

P T C   I N D I A   L I M I T E D

12<sup>TH</sup> ANNUAL REPORT 2010 - 2011

### Vision

“To be a frontrunner in power trading by developing a vibrant power market and striving to correct market distortions”

### Mission

- Promote Power Trading to optimally utilize the existing resources.
- Develop power market for market based investments into the Indian Power Sector.
- Facilitate development of power projects particularly through private investment.
  - Promote exchange of power with neighbouring countries.

### Values

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

#### TWELVETH ANNUAL GENERAL MEETING

To be held on Wednesday, 28.09.2011 at 04 PM at Dr. Sarvepalli Radhakrishnan Auditorium, Kendriya Vidyalaya No. 2, APS Colony, Delhi Cantt., (Delhi-Gurgaon Road) New Delhi-110010

#### NOTE:

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

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## BOARD OF DIRECTORS

1. Shri T.N. Thakur, Chairman & Managing Director, PTC
2. Shri Deepak Amitabh, Director, PTC
3. Shri Sudhir Kumar, Joint Secretary, MOP
4. Shri A.B.L. Srivastava, CMD, NHPC
5. Shri M.K. Goel, Director, PFC
6. Shri R.N. Nayak, Director, PowerGrid
7. Shri I.J. Kapoor, Director, NTPC
8. Shri P. Abraham, Director, PTC
9. Shri D.P. Bagchi, Director, PTC
10. Shri S. Balachandran, Director, PTC
11. Shri Hemant Bhargava, Director, PTC
12. Shri Ved Jain, Director, PTC
13. Shri Dipak Chatterjee, Director, PTC
14. Shri Akhilesh Mishra, Joint Secretary, MEA

### Company Secretary

Shri Rajiv Maheshwari

### Statutory Auditors

M/s. T.R. Chadha & Co.

### Internal Auditors

M/s. Ravi Rajan & Co.

### Registrar and Share Transfer Agents

M/s. MCS Limited

F-65, Okhla Industrial Area, Phase-I

New Delhi - 110 020

Phone: 41406149; Fax: 41709881

### Principal Bankers

IDBI Bank Ltd.

Indian Overseas Bank

State Bank of Travancore

ICICI Bank

Indian Bank

Indusind Bank

Corporation Bank

Yes Bank

## NOTICE

NOTICE is hereby given that the 12th Annual General Meeting of the Members of PTC India Ltd. (PTC) will be held on Wednesday the 28th September, 2011 at 4 :00 p.m. at Dr. Sarvepali Radhakrishnan Auditorium, Kendriya Vidyalya No.-2 APS Colony, Delhi Cantt., New Delhi-110010 to transact the following business:-

### ORDINARY BUSINESS

#### 1. Adoption of Accounts

To receive, consider and adopt the Balance Sheet as at 31st March 2011, Profit & Loss Account for the year ended on that date, the Auditors' report thereon and the Director's Report for the financial year 2010-11.

#### 2. Declaration of Dividend

To consider and if thought fit, to pass with or without modification (s), the following resolution for dividend for the Financial Year 2010-2011 as ordinary Resolution:

"Resolved that pursuant to provision of Section 205 and other applicable provisions of the Companies Act, 1956, dividend at the rate of 15% (Rs.1.5 per equity share of Rs.10 each) be and is hereby declared for the financial year 2010-11, out of the profits of the Company on the 294,97,3571 equity shares of Rs. 10/- each fully paid up to be paid as per the ownership as on 17th September, 2011".

#### 3. Re-appointment of Retiring Directors

To consider and if thought fit, to pass with or without modification (s), the following resolution as ordinary resolution:

"Resolved that Shri. I.J.Kapoor who retires by rotation and who is eligible for re-appointment be and is hereby re-appointed as Director"

#### 4. Appointment of Auditors

To consider and if thought fit, to pass with or without modification (s), the following resolution for appointment and fixation of the remuneration for the Statutory Auditors for the Financial Year 2011-2012 as Special Resolution:

"Resolved that pursuant to the provisions of Section 224A of the Companies Act, 1956, M/s K.G.Somani & Co. Chartered Accountants (ICAI Registration no.006591N),3/15, Asif Ali Road, New Delhi-110002, be and is hereby appointed as the Statutory Auditor of the Company for the Financial Year 2011 - 2012 to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting of the Company on such remuneration as may be determined by the Board of Directors or the Audit Committee of the Company.

Further resolved that the Board of Directors/ Audit Committee of the Company be and is hereby authorized to take necessary actions in this regard.

### SPECIAL BUSINESS

#### 5. Appointment of Shri Ved Jain as a Director, liable to retire by rotation

To appoint Shri Ved Jain (who in pursuance of section 260 of the Companies Act, 1956 was appointed as an Additional Director by the Board of Directors as to hold the office of Director only up to the date of this meeting), in respect of whom the Company has received a notice in writing from a Member proposing his candidature for the office of Director.

To consider and if thought fit, to pass with or without modification (s), the following resolution for appointment Shri Ved Jain as Director as ordinary Resolution:

"Resolved that pursuant to Section 257 of the Companies Act, 1956, Shri Ved Jain be and is hereby appointed as a Director of the Company and

shall be liable to retire by rotation."

Further resolved that any Director or Company Secretary of the Company be and is hereby authorized to do all such acts including filing of necessary intimation with ROC for above purpose."

#### 6. Appointment of Shri Dipak Chatterjee as a Director, liable to retire by rotation

To appoint Shri Dipak Chatterjee (who in pursuance of section 260 of the Companies Act, 1956 was appointed as an Additional Director by the Board of Directors to hold the office of Director only up to the date of this meeting), in respect of whom the Company has received a notice in writing from a Member proposing his candidature for the office of Director.

To consider and if thought fit, to pass with or without modification (s), the following resolution for appointment Shri Dipak Chatterjee as Director as ordinary Resolution:

"Resolved that pursuant to Section 257 of the Companies Act, 1956, Shri Dipak Chatterjee be and is hereby appointed as a Director of the Company and shall be liable to retire by rotation."

Further resolved that any Director or Company Secretary of the Company be and is hereby authorized to do all such acts including filing of necessary intimation with ROC for above purpose."

#### 7. Appointment of Shri Akhilesh Mishra as a Director, liable to retire by rotation

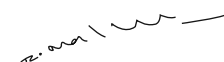
To appoint Shri Akhilesh Mishra (who in pursuance of section 260 of the Companies Act, 1956 was appointed as an Additional Director by the Board of Directors to hold the office of Director only up to the date of this meeting), in respect of whom the Company has received a notice in writing from a Member proposing his candidature for the office of Director.

To consider and if thought fit, to pass with or without modification (s), the following resolution for appointment Shri Akhilesh Mishra as Director as ordinary Resolution:

"Resolved that pursuant to Section 257 of the Companies Act, 1956, Akhilesh Mishra be and is hereby appointed as a Director of the Company and shall be liable to retire by rotation."

Further resolved that any Director or Company Secretary of the Company be and is hereby authorized to do all such acts including filing of necessary intimation with ROC for above purpose."

By Order of the Board of Directors,



For PTC INDIA LTD.  
(Rajiv Maheshwari)  
Company Secretary

Place: New Delhi  
Date:25th August, 2011

#### Notes:

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

2. Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of Special Business set out in the notice is enclosed.
3. Corporate members intending to send their authorized representatives to attend the meeting are requested to send the Company a certified copy of Board Resolutions authorizing their representative to attend and vote on their behalf at the meeting.
4. All documents referred to in the notice or in the accompanying explanatory statement are open for inspection at the registered office of the Company between 11:00 a.m and 1:00 p.m. on all working days upto the date of Annual General Meeting.
5. The details pertaining to the appointment / reappointment of Directors are furnished in statement of Corporate Governance in the Directors' Report/ in the Explanatory Statement in the notice.
6. Mr. D.P.Bagchi and Mr. P. Abraham are also retiring on this AGM and they are not interested in their re-appointment as Directors.
7. The register of members and the share transfer books of the Company will be closed from 17th September, 2011 to 28th September, 2011 both days inclusive. The dividend in respect of equity shares held in the electronic form will be paid on the basis of beneficial ownership existing as on 17th September, 2011 and as per details available from NSDL and CDSL.
8. Members/ proxies should bring their copy of the Annual Report for reference at the meeting as also the attendance slip duly filled in for attending the meeting.
9. Members are informed that in case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
10. Shareholders holding the shares in physical form and desirous of making nominations, as provided by Section 109A of Companies Act 1956, are requested to send their requests in Form No. 2B in duplicate (which will be made available on request).
11. In respect of shareholders' holding shares in electronic form, members are requested to notify any change of address and change in bank details to their Depositories Participants.
12. As per mutual discussions with existing Statutory Auditors it is decided that M/s T.R.Chadha &Co., are not being re-appointed as Statutory Auditors of the Company.
13. The communication address of our Registrar and Share Transfer Agent (RTA) is MCS Limited, F-65, Okhla Industrial Area -Phase-I, New Delhi-110020.
14. For Electronic Clearing System facility for crediting dividend directly to your designated bank accounts, shareholders are requested to give their mandate in the form enclosed.
15. The entire Annual Report is also available at the Company's Website [www.ptcindia.com](http://www.ptcindia.com).
16. The Company is not providing Video Conferencing facility for this meeting.
17. As per circular no.18/2011 on Green initiative, the Company will send annual Report along with other documents through email to all members, who have registered their email address with the depository and physical hard copies will be dispatched to others. In case any member desire to get hard copy of Annual Report, they can write to Company at registered office address or email at [cs@ptcindia.com](mailto:cs@ptcindia.com) OR [admin@mcsdel.com](mailto:admin@mcsdel.com).

### **Important Communication to Members**

The Ministry of Corporate Affairs (MCA), Government of India, has taken a Green Initiative in the Corporate Governance by allowing paperless compliance by the Companies and has issued circulars stating that service of notice/ Documents including annual report can be sent by email to its members. To support this green initiative of the Government in full measure, members who have not registered their email addresses, so far, are requested to register their email addresses, in respect of electronic holdings with the Depository through their respective Depository Participants. Members who hold shares in physical form are requested to provide details of their email addresses to Registrar and Transfer Agent of the Company at [admin@mcsdel.com](mailto:admin@mcsdel.com).

To: All Shareholders, Directors and Auditors

Annexure to the Notice

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

**Item no. 3**

Shri I.J. Kapoor is liable to retire by rotation and is eligible for reappointment.

**Shri I.J. Kapoor**

Shri I.J. Kapoor, aged about 54 years is a Graduate in Mechanical Engineering and Master in Business Administration (Marketing)

He is a nominee Director of NTPC Limited, which is a Promoter Company of PTC where he is Director (Commercial.). He is Fellow of Institution of Engineers, India.

Other Directorships of Shri I.J. Kapoor in Public Companies are:-

- (1) NTPC Limited - Whole-time Director
- (2) National Power Exchange Limited - Part-time Chairman
- (3) NTPC Vidyut Vyapar Nigam Limited - Part-time Director

Shri I.J. Kapoor does not have any shareholding in the Company and he is not a member / Chairman of Committee of Board in the other Companies

Shri I.J. Kapoor is interested in the proposal of his own re-appointment. The Board recommends the above proposal for approval.

**Item no. 5 and 6 & 7**

**Shri. Ved Jain**

Shri Ved Jain, aged, 57 years is appointed as Independent Director. He is Chartered Accountant by Profession and ex-President of ICAI. He has rich experience of Finance.

Other Directorships in Public Companies are:

- (1) Maytas Properties Limited,
- (2) NALCO,
- (3) IL&FS Engineering and Construction Company Ltd.

Chairman and Membership of other Committees:

- (1) IL&FS Engineering and Construction Company Ltd. -

- Audit Committee (Chairman)
- Remuneration Committee (Member)
- Executive Committee (Member)
- Shareholder / Investor grievance
- Committee (Member)

- (2) Maytas Properties Limited

- Audit Committee (Chairman)

Shri. Ved Jain does not have any shareholding in the Company.

Shri Ved Jain is interested in his own appointment. The Board recommends the above proposal for approval.

**Shri. Dipak Chatterjee**

Shri Dipak Chatterjee, aged, 67 years is appointed as Independent Director. He is a Retd. IAS officer and has worked as Secretary to Government of India. He does not have any shareholding in the Company.

Other Directorships in Public Companies are:

- (1) United Stock Exchange of India Ltd.
- (2) Bombay Stock Exchange Ltd.

Chairman and Membership of other Committees:

- (1) USE India Ltd. - Audit Committee (Member)

Shri Dipak Chatterjee does not have any shareholding in the company.

Shri Dipak Chatterjee is interested in his own appointment. The Board recommends the above proposal for approval.

**Shri Akhilesh Mishra**

Shri Akhilesh Mishra, aged, 45 years is appointed as an Independent Director. He is an IFS officer, and is working as Joint Secretary (North), Government of India.

Shri Akhilesh Mishra does not have directorships in Public Companies.

Shri Akhilesh Mishra does not have any shareholding in the Company and he is not a member / Chairman of Committee of Board in the other Companies.

Shri Akhilesh Mishra is interested in his own appointment. The Board recommends the above proposal for approval.

By Order of the Board of Directors,  
For PTC India Ltd.

Place: New Delhi  
Date: 25th August, 2011



(Rajiv Maheshwari)  
Company Secretary

## DIRECTOR'S REPORT

To,  
The Members, PTC India Ltd.

Your Directors take great pleasure in presenting to you, the Twelfth Annual Report on the activities of your company, together with the Audited Annual Accounts for the Financial Year 2010-11.

### Performance and Financial Highlights

Your Company has completed another successful year of its operations, wherein it has sustained and maintained its leadership position in the industry. The trading volumes were 34.25% higher this year at 24481MUs as against 18236 MUs during the previous year. With a turnover of Rs. 90603 Million (including other income) for the year 2010-2011 as against Rs.78445 Million (Including other income) in the financial year 2009-10, your Company has earned a profit after tax of Rs.1385 Million as against Rs. 941 Million in the previous year.

Your Company has two subsidiaries, namely PTC India Financial Services Limited (60% owned) and PTC Energy Limited (Wholly Owned). The consolidated turnover of the group is Rs 92627 million for the current financial year as against Rs. 79257 million for the financial year 2009-10. The consolidated profit after tax of the group is Rs1660.26 million for the current financial year as against Rs. 1072.69 million for the financial year 2009-10.

The financial results of the company for the FY 2010-11 vis-a-vis 2009-10 under broad heads are summarized as under:-

Financial results of the company for the FY 2010-2011 vis-a-vis 2010-11

Particulars	(in Rs. Million)	
	For the Year ended 31.03.2011	For the Year ended 31.03.2010
Sales (including rebate on purchase of power, service charges and surcharge)	89972.75	77703.41
Other Income (including income from consultancy services)	630.41	741.66
Purchase (including rebate on sale of power)	88370.81	76750.60
Employee Cost	69.58	184.35
Other Expenses etc.	144.37	135.13
Profit before amortization, depreciation and prior period items	2018.40	1374.99
Amortization and Depreciation	50.34	55.21
Prior Period Expenses/(Income)	0.09	1.85
Profit Before Tax	1967.97	1317.93
Provision for Taxation (including deferred tax income)	582.78	376.92
Profit After Tax	1385.19	941.01
Balance as per last accounts	938.52	691.98
Transferred to General Reserves	415.56	282.30
Dividend (incl. dividend tax)	514.24	412.17
Transfer to contingent reserves	-	-
Balance carried forward to Balance Sheet	1393.91	938.52
Earning Per Share in Rs.	4.70	3.31

### Appropriations

#### Dividend

Your Directors are pleased to recommend for your consideration and approval dividend @ 15% for the financial year 2010-11 i.e. Rs.1.50 per equity share (as against Rs.1.20/-per equity share in the previous year) of Rs. 10 each. The dividend if approved at ensuing Annual General Meeting will absorb Rs.514.24 million including corporate dividend tax amounting to Rs.71.78 million.

The dividend will be paid to members whose names appear in the register of members as on a record date; in respect of shares held in dematerialized form whose names are furnished by the Depositories, as beneficial owners

### Reserves

Out of the profits of the Company, a sum of Rs.415.56 Million has been transferred to General Reserves during the year and total reserves and surplus of the Company are Rs.18,852.06Million (including share premium) as on 31st March 2011.

### Fixed Deposits

The Company has not accepted any public deposits during the year and as such, no amount on account of principal or interest was outstanding as on the date of Balance Sheet.

### Capital Structure

As on 31st March 2011, PTC has Authorized Share Capital of Rs. 750,00,00,000 and Paid-Up Capital of Rs. 2,949,735,710/- divided into 294,97,3571 equity shares of Rs.10 each. The equity shares of your Company are listed on 'Bombay Stock Exchange Limited' (BSE) and 'The National Stock Exchange of India Ltd.' (NSE). The promoters i.e. NTPC Ltd. (NTPC), Power Grid Corporation of India Ltd. (POWERGRID), Power Finance Corporation Ltd. (PFC) and NHPC Ltd. (NHPC) individually hold 4.07% each, or 16.27% collectively of the paid-up equity and subscribed share capital of your Company and the balance of 83.73% of the equity paid-up and subscribed share capital of your Company is held by Power Entities, Financial Institutions, Life Insurance Corporation of India and other Insurance Companies, Banking Institutions, Corporations, Investment Companies, Foreign Institutional Investors, Private Utilities and others including general public at large. The shareholding pattern of your Company as on 31.03.2011 is as follows:-

Category	No. of shares held	Percentage of Shareholding
<b>A Promoter's holding</b>		
1 Promoters		
- Indian Promoters	48,000,000	16.27
- Foreign Promoters	-	-
2 Persons acting in concert	-	-
Sub-Total	48,000,000	16.27
<b>B. Non-Promoter's Holding</b>		
1 Institutions		
Mutual Funds and UTI	45412084	15.40
Banks and Financial Institutions	29293789	9.93
Insurance Companies	63320717	21.47
FII's	49880437	16.91
Sub-Total B(1)	187907027	63.71
2 Non Institutions		
Bodies Corporate (incl. DVC)	32521984	11.03
Individuals		
(holding nominal share capital upto Rs. One lac)	21223168	7.19
Individuals		
(Holding nominal share capital in excess of Rs. One lac)	3696216	1.02
Others		
- NRIs	1574976	0.53
- Ocb	100	.00
- Trusts and Foundations	50100	0.02
Any other total	1625176	0.55
Sub-Total B (2)	44,136,432	20.02
Total Public Shareholding	246973571	83.73
<b>GRAND TOTAL</b>	<b>294973571</b>	<b>100.00</b>



Distribution of shareholding - As on 31.03.2011

Nominal value of each share is Rs.10/-

No of Folio	Range	No of Shares	% to Total Capital
112452	Upto	500	12439187
4147	501	1000	3395595
1757	1001	2000	2663362
522	2001	3000	1334370
227	3001	4000	813541
201	4001	5000	959152
301	5001	10000	2254758
245	10001	50000	5381019
53	50001	100000	3944357
158	100001	Above	261788230
120063	Total	294973571	100.00

#### Net Worth and Earning Per Share (EPS)

As on 31st March 2011, net worth of your Company aggregates to Rs.21,801.80 Mn as compared to Rs. 20962.37 Mn for the previous year thereby registering a growth of 4.00%.

EPS of the Company as on 31.03.2011 stands at Rs.4.70 in comparison to Rs. 3.31 as on 31.03.2010

#### TRANSFER OF UNPAID/UNCLAIMED DIVIDEND AMOUNT AND UNPAID/ UNCLAIMED REFUND AMOUNT OF IPO TO IEPF:-

Pursuant to provisions of Section 205(A)(5) of Companies Act 1956, the declared dividend of FY 2003-04 and unpaid/ unclaimed amount of refund of IPO, which remain unpaid for the period of seven years has been transferred by company to the Investor Education Provident Fund (IEPF), established by Central Government, pursuant to Section 205(C) of said Act.

#### MANAGEMENT DISCUSSION AND ANALYSIS

With the financial crisis almost over and country back on growth track, India achieved a robust GDP growth rate last fiscal. There are some concerns about current fiscal after rise in oil prices and Japanese natural disaster but global outlook on India continues to be positive. There is a strong correlation between the GDP growth rate and the growth of power sector. The Indian growth story looks positive in the long term which will lead to higher economic activities and more demand for power. In order to sustain the GDP growth, India needs to add power generation capacity commensurate with this pace. This becomes more important given the energy deficit and peak deficit of 8.5% and 9.8% respectively in FY11 which are expected to rise even more. We have continuously witnessed slippages in generation capacity addition targets in every plan. The capacity addition target of 78700 MW for the current plan was also reduced in mid-term appraisal and we expect the achievement to be about 50,000 MW.

But power sector has the attention at the highest level in the Government of India which has taken several initiatives to facilitate capacity addition and encouraging private sector participation. Among the major thrust areas have been the Ultra Mega Power Projects (UMPPs) and the procurement of power by distribution utilities through competitive bids. However, the results on both the fronts have been mixed. Out of nine Ultra Mega Power Projects (UMPP) of 4 GW each identified for development, only four have been awarded. UMPP at Mundra in Gujarat is expected to be commissioned during 2011-12 and remaining ones are expected during 2014 to 2017.

The Finance Minister of India, in his budget, waived off 10 per cent manufacturing duty on supplies to expansion of mega power projects and also extended the 10-year income tax holiday to power generation and transmission projects commissioned by March 31, 2012. The move would lead to cheaper power equipment, reduction in tariffs and would generally encourage the government's efforts to scale up the country's power generation capacity.

One positive trend has been the rising contribution of private sector in the generation capacity addition including undertaking independent power

transmission systems. Trading volumes directly depend on the new generation and transmission capacity created.

Finalization of Case-I competitive bidding by states for procurement of power is moving slowly. Your company has been actively participating in Case-1 bidding invited by several states. Letter of Intent

(LoI) has been received for 300 MW and the company is competitively placed in several other bids.

Apart from the bidding document, scrapping of the tender, re-bidding/re-opening of selected bids and reneging on contracts are some of the issues that need to be addressed. The bidding process is further diluted by allowing exemptions to PSUs and by State Government policies of mandating sharing of electricity generated through some projects. Your Company is taking up those issues for consideration of the Ministry of Power, Government of India, Appropriate Commissions and the concerned State Government/ State power utilities with the objective to ensure a level playing field for the private power developers and to expedite the bid process.

Fuel shortages, especially coal has emerged as one of the major concerns for the power sector. This has led to apprehensions that the ambitious capacity addition targets of 90 to 100 GW in the upcoming 12th plan period (2012-17) may not be met. Coal production in the country has remained stagnant as compared to previous year and concerns are being expressed that the existing as well as upcoming coal-based thermal power projects would have to run on lower PLF due to coal shortages. Delay in land acquisition, getting forest clearances, and law and order problems in some mining areas add to the list of problems in coal production. The Coal India limited (CIL) is reluctant to sign new fuel supply agreements and is unable to commit delivery of coal conforming to the sanctioned linkage quantity for the last two years due to which lenders are reluctant to fund new coal-based thermal power projects which are on the anvil. Large quantity of coal up to 100 million tons would have to be imported in the coming years to bridge the gap between domestic coal supply and demand. Since coal prices in the international market are quite volatile and spot sales are preferred over long term tie-ups, it has created lot of uncertainties to the investors and developers and may result in higher electricity tariffs. The Government and the Industry collectively need to take action to mitigate the situation as coal is expected to remain the mainstay of power production in the country in the foreseeable future.

On regulation front, the Central Electricity Regulatory Commission (CERC) this year, amended the grant of grid connectivity and open access regulations and reduced threshold capacity for connecting to inter-state grid to 50 MW for hydroelectric generating stations and others using renewable sources of energy. If the stations have individually installed capacity of less than 50 MW, they can now approach the Central Transmission Utility (CTU) collectively with an aggregate installed capacity of 50 MW or above. This is expected to benefit many hydro-electric projects of small and medium size, particularly in hydro-rich states, which will thus have the option to access national power market through central transmission grid, and would encourage rapid development of such renewable projects.

CERC is also in the process of getting implemented the point of connection tariff for sharing the cost of inter-state transmission services that will replace the regional postage stamp method. Under the new proposed mechanism, all the users will be default signatories to the Transmission Service Agreement (TSA) requiring users to pay point of connection charge. This commercial arrangement would also facilitate financial closure of transmission investments. The mechanism would also facilitate integration of electricity markets and enhance open access and competition by obviating pan-caking of transmission charges. Further, it will facilitate fair and transparent competition for case-1 bids as the bid processes were getting distorted because of pan-caking of transmission charges.

The regulations on Renewable energy including Renewable Energy Certificates (RECs) has been introduced to overcome the geographical limitations of RE generation and give boost to such sources of energy and increase their share. The trade in REC is limited to Power Exchanges only and Over-the-Counter (OTC) trade in REC has not been allowed by the

Regulators. For the scheme to be successful, the State Electricity Regulatory Commissions (SERCs) have to ensure strict implementation of Renewable Power Obligations (RPOs) and all states have to support REC as a valid instrument for fulfillment of their RPOs.

CERC has taken several initiatives to encourage market players to shift from Unscheduled Interchange to Scheduled Interchange as unpredictability in the behavior of various market players has serious implications for grid security. Since UI is envisaged as a balancing mechanism, CERC recognized the need for limiting UI volumes and accordingly under-drawls and over injections beyond the permissible quantities are now dis-incentivised and priced at lower rates. Tightening of permissible operating band for frequency has been done with the objective to improve the frequency profile of the grid. Prevailing UI prices are also showing lower trend which is a positive development and implies that buyers are willing to pay a premium for scheduled power supply. UI volumes on an average are presently in the range of 3 to 4% of the total energy generation and strict implementation by way of further tightening of frequency band and higher UI charges would result in such volumes moving to power exchanges and bi-lateral power market.

The short term power market in volume terms has been growing at a CAGR of 30 % over the last three years and sustained growth is expected with increase in the generation capacity addition by Independent Power Producers and Merchant Power Producers besides easing up of open access regime for the captive and industry. The size of power market is in the range of 6% to 7% of total energy generation in the country (~53.5 BUs), which comprises about 4.5% through bi-lateral and about 2% through Power Exchanges excluding volumes traded through UI (~28 BUs). As per the assessment, the All India energy generation has reached about 810 Billion units, a rise of 5.55% over FY 10.

The prices of traded power in both bi-lateral and power exchange has been showing a downward trend as compared to previous years – primarily due to competitive pressures but also due to market aberrations. Many distribution utilities continue to have poor financial health due to rising ATC losses thus severely limiting their buying power. So even when the prices offered in the short term market have been quite competitive, distribution utilities unfortunately prefer to have power cuts rather than buy power to meet the growing demand. Regulatory Commissions would have to enforce performance standards otherwise such market distortions would not only deprive genuine consumers of reliable supply of power but would also vitiate the positive investment climate so painstakingly crafted with the success of power market.

As far as performance of your company is concerned, it has witnessed yet another eventful financial year. 24.48 Billion Units were traded during 2010-11, an increase of 34.25% over the previous year. Round The Clock (RTC) trading has been responsible for bulk of the volume accounting for 96.7 % (marginally up from 95 % in FY 10) of the trade with remaining power traded during peak and off-peak periods. Trade with Captive Power Plants increased by 110 % Units as compared to last year with volumes traded this year crossing the 4 Billion units mark.

Among our key suppliers of electricity are Government of Himachal Pradesh, J&K Power Development Corporation, Chhattisgarh State Power Trading Co, Lanco Amarkantak Power Limited, Jindal power, Torrent etc. On the other hand, Tamil Nadu, Himachal Pradesh, West Bengal, Punjab, Bihar, Rajasthan, Karnataka are among the key purchasers of power.

Projects in Bhutan sold to us 5.3 Billion units last year and this year with a marginal growth it has reached 5.5 Billion units. Your company also supplied about 46 Million units to Nepal on commercial terms to meet their emergent needs. Some positive developments have taken place in building the transmission inter-connections with Nepal and Bangladesh. A Cross-border Power Transmission company, promoted by IL&FS and POWERGRID among others has been issued license by CERC to undertake construction of 400kV double circuit Mujaffarpur-Dhalkebar transmission line to inter-connect India and Nepal. Decision has also been taken to build 400kV double

circuit transmission Inter-connection between India and Bangladesh. This will help in offering opportunities for sale and purchase of power among the countries. Both the projects are expected to be commissioned by the year 2013-14.

PTC trade on exchange grew by 121 % (volumes crossing 4 Billion units) showing that your company is capitalizing on the growth of exchanges. RECs started trading on exchanges and a total of 425 RECs were traded on both the exchanges in FY 11. REC trade volume is expected to grow and a new market is in the making. PTC is gearing up to provide value-added services to the clients to trade REC on power exchanges.

Inter-state open access has made good progress but intra-state open access continues to be a major barrier in the expansion of the market, resultant competition and higher liquidity. Some State Governments denied open access to embedded generators by invoking section 11 of the Electricity Act'2003. Higher state level transmission charges and losses, load dispatch fees, cross-subsidy surcharges and additional surcharges make the transaction onerous for the industries seeking power from outside the state.

PTC India Financial Services Ltd. (PFS), our subsidiary company, has been awarded the 'Infrastructure Finance Company' status by RBI. It had raised Rs. 42.00 crore through the issuance of the Long Term infrastructure bonds with the benefit of Section-80 CCF of Income Tax Act, 1961. It had also raised its equity capital by issuance of new share through IPO during March, 2011. Earlier in the year, it entered into ECB Loan Agreement with DEG, Germany for USD 26 million and also signed a mandate letter with IFC for USD 50 million. During the year, PFS sanctioned a long term debt of Rs.1518 crores to 18 projects taking the cumulative sanctioned debt to Rs. 3542 crore of which Rs. 2817 crore is long term and Rs. 725 crore is short term.

PTC Energy Ltd. (PEL), our another subsidiary, had ventured into Coal trading in FY 2009-10. It tied up imported coal for supplying a total of 2.4 Million Metric Ton i.e. 1.76 Million Metric Ton (MT) per annum for a period of 5 years to support power projects of total 450 MW capacity and further it had also entered into long term coal sale/purchase agreement for 5 years for the supply of 0.7 Million MT per annum (0.3 Million MT for the first year). The company had purchased and supplied total quantity of 280,492 MT of imported coal during FY-2010-11.

PTC has also been able to make significant progress in the area of energy efficiency management. Bureau of Energy Efficiency (BEE) have entrusted PTC with seven energy efficiency studies for which investment grade energy audit have been successfully carried out. Out of the above seven studies, three energy intensive utilities have placed Letter of Intent (LOI) for the implementation of energy cost saving measures, which are in different stages of implementation based on ESCO concept. This model is supposed to be replicated on its success, in other areas of economy, based on market-based returns and committed performance.

Your company has pioneered the development of Indian Power Trading market. Over the past few years, we have invested in other parts of Energy Value Chain through our subsidiaries PFS and PEL. Going forward, PTC faces substantial imminent risks like uncertain regulatory environment, return risk from investments, managerial fragmentation due to multiple organizations etc. Changes to the competitive landscape and market will put business under pressure. Hence, the company has engaged a leading consultant to carry out a restructuring exercise so as to equip the company for next phase of growth and better manage the risks and challenges.

### Short Term Trading

Your Company has completed another significant year of its operations, one in which it has further consolidated its position in the industry despite intense competition, purchases made by the buyers only in distress, massive load shedding resorted by the utility buyers across the country and less than expected contribution from PTC's long term supply sources. This has been made possible through steep rise in domestic trade by maintaining close interaction with customers, bringing innovative solutions regularly and managing key portfolio of some States so as to remain the front runner.