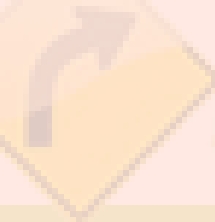




STATEMENT OF PURPOSE

To be a frontrunner in Power Trading by developing a vibrant Power Market and striving to correct market distortions.

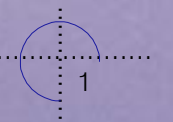
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VISION

- Promote Power Trading to optimally utilize the existing resources
- Catalyze development of Mega and other Power Projects including Hydro Projects
- Promote Exchange of Power with neighboring countries
- Develop power market in not too distant a future



Note : Each Executive of PTC was associated in arriving at the above mission statement.



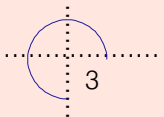
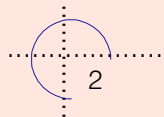
CORPORATE OBJECTIVES

- Plan, promote and take up necessary developmental work for the power sector, purchase power from generating companies and trade in an optimal manner;
- Plan, promote, develop and establish an efficient, reliable power trading and distribution system, policies and procedures;
- Engage in business of purchasing, procuring, selling, importing, exporting and trading all forms of electric power and ancillary services on commercial basis;
- Own, acquire, establish, operate and maintain generating stations and transmission system for supply to bulk power off-takers;
- Act as agent of public/ private sector enterprises, financial institutions, banks, central government, state governments, etc. engaged in planning and development of power sector and
- Promote and organise research and development and carry out consultancy services in power sector and related activities.



PTC'S SERVICES

- Facilitate development of small/medium sized Hydro and Thermal Power Projects, Mega and other Inter-State Power Projects which can generate electricity at competitive tariff;
- Identify probable Buyers and Sellers and Tie up the most economic arrangements for both;
- Co-ordinate arrangements for Evacuation System, Transmission Service Agreements, Implementation and Fuel Supply Agreements;
- Co-ordinate with Regional Electricity Boards, Regional Load Despatch Centres and POWERGRID for Dispatch, Metering and Billing;
- Structure Payment Security Mechanism, Negotiate and Finalise Power Purchase Agreements with Developers/Suppliers and with Buyers;
- Arrange for Revenue Realisation, Timely Payments and Find alternative buyer(s) in default situation;
- Conduct Studies for Transmission Feasibility for transfer of power including transfer through displacement;
- Provide Single Window for Buyers and Sellers and Work as Nodal agency for Power Trading across the Border;
- Provide data/information on surpluses and deficits – season-wise as also on daily basis to State utilities.





POWER TRADING CORPORATIONTHE ROAD AHEAD

Power Trading Corporation of India Limited (PTC) had no precedent when it was formed in April 1999. The concept of power trading for this country was absolutely new and many doubts were raised about success of this Company at the formation stage. Since then significant progress has been made and people in the power sector have started accepting the concept of power trading as reality. Obviously, the greatest task was to sensitise people to the advantages of trading and about the services offered by PTC to make power trading a reality.

The country today is not able to meet the peaking demand of 68,000 MW with a available capacity of over 100,000 MW which indicates that there is a need for optimum utilisation of the existing resources. It is in this regard that PTC aims at creating a power market in the country where buyers and sellers of electricity will in due course have multiple choices and there would be better commercial arrangements for effecting this trading. It may be appreciated that power trading is not just matching the requirements of seller and buyer but has many indirect benefits also. The major benefits associated with power trading are improved security of supply and better economic efficiency. A constituent system rather than depending on its internal resources can increase system reliability through the import of energy from neighbouring constituent systems. Economic efficiency is improved when the interconnected areas have load profiles complementary to each other, on either daily or seasonal basis.

Further, whenever, there is talk of power shortage in the country, addition of generation capacity is the most preferred option, which is the costliest among several

other options available. Power generation/ transmission is highly capital intensive and fixed charges component makes major part of tariff. In view of high fixed charges, average tariff becomes sensitive to PLF. Trading of power from surplus SEBs to deficit SEBs, through marginal investment in removing grid constraints, could help in deferring investment for additional generation capacity, in increasing PLF and reducing average cost of energy.

More attention is, therefore, required on building of transmission flexibility and market mechanism for better utilization of existing resources through trading of power that would help in reducing the average cost of power. As per report of the World Bank, the unserved energy in all states could be reduced by more than 50% by making full use of the existing inter-regional links provided that free unconstrained trading could be made with restructured tariff for Central Sector Generation and for inter-state power transfers. A very conservative estimate relating to cost of unserved energy indicates potential annual saving of about Rs 1000 crores for only three regions (North, West and South).

International Experience

Power Trading promises to be one of the most competitive and dynamic segments of the electricity market. Establishment of power pools, Independent System Operators and appropriate governance & regulatory systems are key elements of a vibrant power market. Many developed countries such as US, UK, Southern Africa, Spain, Nordic countries have high volume trading markets and quite advanced in terms of market opening, or the policy and industry support necessary for trading to flourish, or both.



The success of Regional Power Trade in Southern Africa is worth noting. The Southern African Power Pool (SAPP), comprising 12 member countries, has resulted in improved operational efficiency, reliability of supply and trade. A Short Term Energy Market has evolved and power is being traded daily, weekly, monthly and yearly. The scheme is so successful that they are now contemplating to extend to more countries in the Central Africa and also in the North Africa.

The countries, which have undertaken reforms by inducing competition, provide valuable experience for others to learn from.

PTC's Initiative

PTC is building up a data base on power supply position, anticipated shortages and surpluses, variable charges of power stations, average energy tariff in respect of various utilities and non-utilities to explore the avenues of trading and to assess the reasonability of price. In order to achieve this, PTC is maintaining close liaison with REBs, RLDCs, State Power Utilities (SPUs), generating companies and Captive Power Plants (CPPs). PTC has been nominated member of all REBs by MOP so that it could have exposure to the relevant information from all the Regions, explore avenues for trading of power through REBs and also participate in commercial decisions taken by REBs.

PTC was involved in catalysing development of Mega Power Projects and several other projects and making available its technical and commercial expertise to the project developers/utilities. Attention is also being paid to development of small and medium sized projects especially in the hydro sector. Ministry of Power has proposed to raise the paid up capital to a level of Rs. 1500 crores over a period of 3-4 years to enable PTC to structure projects up to 3000 MW.

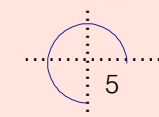
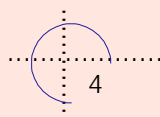
PTC is approaching the regulatory authorities for creation of enabling environment and is also working out on framework agreements to catalyse electricity trading and development of projects.

In order to create awareness about the role of power trading among the SEBs/SPUs/Captive Power Producers/IPP and various players in the field of Power Sector, PTC in association with Tata Energy Research Institute (TERI) organised a one-day workshop on "Developing Power Markets in India – Needs, Problems and Prospects". There was an unanimity among the participants on the approach to achieve the desirable power market- begin with what can be achieved in near future by targeting the surplus power available including seasonal surpluses and then move towards power market at national level by creating necessary infrastructure and legislation.

Looking Ahead

To increase its trading activities in future, PTC has set its eyes on the surplus power available with CPPs and also pooling power from distributed generation viz., wind power plants and small hydro power plants. With new captive power policy announced by GOI, it would be easy for CPPs to trade their power freely, PTC hopes to get a major share of captive surplus capacity for trading. A number of small generating companies/ Captive Power Plants have also approached PTC for trading of their surplus power within and across the regions. PTC has already entered into agreement with some of them for trading of their power.

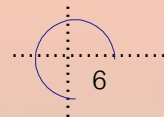
Though there are constraints in trading of power across the regions, PTC is of strong belief that with the current reform process initiated by the Ministry of Power, achieving PTC vision will not be a much difficult task.



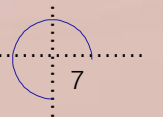


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As on 16/5/2002

Chairman & Managing Director

	From	-	To
Shri T. N. Thakur	11/10/2000	-	till date

Directors

Shri P. I. Suvrathan	16/04/1999	-	till date
Shri Rakesh Nath	18/07/2000	-	till 16/10/2001
Shri H. L. Bajaj	16/04/1999	-	till date
Dr. K. K. Govil	09/03/2001	-	till date
Shri R. D. Kakkar	16/04/1999	-	till date
Shri S. K. Dube	26/08/2000	-	till date

Executive Vice President (Projects)

Shri Mahendra Kumar

Executive Vice President (Finance and HR)

Ms. Saroj Punhani

Company Secretary

Shri Rajiv Maheswari

Statutory Auditors

M/s D. C. G & Co.
Chartered Accounts

Bankers

State Bank of India
Indian Overseas Bank

Registered Office

10th Floor, Hemkunt Chambers, 89, Nehru Place, New Delhi-110 019



BOARD OF DIRECTORS



T. N. Thakur



P. I. Suvrathan



H. L. Bajaj



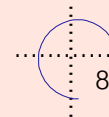
K. K. Govil



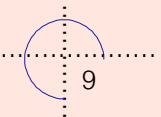
R. D. Kakkar



S. K. Dube



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CHAIRMAN'S STATEMENT



Ladies and Gentlemen,

It indeed gives me immense pleasure to welcome you all to the third Annual General Meeting of the Power Trading Corporation of India Ltd (PTC).

Achievements

You will be pleased to know that in its endeavour for optimal utilisation of the existing resources in the power sector your Company has started trading power in a sustained manner since June 2001 by purchase from surplus utilities and sale to deficit ones at an economical and affordable price, which ensures best value to both the sellers and the buyers. Thus, PTC has started contributing in a modest way to bridge the gap between power demand and supply. There is 24% growth in the inter-regional exchanges over the previous year. Your Company has been able to make a beginning by getting about 10% share in the total volume apart from other intra- regional transactions.

The trading transactions of PTC during 2001-02 included supply of 160 MW from West Bengal Power

Development Corporation Limited (100 MW to Delhi and 60 MW to Haryana), 70 MW Malana power to Delhi, 100 MW Goa power (50 MW to Gujarat and 50 MW to Karnataka), 100 MW Chhattisgarh power to Karnataka, 50 MW Uttaranchal power to Delhi. In all, PTC traded 1617 MUs of energy during the year 2001-02 as against the trading of 44 MUs during the previous year.

With this, PTC has started moving towards the direction of establishing a competitive power market in the country. It is more important that PTC has made its presence felt in a short span of time and its turnover during the year 2001-02 reached Rs. 364 Crores as against Rs. 11.62 crores in the last year. The Company has earned a profit after tax of Rs. 7.18 Crores after setting off its earlier losses. I am happy that your Company's Board of Directors have recommended dividend @ 7% on paid-up capital to the shareholders. The weekly billing and payment system, introduced by your Company, with reasonable, but simple, back up payment security (no State Government guarantee

and no escrow), has been working well. PTC is receiving payments in time from all the power purchasers and is also making timely payments to its suppliers.

Considering the inherent opportunities in the power sector, your Company is having dialogue with most of the State Power Utilities/Departments for trading of their surplus power. Requests have also been received from some Captive Power Plants for similar trading. The Company is in the process of locating customers with diversity in demand so as to ensure off taking of the entire surplus round the year. Materialisation of such transactions will not only enhance availability of Power but also help in converting the unscheduled exchanges into the scheduled ones, which should result in bringing operational and commercial discipline and improve quality of power supply.

Your Company is about to finalize Framework Agreements so that terms and conditions for each transaction are not required to be negotiated each time with the Sellers and Buyers and decisions on short-term transactions can be taken quickly.

We do recognise that we are yet to become a significant player in the power sector, but, in this connection, I am reminded of the following words of Mother Teresa:

"We ourselves feel that what we are doing is just a drop in the ocean but the ocean will be less because of that missing drop."

After all, Machiavelli had once said, *"There is nothing more difficult to take in hand, more perilous to conduct, or more uncertain in its success, than to take the lead in the introduction of a new order of things."*

Value Addition

PTC believes that consistently delivering value is the key to success in a service business and that viability of any transaction depends on the continuous stream of payment flow from the buyers to the sellers. PTC has been able to provide value-added, custom-built services to its clients. Buyers and sellers countrywide increasingly prefer to avail the services of PTC, as it is a 'win-win' situation for all. Whereas at one end, sellers of power are looking at the opportunity costs they can charge to improve their financial/operational efficiencies, buyers are looking at options to diversify their portfolio of supply sources to get the most affordable tariff to meet their burgeoning demand, and PTC provides the right choice to them.

Identification of Buyers, providing Single Window for Buyers and Sellers, tying up most economic arrangements for both, coordination with REBs, RLDCs and POWERGRID for Evacuation, Dispatch, Metering and Billing, simple but effective Payment Security Mechanism, Revenue Realisation and finding alternative Buyers in default situations are some of the valuable services to the customers. In addition, PTC provides a platform for sharing information on surpluses and deficits to the State Utilities. PTC's team of professionals provide the necessary expertise for handling the transactions most effectively. PTC is presently charging low margins so as to encourage trading and emphasise on the developmental role.

PTC's customers believe that transactions through PTC are transparent, a perception shared by buyers / sellers as well as by regulators. Another advantage is PTC's ability to overcome term mismatches as it can find other buyer / seller for remainder of term thus more options are available to the customers which also results in avoidance of repeated transaction costs. Customers recognize PTC's role in establishing a market on a national level for surplus power and also expect new services/ added customer focus.

Your Company, nominated as a member of Regional Electricity Boards, is making concerted efforts to locate the surpluses and the deficits in various regions for economic use of the resources and meet the growing expectations. Both the buyers and the sellers of power, through PTC, now have access to all India power market and are not restricted to one or two buyers/sellers, as is the case in bilateral arrangements.

Needs

With over 100,000 MW of available capacity in India, we are able to meet only about 68000 MW of peak load whereas in countries like UK, USA, South Africa etc. the peak load met is 85 to 90% of the available capacity. There is, thus, clearly a need for better utilisation of our existing resources, which would be possible if impediments to trading of power are taken care of. The major concerns to be addressed are problems of transmission flexibility and grid reliability, credit worthiness of buyers, legal position with regard to trading and authorisation for regulating power supply etc. A more conducive environment needs to be created for free flow of power from the surplus to the deficit

