>38,000,000</u>	<u>380,000,000</u>	<u>38,000,000</u>	<u>380,000,000</u>
<b>Issued, subscribed and fully paid-up</b>				
Equity shares of Rs. 10 each fully paid	16,000,000	160,000,000	16,000,000	160,000,000
	<u>16,000,000</u>	<u>160,000,000</u>	<u>16,000,000</u>	<u>160,000,000</u>

**a. Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the**

	As at 31.03.2014		As at 31.03.2013	
	Nos.	Rs.	Nos.	Rs.
<b>Equity shares</b>				
At the beginning and at the end of the year	16,000,000	160,000,000	16,000,000	160,000,000

**b. Terms/Rights attached to equity shares**

The Company has issued only one class of equity shares having a par value of Rs. 10 per share. Each holder of equity shares is entitled to one vote per share. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. The Company declares and pays dividend in Indian Rupees.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

During the year ended 31 March, 2014, the amount of per share dividend recognised as distribution to equity shareholders was Rs. 5 (31 March, 2013 : Rs. 3).

**c. Shares held by holding company**

16,000,000 shares (31st March 2013 - 16,000,000 shares) being entire share capital is held by the The Tata Power Company Limited.

**d. Details of shares held by each shareholders holding more than 5% shares**

	As at 31.03.2014		As at 31.03.2013	
	Nos.	% holding in the class	Nos.	% holding in the class
Equity shares of Rs.10 each fully paid				
The Tata Power Company Limited, holding company	16,000,000	100%	16,000,000	100%

**Note 4 Reserves and surplus**

	As at 31.03.2014 Rs.	As at 31.03.2013 Rs.
<b>Securities premium account</b>		
Opening and closing balance	208,950,000	208,950,000
<b>General reserve</b>		
Opening balance	63,500,000	38,500,000
Add: Amount transferred from surplus in Statement of Profit and Loss	40,000,000	25,000,000
Closing balance	<u>103,500,000</u>	<u>63,500,000</u>
<b>Surplus in Statement of Profit and Loss</b>		
Opening balance	472,410,818	308,798,060
Add: Profit for the year	392,032,223	244,770,358
Less: Proposed dividend (amount per share Rs. 5 (31 March 2013 - Rs. 3))	80,000,000	48,000,000
Less: Additional income-tax on proposed dividend	13,596,000	8,157,600
Less: Transfer to general reserve	40,000,000	25,000,000
Closing surplus in Statement of Profit and Loss	<u>730,847,041</u>	<u>472,410,818</u>
	<u>1,043,297,041</u>	<u>744,860,818</u>



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**TATA POWER TRADING COMPANY LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

	As at 31.03.2014 Rs.	As at 31.03.2013 Rs.
<b>Note 5 Short-term borrowings</b>		
Inter corporate deposit from the holding company (Unsecured)	380,000,000	500,000,000
Bank overdraft (Secured) (See note below)	48,692,762	-
	<u>348,692,762</u>	<u>500,000,000</u>
<b>Note:</b>		
Secured by first charge by way of hypothecation of Company's moveables including book-debts, bills, outstanding monies, receivables, both present and future ranking pari-passu with other participating banks.		
<b>Note 6 Trade Payables</b>		
Other than acceptances (See note 21)	2,160,863,786	3,051,023,783
	<u>2,160,863,786</u>	<u>3,051,023,783</u>
<b>Note 7 Other current liabilities</b>		
Interest accrued and due on borrowings	-	3,439,728
Advances from customers	50,692,373	40,800,089
Security deposits from customers	115,263,863	85,670,018
Statutory liabilities	12,042,535	18,940,321
Security deposits from vendors	5,056,995	5,056,995
Other liabilities	5,844,972	30,289,387
	<u>188,900,738</u>	<u>184,196,538</u>
<b>Note 8 Short-term provisions</b>		
<b>Other provisions</b>		
Provision for tax (net of advance tax Rs. 268,854,490 (as at 31 March, 2013 - Rs. 119,211,897))	22,545,512	28,538,104
Proposed equity dividend	80,000,000	48,000,000
Provision for tax on proposed equity dividend	13,596,000	8,157,600
	<u>116,141,512</u>	<u>84,695,704</u>

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**TATA POWER TRADING COMPANY LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

	As at 31.03.2014 Rs.	As at 31.03.2013 Rs.
<b>Note 10 Non-current investments</b>		
<b>Trade Investments (valued at cost less diminution, other than temporary, if any)</b>		
<b>Equity Shares (Unquoted)</b>		
2,500,000 (31 March 2013 - 2,500,000) equity shares of Rs. 10 each fully paid-up in Power Exchange India Limited	25,000,000	25,000,000
Less: Provision for diminution in value of long term investment	(25,000,000)	(25,000,000)
	-	-
<b>Non-trade Investments</b>		
<b>Preference Shares (Unquoted)</b>		
300,000 (31 March 2013 - Nil) 7.25% redeemable cumulative convertible preference shares of Rs. 100 each fully paid-up in Tata Ceramics Limited	30,000,000	-
	30,000,000	-
<b>Note 11 Deferred tax assets (net)</b>		
<b>Deferred tax liability</b>		
Relating to fixed assets	1,519,031	836,700
<b>Total (a)</b>	1,519,031	836,700
<b>Deferred tax assets</b>		
Provision for doubtful trade receivables and advances	21,924,931	71,021,700
<b>Total (b)</b>	21,924,931	71,021,700
<b>Deferred tax assets (net) (b-a)</b>	20,405,900	70,185,000
<b>Note 12 Long term loans and advances</b>		
<b>Unsecured, considered good</b>		
Advance income-tax (net of provisions Rs. 204,893,083 (as at 31 March, 2013 - Rs. 204,893,083))	7,318,701	6,871,580
	7,318,701	6,871,580
<b>Note 13 Trade receivables</b> (Unsecured unless otherwise stated)		
<b>Trade receivables outstanding for a period exceeding six months from the due date of payment</b>		
Considered good	3,523,338	15,056,573
Considered doubtful	35,309,323	173,512,149
	38,832,661	188,568,722
Less : Provision for doubtful trade receivables	(35,309,323)	(173,512,149)
	3,523,338	15,056,573
<b>Other Trade receivables</b>		
Considered good	3,895,133,211	3,712,226,405
Considered doubtful	19,518,448	13,891,947
	3,914,651,659	3,726,118,352
Less : Provision for doubtful trade receivables	(19,518,448)	(13,891,947)
	3,895,133,211	3,712,226,405
	3,898,656,549	3,727,282,978

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**TATA POWER TRADING COMPANY LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

	As at 31.03.2014 Rs.	As at 31.03.2013 Rs.
<b>Note 14 Cash and bank balances</b>		
<b>A. Cash and cash equivalents</b>		
Balances with banks :		
In current accounts	6,393,359	573,896,318
	6,393,359	573,896,318
<b>B. Other bank balances</b>		
In earmarked accounts :		
Security against guarantees		132,000,000
		132,000,000
	6,393,359	705,896,318
<b>Note 15 Short-term loans and advances - Unsecured</b>		
<b>Security deposits</b>		
Considered good	31,875,098	147,331,423
Doubtful	3,900,000	4,500,000
Provision for doubtful deposits	35,775,098	151,831,423
	(3,900,000)	(4,500,000)
	31,875,098	147,331,423
<b>Other loans and advances</b>		
Considered good	11,721,806	51,625,463
Doubtful	5,776,291	17,039,776
Less: Provision for doubtful advances	17,498,097	68,665,239
	(5,776,291)	(17,039,776)
	11,721,806	51,625,463
	43,596,904	198,956,886
<b>Note 16 Other current assets</b>		
Interest accrued on deposit with bank		960,721
		960,721

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**TATA POWER TRADING COMPANY LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

	Year ended 31.03.2014 Rs.	Year ended 31.03.2013 Rs.
<b>Note 17 Revenue from operations</b>		
<b>Sale of products (traded goods)</b>		
Revenue from power supply	41,764,966,654	38,232,330,179
Less : Cash discount allowed	385,914,869	370,018,184
	41,379,051,785	37,862,311,995
<b>Sale of services</b>		
Revenue from power banking sale (net of service tax paid)	12,923,875	5,390,400
Income from advisory services	4,035,355	18,768,334
Income from other services	6,635,061	6,383,399
	23,594,291	30,542,133
	<b>41,402,646,076</b>	<b>37,892,854,128</b>
 <b>Note 18 Other income</b>		
Dividend income from current Investments	16,421,965	9,193,704
Interest from banks on deposits	4,380,704	1,067,468
Delayed payment charges	110,978	-
Gain on foreign currency transactions and translation (net)	-	199,276
Provision for doubtful trade receivables and advances written back	27,502,557	-
Liabilities no longer required written back	8,778,832	40,862,673
	<b>57,195,036</b>	<b>51,323,121</b>

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**TATA POWER TRADING COMPANY LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

	Year ended 31.03.2014	Year ended 31.03.2013
	Rs.	Rs.
<b>Note 19 Finance costs</b>		
Interest expense on:		
- short-term borrowings from holding company	43,574,010	40,672,603
- other short-term borrowings	71,549,855	3,683,064
- delayed payment of Income tax	141,253	64,210
Bank charges	8,912,377	7,767,954
	<b>124,177,495</b>	<b>52,187,831</b>
<b>Note 20 Other expenses</b>		
Rent expense	17,043,383	17,938,219
Insurance	39,692	96,498
Repairs and maintenance - Others	2,071,833	3,197,945
Travelling and conveyance	7,385,947	5,620,328
Licence and other fees	9,861,110	9,513,296
Cost of outsourced services	79,962,015	75,056,995
Tata Brand equity fees	35,251,725	21,604,951
Bad debts written off	116,937,252	221,635
Less ; Provision for doubtful trade receivables written back	(116,937,252)	-
Provision for diminution in value of long term investment	-	25,000,000
Payment to auditors (See note below)	3,051,753	2,224,728
Legal and professional charges	10,859,116	19,892,732
Provision for doubtful trade receivables and advances	-	55,633,119
Miscellaneous expenses	5,281,295	6,211,326
	<b>170,806,869</b>	<b>242,211,772</b>
<b>Payment to the auditors comprises (Inclusive of service tax):</b>		
As auditors - statutory audit	1,348,320	1,348,320
For taxation matters	196,630	196,630
For other services	1,506,803	679,778
	<b>3,051,753</b>	<b>2,224,728</b>



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**TATA POWER TRADING COMPANY LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

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**Note 1 Background:**

Tata Power Trading Company Limited is a wholly owned subsidiary of The Tata Power Company Limited. The Company is engaged in the business of trading of electricity across the country. Central Electricity Regulatory Commission (CERC) has granted Category "F" certificate to the Company for purposes of power trading, which allows the Company to trade power units without any quantitative restrictions. The Company sources power from different public and private sectors utilities and supplies to various consumers being public and private sectors power utilities. Further, the Company also provides consultancy services relating to procurement/sale of power, coal and Clean Development Mechanism (CDM) advisory services.

**Note 2 Significant Accounting Policies :**

**a) Basis of Preparation of Financial Statements:**

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under Section 211(3C) of the Companies Act, 1956 ("the 1956 Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 ("the 2013 Act") in terms of General Circular 15/2013 dated 13 September, 2013 of the Ministry of Corporate Affairs) and the relevant provisions of the 1956 Act / 2013 Act, as applicable. The financial statements have been prepared on accrual basis under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.

**b) Use of Estimates:**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Differences between actual results and estimates are recognized in the periods in which the results are known / materialise.

**c) Fixed Assets:**

Fixed Assets are stated at cost less accumulated depreciation, amortisation and impairment loss if any. Cost includes purchase price, borrowing costs and all other applicable expenses incurred to bring the assets to its present location and condition.

**d) Depreciation:**

The Company is providing depreciation on fixed assets at the rate prescribed in the Schedule XIV of the Companies Act, 1956 on Straight Line Method (SLM) basis. Depreciation on addition/deduction of assets is provided on pro-rata basis. Assets costing less than Rs. 5,000 and mobile phones are depreciated at the rate of 100%.



**TATA POWER TRADING COMPANY LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

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Leasehold Improvements are depreciated over a period of four years on Straight Line Method.

Computer Software is amortised on Straight Line Method over the period of legal right to use.

**e) Cash flow statement:**

Cash flows are reported using the indirect method, whereby profit / (loss) before tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

**f) Investments:**

Long term investments are carried at cost, less provision for diminution other than temporary, if any, in the value of such investments. Current investments are carried at lower of cost and fair value.

**g) Revenue Recognition:**

- i. Revenue from sale of power is accounted for based on rates agreed with the customers and is inclusive of trading margin.
- ii. For sale of power under banking arrangements only margin earned on the transactions is accounted for as revenue.
- iii. Revenue in the nature of advisory services rendered towards finalisation of power purchase agreements, CDM services, load management etc. is recognised when the fees are determined under the terms of respective agreements.
- iv. Delayed payment charges for power supply on grounds of prudence are recognised when recovery is virtually certain.
- v. Compensation recoverable from customers/suppliers for default in purchase/sale of power is accrued as determined under the terms of respective agreements and acknowledged by customers/suppliers.

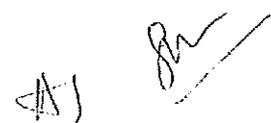
**h) Segment Reporting:**

As the Company's business activity consists only of Power Trading and related consultancy activities, as such there are no separate reportable segments as per the requirements of Accounting Standard (AS-17) "Segment Reporting" as notified under the Companies (Accounting Standards) Rules, 2006.

**i) Taxes on Income:**

Current tax is determined as the amount of tax payable in respect of taxable income for the year in accordance with the provisions of the Income Tax Act, 1961. Deferred tax, which is computed on the basis of enacted / substantively enacted rates, is recognised, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Where there is unabsorbed depreciation or carry forward loss, deferred tax assets are recognised only if there is reasonable certainty of realization of such assets. Other deferred tax assets are recognised only to the extent there is virtual certainty of realization in future.





**TATA POWER TRADING COMPANY LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

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**j) Provision, Contingent Liabilities and Contingent Assets:**

Provisions involving substantial degree of estimation in measurement are recognised when there is present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognised but are disclosed in the Notes. Contingent Assets are neither recognised nor disclosed in financial statements.

**k) Operating Cycle**

Based on the nature of activities of the Company and the normal time between acquisition of assets and their realisation in cash or cash equivalents, the Company has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.

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**TATA POWER TRADING COMPANY LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

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21. Based on the information available with the Company, the balance due to micro and small enterprises as defined under the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 is Rs. Nil (31 March, 2013: Rs. Nil) and no interest has been paid or is payable during the year under the terms of the MSMED Act, 2006. The information provided by the Company has been relied upon by the auditors.

22. Total number of units purchased and sold during the year – 10,979 MUs (31 March, 2013 – 9,269 MUs) excluding under banking arrangement – 509 MUs (31 March, 2013 – 162 MUs).

**23. Contingent Liabilities and commitments :**

i. Other money for which the company is contingently liable (No cash outflow is expected in the near future) :-

- Power banking arrangement - Rs. 567,148,960 (31 March, 2013 – Rs. 122,307,542)

ii. Estimated amount of contracts remaining to be executed on capital account and not provided for – Rs. 976,883 (31 March, 2013 – Rs. Nil).

24. Disclosure as required by Accounting Standard 18 (AS-18) "Related Party Disclosures" as notified under the Companies (Accounting Standards) Rules, 2006 is as follows:

(a) Names of the related parties and description of relationship:

**Holding Company:**

The Tata Power Company Ltd. (TPCL)

**Fellow Subsidiaries** (where the transactions have taken place during the year):

1. Tata Power Delhi Distribution Limited (TPDDL)

2. Coastal Gujarat Power Limited (CGPL)

3. Maithon Power Limited (MPL)

**Key Management Personnel**

Sanjeev Mehra, Managing Director

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**TATA POWER TRADING COMPANY LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

(b) Details of related party transactions during the year ended 31 March, 2014 and balances outstanding as at 31 March, 2014:

<u>Particulars</u>	<u>TPCL</u>	<u>TPDDL</u>	<u>MPL</u>	<u>(All amounts in Rs.) CGPL</u>
<b>Transactions during the year</b>				
Purchase of power	2,124,311,488 <i>2,286,634,748</i>	922,814,321 <i>787,971,364</i>	17,101,766,832 <i>10,392,256,225</i>	-
Cash discount earned	33,971,270 <i>35,591,138</i>	18,456,286 <i>15,759,416</i>	357,720,124 <i>209,277,682</i>	-
Sale of power	521,849,788 <i>266,278,107</i>	8,882,869,785 <i>7,841,153,728</i>	-	-
Cash discount given	9,912,103 <i>5,266,154</i>	88,391,864 <i>82,148,304</i>	-	-
Revenue from power banking sale	-	5,705,198 <i>960,000</i>	-	-
Revenue from sale of REC certificate	1,601,242 <i>1,156,569</i>	-	-	-
Rendering of services	-	-	-	5,958,337
Receiving of services	70,299,084 <i>63,174,084</i>	-	-	-
Compensation paid (net)	477,000 <i>126,000</i>	-	(2,382,000)	-
Interest expenditure	43,574,010 <i>40,672,603</i>	-	-	-
Inter corporate deposit accepted	6,200,000,000 <i>6,250,000,000</i>	-	-	-
Inter corporate deposit refunded	6,400,000,000 <i>5,750,000,000</i>	-	-	-
Dividend paid	48,000,000 <i>80,000,000</i>	-	-	-
<b>(d) Details of balances outstanding as at year end:</b>				
Other receivable	-	1,324,396,964 <i>1,565,206,053</i>	-	1,037,984
Loans payable along with Interest	300,000,000 <i>503,439,728</i>	-	-	-
Other payable	180,088,668 <i>176,457,462</i>	-	1,368,423,828 <i>1,315,415,704</i>	240,110
Dividend payable	48,000,000	-	-	-

**Notes:**

1. Previous year's figures are in Italics.
2. The Tata Power Company Limited (TPCL) has given an undertaking to MPL (fellow subsidiary) to fulfil payment obligations of the Company in case of default in payment for power sold on behalf of MPL.

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**TATA POWER TRADING COMPANY LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

**25. Expenditure in foreign currency:**

Particulars	Year ended	Year ended
	31.03.2014	31.03.2013
	Rs.	Rs.
Repairs and maintenance - Others	1,633,543	2,402,265
Travelling and conveyance	212,936	-
Additions to fixed assets - Computer software	-	7,778,780

**26. Earnings per share:**

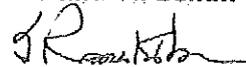
Particulars	Year ended	Year ended
	31.03.2014	31.03.2013
Net profit after tax (Rs.) (A)	392,032,223	244,770,358
The weighted average number of equity shares (Nos.) (B)	16,000,000	16,000,000
The nominal value of equity shares (Rs.)	10	10
Basic and diluted earnings per share (Rs.) (A)/(B)	24.50	15.30

**27. Segment reporting:**

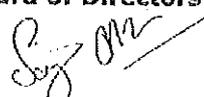
As the Company's business activity consists only of Power Trading and related consultancy activities, as such there are no separate reportable segments as per the requirements of Accounting Standard (AS-17) "Segment Reporting", notified under the Companies Act, 1956 (which continues to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs).

28. Previous year figures have been regrouped / reclassified wherever necessary to correspond with the current year classification / disclosure.

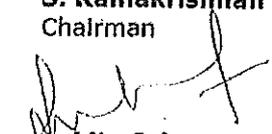
**For and on behalf of the Board of Directors**



**S. Ramakrishnan**  
Chairman



**Sanjeev Mehra**  
Managing Director

  
**Ankita Jain**  
Company Secretary

Mumbai  
19 May, 2014

