

## DIRECTORS' REPORT

To,  
The Members,

The Directors are pleased to present the Eighth Annual Report of the Company together with the Statements of Account for the year ended 31<sup>st</sup> March, 2014.

1. Financial performance  
a. Financial Results

(Figures in ₹ crore)

Particulars	FY14	FY13
Net Sales	5637.16	2,795.52
Operating Expenditure	5107.76	2,476.73
<b>Operating Profit</b>	<b>529.40</b>	<b>318.79</b>
Add: other income	42.26	15.69
Less Interest and Finance Charges	1239.65	616.45
<b>Profit before Depreciation and Tax</b>	<b>(667.99)</b>	<b>(281.97)</b>
Less: Depreciation/amortization	823.87	470.03
Provision for Impairment	-	850.00
<b>Profit before Tax</b>	<b>(1491.86)</b>	<b>(1,602.00)</b>
Less: Provision for Taxes	-	-
<b>Net Profit after Tax</b>	<b>(1491.86)</b>	<b>(1,602.00)</b>
Distributable profits/(Losses)	(1491.86)	(1,602.00)
Add: Balance brought forward from the previous year	(3809.91)	(2,207.91)
Add: Reserves acquired during the year	-	-
<b>Leaving a balance to be carried forward</b>	<b>(5,301.77)</b>	<b>(3,809.91)</b>

During the year, your Company achieved a total sales turnover of ₹ 5,637.16 crore with an operating profit of ₹ 529.40 crore (Previous year: ₹. 318.79 crore ). The Company reported a loss before tax of ₹ 1,491.86 crore for the financial year ended 31<sup>st</sup> March, 2014 as against loss of ₹1,602.00 crore for the previous year.

b. Provision for Impairment

The Management has reviewed and reassessed the recoverability of the carrying amount of the assets at Mundra considering the fuel cost, exchange rate variation, other operating costs and compensatory tariff that would impact future cash flows and has concluded that no further provision for impairment for the year ended 31st March, 2014 is necessary on this account (provision made till March 2013 : ₹ 2,650 crore ).

In view of the pending appeals relating to compensatory tariff, the management has not considered the effect of compensatory tariff in evaluation of possible reversal of provision for impairment.

c. Your company had made a petition to the Central Electricity Regulatory Commission (CERC) for evolving a mechanism to compensate the adverse impact of the unforeseen, uncontrollable and unprecedented escalation in the imported coal price and the change in law in Indonesia.

The CERC has, after considering the recommendations of a committee appointed for the aforesaid purpose (which comprised of experts from various disciplines like Legal, Banking, Finance, Technical and Procurers) vide its order dated 21st February, 2014, decided that the company is entitled to compensatory tariff from 1st April, 2012 over and above the tariff agreed under the PPA with the procurers till the hardship on account of Indonesian regulations persists.

Subsequent to the above CERC order, the Company raised bills on Procurers for the payment of compensatory tariff. The procurers have not commenced payment of bills raised by the company. They have challenged the order with ATE and have filed an appeal for grant of stay on the enforcement of the CERC order. As of date, the hearings on the subject matter are in progress and ATE has neither granted the stay nor passed any other order.

In view of the above and considering that the amounts associated are significant, the Company has not recognized aggregate revenue of ₹ 1,019.06 crore towards Compensatory Tariff for the period from 1<sup>st</sup> April, 2012 to 31<sup>st</sup> March, 2014.

## 2. Dividend

In the absence of profits, the Company has not declared any dividend for the financial year ended 31<sup>st</sup> March, 2014.

## 3. Subsidiary company

Energy Eastern Pte. Ltd. (EEPL), a wholly owned subsidiary of the Company, is engaged in arranging shipping of coal required for the project. The company has infused equity funding of USD 711,032 till 31<sup>st</sup> March, 2014 to finance shipping related expenditure for the Mundra Project. EEPL made a profit of USD 1,041,616 during the financial year ended 31<sup>st</sup> March 2014, as against profit of USD 1,384,252 in the previous financial year.

## 4. Projects

With the commissioning of the 5<sup>th</sup> and the last Unit of Mundra UMPP on 22<sup>nd</sup> March, 2013, all five units were fully operational for the year 2013-14.

## 5. Project Finance

The Company has availed a Rupee loan of ₹ 4,800 crore and foreign currency loans of USD 1,361.54 million of as on 31<sup>st</sup> March, 2014.

Certain financial covenants in respect of loans taken by the Company had not been met and Management had received waiver in respect of such non-compliances up to 30<sup>th</sup> June, 2013. The Company has requested Project Lenders to extend the existing waivers till 30<sup>th</sup> June, 2015 and/or amendments be made to the financing documents.

Pending finalisation of Debt:Equity ratio and other waivers, the Company has requested the Project Lenders to extend the date of compliance for tying up the balance coal and shipping requirements and other covenants of financing documents. The Project Lenders have in principle agreed to extend the time for compliance of conditions.

## 6. Credit Rating

CRISIL has downgraded the credit rating by two notch points from A+/ Negative to A-/Negative for the Long Term Rupee denominated Bank loans of the Company. The rating downgrade reflects a further weakening in the Company's capital structure coupled with continued pressure on cash flows, against increasing debt servicing obligations. The rating of Company's long term loan continues to reflect the strong operational, management and financial support which the Company receives from the Tata Power Company Limited i.e. the Tata Power Sponsorship Support Agreement with the Company's Project Lenders which requires Tata Power to provide financial support by way of deficit funding.

## 7. Operational Performance

During the period under review, the Company has achieved 80% availability with gross generation of 23,928 MUs as against 12,440 MUs generated in the previous year.

In order to optimise coal cost, efforts were made to maximise usage of low cost coal. 67% Eco coal blending was achieved resulting in considerable saving in cost of energy generated.

Details of unit-wise generation for FY14 is given below:

Unit	Generation ( MUs)		Generation availability (%)		Plant Load Factor (%)	
	FY14	FY13	FY14	FY13	FY14	FY13
Station	23,928	12,440	83%	84%	66%	74%

Note: Lower PLF for FY-14 compared to FY 13 due to higher surrender of power by the procurers.

## 8. Fuel & fuel transportation

During the period under review, the coal consumption was about 11.50 MMT. While more than 90% of the requirement was met by sourcing of coal from KPC and Arutmin mines in Indonesia, the balance was met from other sources globally.

## 9. Affirmative Action Plan

The Company has taken the following measures under three Broad Categories:

### ➤ Education:

The Company has devised a customized program for enhancement of education standard in the region through supporting education for underprivileged students. The emphasis in each of the education initiatives is not only on increasing the learning level of the students but also on engagement with the teachers and parents. In order to attain this objective, emphasis has been given for exclusiveness of the children from the underprivileged section in the ongoing education upliftment program 'Shiksha Sarathi'. During the period under review, 1,358 students from aforesaid section out of 5,477 children have been covered and have benefitted through CGPL's education initiatives.

### ➤ Employment and Employability:

To ensure that communities belonging to the SC/ST category are included in skill training programs, the company has devised a plan to identify deserving cases from amongst this group and send them for skill development to reputed centres accredited by Government, thereby enhancing their employability in the job market.

### ➤ Entrepreneurship:

The Company also commits in line with the philosophy of Tata Power in helping people from SC/ST background become entrepreneurs thereby making the community members self-reliant. In pursuit of this objective, during the period under review, the company has awarded contracts of ₹ 35.33 lakh to 10 vendors of this community.

## 10. Sustainability

### a) Care for Our People

Safety is a core value. Highlights of efforts in the area of Safety are as follows:

- Proactive Safety measures like Hazard Identification and Risk Assessment (HIRA), Daily Activity List (DAL), Safety Correction Action Request (SCAR), Safety Intervention Audit Team (SIAT), Safety Time out, Pre-Start up Safety Review (PSUSR), etc. are being rigorously followed.
- Each day begins with Safety Pledge reinforcing the core belief in ensuring a safe working environment at the site.
- Safety dialogue with employees by ED & CEO has started as new initiative of "Safety Town Hall."
- Safety awareness programs on road safety, home safety and fire safety were organized in "Aashiyana Township" and nearby villages and village schools to sensitize the community.

A summary of safety results achieved (both employees and contract workforce) is shown below:

#### Summary of Safety results

Sr. No	Parameters	FY-14	FY-13
1	Fatality (Number)	2	1
2	LTIFR (Lost time injuries frequency rate per million man hours)	0.55	0.38
3	Total Injuries Frequency Rate (TIFR) (Number of Injuries per million man hours)	0.64	0.50
4	First Aid Cases (Number)	242	584
5	Man-days Lost	12,039	6,133
6	Man-days Worked	13,60,139	13,70,758

We deeply regret to report that two fatal accidents took place at CGPL (Mundra) involving contract workers. A detailed Root Cause Analysis has been conducted to avoid recurrence of such incidents at our site.

### b) Care for Community and Environment

The Company, in its endeavour to become the 'Neighbour of Choice', continues to take initiatives for the local community in the areas of livelihood and income generation, education and health.

The Company believes in the progress of neighbouring communities through continuous engagement with them to address their concerns and need with promptness, effectiveness and by forging partnership with specialized government agencies. Various community development activities undertaken are aligned with the following five thrust areas for CSR activities that address the need of the stakeholders:

1. Augmentation of Rural Education
2. Health care services
3. Social capital and Community infrastructure
4. Livelihood and employability
5. Sustainability for inclusive growth

A systematic strategy has been followed for the identification and grouping of stakeholders. It includes exploring and engaging community members and their needs, building and formalizing community based institutions, implementing CR actions and then continuously evaluating in a manner that strengthens relationship with the communities. The programs and their outcomes are designed to achieve a high level of impact and sustenance.

This approach has helped in achieving a satisfied community that has trust and faith in the Company and its operations. Cooperation from the village Gram Panchayat has led to the formation of the Village Development Advisory Committee (VDAC), which is the first contact point for the Company for all developmental work to be carried out in different villages.

All the activities are initiated through 3 cross cutting approaches of linking on-going programs of Central, State and Local governments to ensure convergence. Emphasis is laid on creating and strengthening community leadership through community based organizations and continuous assessment of Customer Satisfaction Index (CSI) and through stakeholder dialogue.

At present CGPL is focussing 18 villages for implementation of various CSR activities. Details of the same are given below:

➤ **Health**

Under various Health initiatives undertaken by the company such as School Health Camps, Community Health Camps, Special Camps (viz. Eye and cataract, Gynaecology), 2,936 persons have been benefitted during the period under review.

➤ **Education**

Through intervention for upliftment of the education standards and for quality education, CGPL is implementing Shiksha Sarathi and Project Sujaan. This has benefited 5,477 children across the region. This Education project is being implemented in 50 villages which is biggest program as far as Education intervention is concerned.

➤ **Livelihood**

Various livelihood initiatives viz. management and operation of Gaushala, supply of fodder, implementation of Sagarbandhu program which is aimed at increasing the level of the income of the local community have been undertaken. They have benefited 2,779 persons.

➤ **Community Asset Creation**

Various community need have been identified in the year 2013-14, viz. community hall, motorable roads, sewerage line, VDAC office, boundary wall, installation of street lights, deepening of ponds etc. These interventions have benefited 6,012 persons.

The benchmarking projects launched in the vicinity include:

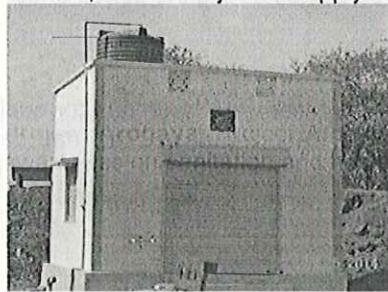
- **Project Shiksha Saarathi:** Implementation of a Comprehensive Education Upliftment Programme for children's of primary school and capacity building of the teachers.



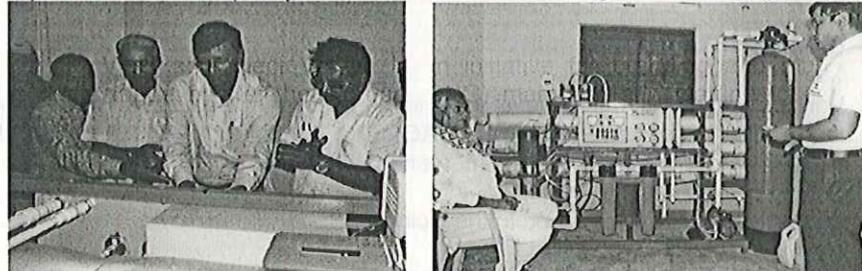
- **Project Sujaan:** Empowering the future generation through value added computer aided literacy.



- **Project Jalamani:** A partnership with the Water and Sanitation Management Organization (WASMO) of the Government of Gujarat, led to the execution of the project Jalmani, with an object to supply safe drinking water in schools.



- **Project Swachh Jal:** This is one of the programs which signify our continuing efforts for improvement in the quality of life for communities living in surrounding villages.



- **Project Arogaya:** Project Arogaya hosts school health camps & programs for creating awareness on sanitation and health.



- **Project Vartika:** Project Vartika is an initiative for branding and market creation of products made by Self help group (SHG) members and leading to empowerment of women.



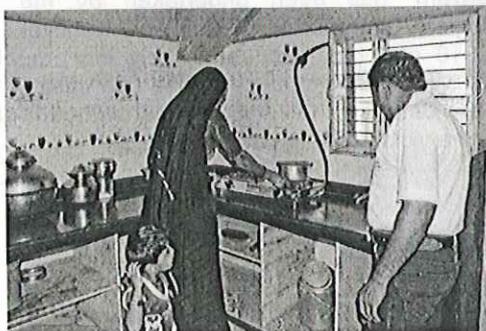
- **Project Sagar Bandhu:** An ambitious program designed for development of the fishermen community through strengthening of village institutions like the Village Development Advisory Council (VDAC) and community based organizations (CBOs).



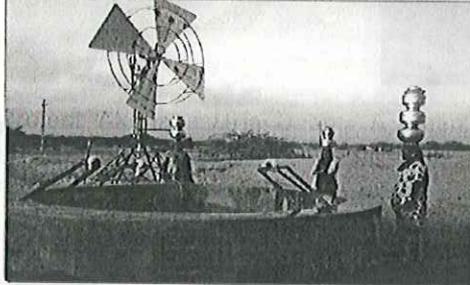
- **Kanathi Area Livelihood Program:** A project for enhancing livelihood of the community is being undertaken by the company under Guashala initiatives.



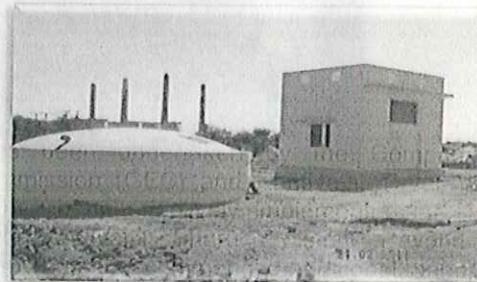
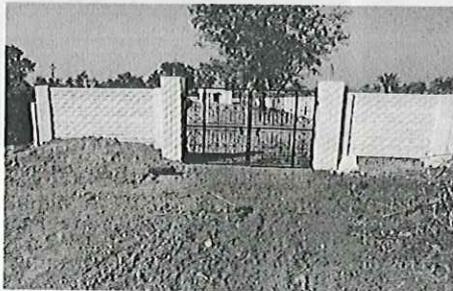
- **Project Annapurna:** A project for household Bio Gas installations with the partnership of Government of Gujarat.



- **Project Varsha:** Focus of this program is on natural resource management structures to improve agricultural infrastructure and improve profitability of farming.



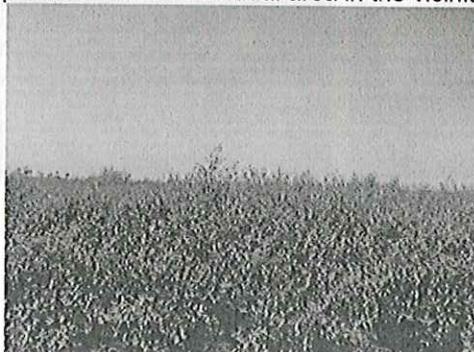
- **Project Nirman:** Aims to improve and enhance infrastructure facilities of surrounding communities.



- **Project Akshaya Urja Deep:** A green solution of lighting fishing boats using solar energy, improving livelihood profitability and working towards a sustainable future of fishermen.



- **'Mangrove Afforestation Program'** has been undertaken by the Company in collaboration with Gujarat Ecological Commission (GEC) and Kantiyajal Tavar Vikas Samiti (KTVS) from October 2010 and has been effectively implemented in ~1000 hectare of land in the coastal village of Kantiyajal, Bharuch district. Beyond the compensatory offset measures, the Company has also commenced additional mangrove plantation in the intertidal area in the vicinity of the outfall channel.



- Under the 'Green Cover Initiative' undertaken by the company, nearly 230 hectare of project area has been covered under green belt development till March 2014 through plantation of over 5 lakh saplings with a survival rate of 95%.



The Social Audit of CSR activities showed a significant rise of CSI from 21.6% in the year 2009-10 to 47.32% in the year 2012-13.

During the period under review, the Company has incurred an expenditure of ₹ 9.70 crore towards community welfare as compared to ₹ 7.58 crore incurred in previous financial year.

#### c) Addressing social and environmental grievances:

The Company and IFC have received certain complaints from a Trade Union called MASS (Machimar Adhikar Sangharsh Sangathan) claiming to be representative of local fishing communities regarding social and environmental compliances by the company.

The Compliance Advisor Ombudsman (CAO) of IFC visited the company several times in the recent past to take stock of the ground reality and gaps if any in the process followed by IFC before sanctioning the loan. They interacted with fishermen at Tragadi Bunder, MASS office bearers and PRI member of Tragadi and Modhva villages.

CAO team published its audit report on 22nd August, 2013 on the CAO website to which IFC had responded and defended the loan sanction.

However, in line with CAO suggestions, the Company jointly with IFC has developed a Monitoring and Management plan with specific intervention and timeline, which is the way forward to maximize the involvement of the stakeholders. Information on the interventions is shared with the community periodically through stakeholder dialogue which is very important for attaining the sustainability.

MASS had also filed a complaint with ADB in July 2013 on similar issue. The Compliance Review Panel (CRP) of ADB had visited the site during November 2013. They also had interacted with fishermen at Tragadi Bunder, MASS office bearers and government officials at Bhuj and Gandhidham. The final CRP visit is expected in the month of September/October, 2014.

#### d) Progress on clean development mechanism:

##### *Background*

UMPP Mundra Project had received host country approval and submitted PDD for registration as per ACM 0013 Version 3. This was however denied by the UNFCCC. Subsequently CGPL submitted an application to UNFCCC requesting them to reconsider the decision. Due to various reasons (such as a new version 5.0.0 being released by UNFCCC, additional data that needs to be furnished, etc) the issue remains unresolved. It was suggested that the Company may request a revision of methodology ACM0013-ver 5.0.0 to provide alternate approach if the data at plant units are not available.

In response to the Company's letter to Ministry of Environment and Forest (MOEF) in respect of "Baseline efficiency for subcritical power plants in India", MoEF responded on 19<sup>th</sup> December, 2013 stating that some more clarity on the issue is required and suggested to consult MoP & DoE on this matter. A meeting with MoEF was held on 7<sup>th</sup> February, 2014 for getting clarity on exact data requirements and accordingly action plan for getting necessary inputs from Ministry of Power /Department of Energy has been prepared. Meeting with BVQI was held on 6<sup>th</sup> March, 2014 for getting confirmation on followings:

- a) Non-availability of Unit level data, thus station level data shall be used and
- b) Considering original web hosting dates for DVR. BVQI has provided e-mail on 18<sup>th</sup> March, 2014.

We have submitted a letter to MoP for baseline efficiency on 19th March, 2014 and matter is being pursued for defining clear base line efficiency numbers.

#### 11. Human resources development

Some of the major human resource initiatives undertaken by your company during the year include:

- o Transition of Company's project employees has been completed. They were shifted to various Tata Power plants as well as to Mundra O&M. This transition was done based on competencies and employee preferences.
- o A new Rewards & Recognition policy was rolled out to meet the expectation of employees.
- o Keeping in mind the diversity of the workforce in the Company, an annual engagement calendar was rolled out to engage employees and their families throughout the year. A unique initiative in the Company was started where junior employees could meet the Executive Director directly in a structured way to have a meaningful two-way interaction. An Employee Engagement Survey was conducted to understand the level of engagement of the employees.
- o Employees are given various Technical and managerial training for their development aligned with organizational needs. Various Organizational Development initiatives such as LASER workshop, Simulator training etc. were undertaken.
- o A new department called Business Excellence was formed to drive various Business Excellence related activities, in line with Tata Power.
- o Various sports and cultural activities like Football Tournament, Cricket tournament for employees, families and kids were conducted. Festivities like Navaratri, New year, Holi, Uttarayan, etc. were celebrated with full fervour. An Annual Rewards night was also organized.
- o Annual health check up for all employees was conducted and appropriate interventions were taken in areas of concern. Various medical camps were conducted for workers and the community to improve their health profile.
- o All employees were shifted to the township which has been provided with all standard amenities and facilities like Departmental store, Gymnasium, Swimming pool, library, School, Bal Bhawan, sports facilities etc.

## 12. Risk management

The Company is faced with risks of different varieties, all of which need different approaches for mitigation. The top high value strategic risks and concerns specific to your company are as follows:

### (i) Not getting a tariff hike resulting in inability to honour PPA terms:

While the CERC order for Compensatory tariff and past losses (FY13 and FY14) has been received, all the Procurers have filed appeal against CERC order with ATE.

### (ii) Threat to Mundra site from terrorism, sabotage or swarming:

Due to the proximity of another major power plant and close proximity to the border, Mundra UMPP could be a prime target for the terrorists.

### (iii) Non-compliance of Lender Covenants:

Currently, the Company is not meeting certain financial covenants and financial ratios as specified by the Project Lenders. The Company has requested the lenders for waiving off certain conditions and for an extension of time till June 2015 for other covenants and conditions to be complied. In the worst case scenario of waiver not being given, the event of default due to non-compliance of certain covenants and financial ratios may arise and the lenders may levy a penalty/interest for non-compliance.

### (v) Change in forex rates:

These result in 3 types of exposures:

#### Translation exposure

Changes to the reported Owner's Equity in consolidated Financial Statements of the Company caused by change in the exchange rate for EEPL.

#### Transaction exposure

Impact of settling outstanding obligations entered into before change in exchange rates, but to be settled after change in exchange rates.

#### Operating exposure

Changes in expected future cash flows arising from an unexpected change in exchange rates.

### (vi) Fire in Coal Handling Plant:

This risk could affect generation of all units if an important gallery along the coal handling plant is gutted in fire resulting in damage to structure and belt.

The management has identified key risk factors and risk mitigation strategies to protect its objectives from adverse impact and to reduce the probability and/or consequence of an adverse risk event to an acceptable threshold. Regular review meetings are held to review and analyse the impact of various risk factors including the steps initiated to mitigate the same.

### 13. Opportunities and Outlook

Growth in the domestic sector is currently constrained given the uncertainties in the power sector. However, with a possibility of reform and linking of interconnected ministries at the Central government level (viz., coal, power and renewable), it is expected that the power sector will receive a much needed boost. The company can expand its generating capacity by 1,600 MW by installing 2 additional generating units of 800 MW each. The company has made an application to the Ministry of Environment & Forest (MOEF) for environment clearance. A Public Hearing in response to Environmental Impact Assessment (EIA) submitted by the Company was completed successfully in the month of August 2013 and a revised EIA was submitted to the Gujarat Pollution Control Board (GPCB) and the MoEF after incorporating suggestions from the local community. The same is now being pursued with MoEF.

### 14. Conservation of energy, technology absorption

Particulars required by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are given in the prescribed format as Annexure I to the Directors' Report.

### 15. Foreign exchange earnings and outgo

The foreign exchange expenditure during the financial year ended 31<sup>st</sup> March, 2014 was as follows:

#### Foreign exchange expenditure for FY14

Particulars	₹Crore
Capital Goods and Coal Imports	3791.69
Professional and Consultancy Fees	3.12
Interest and Commitment Charges	366.08
Compensation for Ship deferment	127.88

### 16. Disclosure of Particulars

Particulars required by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are given in the prescribed format as Annexure I to the Directors' Report.

Particulars of Employees: In terms of the provisions of Section 217 (2A) of the Companies Act, 1956 (the Act), read with the Companies (Particulars of Employees) Rules, 1975, the names and other particulars of employees are set out in the Annexure to the Directors' Report. However, having regard to the provisions of Section 219 (1) (b) (IV) of the Act, the Annual Report is being sent to all Members of the Company excluding the aforesaid information. Any Member interested in obtaining such particulars may write to the Company Secretary at the Registered Office of your Company or from [Guru.Dattatreya@tatapower.com](mailto:Guru.Dattatreya@tatapower.com)

### 17. Directors

In accordance with the requirements of the Companies Act, 2013 (Act) and the Articles of Association of the Company, Mr. Chandan Roy retires by rotation and is eligible for re-appointment.

Mr. Ramesh Subramanyam was appointed as an Additional Director of the Company by the Board of Directors on 22<sup>nd</sup> October, 2013. By virtue of Section 161 of the new Companies Act, 2013, Mr. Ramesh Subramanyam will hold office till the date of conclusion of ensuing Annual General Meeting and a notice under Section 160 of the Act has been received from a Member signifying its intention to propose Mr. Subramanyam's appointment as a Director.

**18. Auditors**

Messrs Deloitte Haskins & Sells (DHS), Chartered Accountants, who are the Statutory Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting. It is proposed to appoint DHS to examine and audit the accounts of the Company for FY15. DHS has under Section 224(1) of the Companies Act, 1956, furnished a certificate of its eligibility for re-appointment. The Members will be requested to appoint Auditors and to authorise the Board of Directors to fix their remuneration. In this connection, the attention of the Members is invited to Item No. 4 of the Notice.

Subject to the approval of the Central Government, the Company is proposing to appointed Sanjay Gupta and Associates, Cost Accountants (SGA) to audit the cost accounts relating to Electricity for FY15.

**19. Auditor's Report**

The Notes forming part of the Accounts referred to in Auditors' Report of the Company are self-explanatory and, therefore, do not call for any further explanation.

**20. Cost Auditor and Cost Audit Report**

The Company has appointed Sanjay Gupta and Associates, Cost Accountants (SGA) to audit the cost accounts relating to electricity for FY14.

In accordance with the requirement of the Central Government and pursuant to Section 233B of the Companies Act, 1956 the Company carries out an audit of cost accounts relating to electricity every year. The Cost Audit Report and the Compliance Report of the Company for the Financial Year ended 31<sup>st</sup> March, 2013, by M/s Sanjay Gupta and Associates, Cost Accountants (SGA), which was due for filing with the Ministry of Corporate Affairs was filed on 9<sup>th</sup> September, 2013.

**21. Corporate governance**

The Company has put in place adequate processes and mechanisms to ensure Corporate Governance. The Board of Directors of the Company has constituted the following Committees:

Audit Committee	Mr. N H Mirza - Chairman Mr. Anil Sardana - Director Mr. S. Ramakrishnan - Director
Nomination & Remuneration Committee	Mr. N H Mirza - Chairman Mr. Anil Sardana - Director Mr. S. Ramakrishnan - Director
Project Management Committee	Mr. S. Ramakrishnan - Chairman Mr. Anil Sardana - Director along with other Heads of Departments
Executive Committee of Board	Mr. Anil Sardana - Chairman Mr. S. Ramakrishnan - Director Mr. K. K. Sharma - Director

During the year under review, four Board Meetings and five Audit Committee meetings were held. The Remuneration Committee met only once during the year under review.

**22. Directors responsibility statement**

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

- in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanations relating to all material departures;



Coastal Gujarat Power Limited

- ii) they have in the selection of the accounting policies, consulted the Statutory Auditors and have applied them consistently and made judgements and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the Company at the end of the financial year;
- 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 Act, for safeguarding 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.

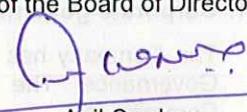
23. Acknowledgement

The Directors place on record their gratitude to the Procurers, Central and State Governments and various Government Agencies without whose active support, the progress achieved during the year under review would not have been possible.

The Directors further wish to place on record their sincere thanks to the Lenders of the Project, Legal Counsels, Insurers, Insurance Advisors, Independent Engineers, Statutory, Internal Auditors, vendors, customers and communities for their continuing cooperation and support.

The Directors would also like to appreciate and value the contributions made by all our employees and their families for making the Company what it is.

On behalf of the Board of Directors,

  
 Anil Sardana  
 Chairman

Mr. N. H. Mirza - Chairman Mr. Anil Sardana - Director Mr. S. Ramakrishnan - Director	Remuneration & Committee
Date: 6 <sup>th</sup> May 2014 Place: Mundra	Project Management Committee
Mr. S. Ramakrishnan - Chairman Mr. Anil Sardana - Director stand with other Heads of Departments	Executive Committee of Board
Mr. Anil Sardana - Chairman Mr. S. Ramakrishnan - Director Mr. K. K. Sharma - Director	Executive Committee of Board

## Annexure I to the Director's Report

## Form B

## FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION, RESEARCH AND DEVELOPMENT

1	Specific areas in which R&D carried out by the Company.	None
2	Benefits derived as a result of the above R&D	None
3	Future plan of action	None
4	Expenditure on R&D: Capital Recurring Total Total R&D expenditure as a percentage of total turnover	Nil

## Technology, absorption, adaptation and innovation

1	Efforts, in brief, made towards technology absorption, adaptation and innovation	<ol style="list-style-type: none"> <li>1. Segregation of Ash in Silo for colour issues for better realization of price.</li> <li>2. Blending of low grade coal up to 70% for reducing the cost of power generation</li> <li>3. Using services of industry experts for improving the heat rate of boiler.</li> <li>4. Audit by CPRI for reduction of auxiliary power of equipment</li> <li>5. Use of furnace additives ( liquid and solid) for reduction of slagging and fouling in boilers improving availability of boiler.</li> <li>6. Valve wide open operation of turbines for optimization of turbine throttling losses.</li> <li>7. Development of Condition monitoring program and implementation for improving availability of equipment.</li> <li>8. Installation of light pipes at Stores for conservation of energy.</li> <li>9. Implementation of special protection scheme (SPS) to improve grid stability.</li> <li>10. Implementation of "smart" soot blowing system for enhancing boiler heat transfer and efficiency.</li> <li>11. Implementation of PADO (Performance Analysis Diagnostic and Optimization ) for online plant performance</li> </ol>
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		<p>assessment and improvement.</p> <p>12. Use of hi fidelity simulator for training and re-training of officers for building capability.</p> <p>13. Testing of control strategy on 800 MW hi fidelity simulator before implementation for prevention of forced outage</p> <p>14. Improvement in RSI of compressor cooling water by using specialty chemicals to eliminate corrosion of tubes of heat exchangers .</p> <p>15. Improvement of drinking water supply by introducing BWRO (Brackish water reverse osmosis)</p> <p>16. Use of PI system for remote performance monitoring and diagnostic.</p>
2	Benefits derived as a result of the above efforts, e.g., product improvement, cost reduction, product development, import substitution, etc.	Fuel cost reduction, plant stability and improvement in operational efficiency thus reduction in cost of Generation.
3	<p>In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished:</p> <p>Technology imported.</p> <p>Year of import.</p> <p>Has technology been fully absorbed?</p> <p>If not fully absorbed, areas where this has not taken place, reasons there for and future plans of action.</p>	<p>Nil</p> <p>NIL</p>

# Deloitte Haskins & Sells LLP

Chartered Accountants  
Indiabulls Finance Centre  
Tower 3, 27th - 32nd Floor  
Senapati Bapat Marg  
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Mumbai - 400 013  
Maharashtra, India

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## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF COASTAL GUJARAT POWER LIMITED

### Report on the Financial Statements

We have audited the accompanying financial statements of **COASTAL GUJARAT POWER LIMITED** ("the Company"), which comprise the Balance Sheet as at 31<sup>st</sup> 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<sup>th</sup> 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

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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.

**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<sup>st</sup> March, 2014;
- (b) in the case of the Statement of Profit and Loss, of the loss 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.

**Emphasis of Matters**

We draw attention to

- a. Note 21.4 (a) to the financial statements, which describe uncertainties relating to the outcome of the Appeals filed by the procurers with the Appellate Tribunal for Electricity (APTEL) challenging the Central Electricity Regulatory Commission (CERC) order. Pending outcome of the Appeals before APTEL, no adjustment has been made in respect of the compensatory tariff aggregating Rs. 1,019.06 crores by the Company.
- b. Note 21.4 (b) to the financial statements, which describes the key source of estimation uncertainties as at 31<sup>st</sup> March, 2014 relating to the carrying amount of assets, compliance with debt covenants and classification of long-term borrowings.
- c. Note 21.4 (a), (b) and (c) to the financial statements, which states that the accumulated losses (including the impairment loss of Rs. 2,650 crores) as at 31<sup>st</sup> March, 2014 has substantially eroded the Company's net worth and there are estimation uncertainties as referred to in (b) above. Notwithstanding this, the financial statements have been prepared on a going concern basis considering the support of the holding company.

Our conclusion is not qualified in respect of these matters.

**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<sup>th</sup> September, 2013 of the Ministry of Corporate Affairs).
  - (e) On the basis of the written representations received from the directors as on 31<sup>st</sup> March, 2014 taken on record by the Board of Directors, none of the directors is disqualified as on 31<sup>st</sup> March, 2014 from being appointed as a director in terms of Section 274(1)(g) of the Act.

For **DELOITTE HASKINS & SELLS LLP**  
Chartered Accountants  
(Firm's Registration No. 117366W/W-100018)

*R.K. Banga*

**R.A.BANGA**  
(Partner)  
(Membership No. 037915)

MUMBAI, 6<sup>th</sup> May, 2014

**ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT**

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

Having regard to the nature of the Company's business/activities/results during the year, clauses (vi), (xiii), (xiv), (xv), (xix) and (xx) of the Order are not applicable.

- (i) 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) Physical verification of fixed assets was carried out during the year by the Management, the frequency of which in our opinion is reasonable, having regard to the size of the Company and the nature of its assets. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
  - (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company.
- (ii) In respect of its inventory:
  - (a) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals.
  - (b) In our opinion and according to the information and explanation given to us, the procedures of physical verification of inventories followed by the Management were reasonable and adequate in relation to the size of the Company and the nature of its business.
  - (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- (iii) According to the information and explanations given to us, the Company has neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties listed in the Register maintained under Section 301 of the Act.
- (iv) According to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business for purchase of inventory, fixed assets and sale of goods and services. Further, on the basis of our examination, and according to the information and explanations given to us, we have neither come across nor have we been informed of any major weaknesses in the aforesaid internal control system.
- (v) According to the information and explanations given to us, the Company has not entered into any contracts or arrangement with parties, which needs to be entered in the Register maintained under Section 301 of the Act.

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- (vi) In our opinion, the internal audit function carried out during the year by a firm of Chartered Accountants appointed by the Management have been commensurate with the size of the Company and nature of its business.
- (vii) We have broadly reviewed the cost records of account maintained by the Company pursuant to the Companies Cost Accounting Records (Electricity Industry) Rules, 2011 prescribed by the Central Government under Section 209(1)(d) of the Act and are of the opinion that *prima facie* the prescribed accounts and records have been maintained and are being made up. We have, however, not made a detailed examination of the records with a view to determine whether they are accurate or complete.
- (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 dues, including provident fund, income-tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess, work contract tax and any other material statutory dues applicable to it with the appropriate authorities during the year.
- (b) There were no undisputed amounts payable in respect of provident fund, income-tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess, works contract tax and other material statutory dues in arrears as at 31<sup>st</sup> March, 2014 for a period of more than six months from the date they became payable.
- (c) Details of dues of income tax, sales tax, wealth tax, service tax, custom duty, excise duty and cess which have not been deposited as on 31<sup>st</sup> March, 2014 on account of disputes are given below:

Name of the statute	Nature of the dues	Rupees crores	Period to which the amount relates	Forum where pending
Service Tax Laws	Service Tax	15.38	2007-08 to 2013-14	Customs, Excise and Service Tax Appellate Tribunal (CESAT)
Income Tax Act, 1961	Tax Deducted at Source	0.51	AY 2009-10 and AY 2010-11	Appellate Authority – upto Commissioner level
Customs Laws	Customs Duty	23.87*	2011-12 to 2012-13	CESAT
Water Cess	Cess	12.60	2012-13	Appellate Authority - upto Member Secretary and Assessing Authority, Gujarat Pollution Control Board
Green Cess	Cess	73.21	2012-13 and 2013-14	Supreme Court
Bombay Stamp Act	Stamp Duty	5.69	2012-13 and 2013-14	Supreme Court

\* net of amount paid under protest of Rs. 52.45 crores.

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- (ix) In our opinion the accumulated losses of the Company have exceeded fifty percent of its net worth as at the end of the year. The Company has incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- (x) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to banks or financial institutions.
- (xi) According to information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xii) In our opinion and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained, other than temporary deployment pending application.
- (xiii) According to the information and explanations given to us, and on an overall examination of the Balance Sheet of the Company, we report that the funds raised on short-term basis as at 31<sup>st</sup> March, 2014 amounting to Rs. 2,873 crores have been used for long-term investments in fixed assets.
- (xiv) According to information and explanations given to us, the Company has not made any preferential allotment of shares to parties and Companies covered in the register maintained under Section 301 of the Act.
- (xv) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no significant fraud on the Company has been noticed or reported during the year.

For **DELOITTE HASKINS & SELLS LLP**  
Chartered Accountants  
(Firm's Registration Number: 117366W/W-100018)

*R.K. Banga*

**R. A. BANGA**

Partner

(Membership Number: 037915)

MUMBAI, 6<sup>th</sup> May, 2014

Coastal Gujarat Power Limited

Balance Sheet as at 31st March, 2014

	Notes	As at 31st March, 2014 Rupees crores	As at 31st March, 2013 Rupees crores
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' Fund</b>			
Share capital	3	5,917.13	4,886.61
Reserves and surplus	4	(5,301.77)	(3,809.91)
		615.36	1,076.70
Share application money pending allotment (Refer Note no. 21.2)		11.15	217.00
<b>Non-current liabilities</b>			
Long-term borrowings	5	10,749.35	10,826.22
Long-term provisions	6	13.41	12.24
		10,762.76	10,838.46
<b>Current liabilities</b>			
Short-term borrowings	7	2,558.83	1,683.61
Trade payables		1,059.25	662.38
Other current liabilities	8	1,365.73	1,900.56
Short-term provisions	6	1.91	1.41
		4,985.72	4,247.96
<b>TOTAL</b>		<b>16,374.99</b>	<b>16,380.12</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Fixed assets</b>			
Tangible assets	9	14,601.29	14,507.36
Intangible assets	9	126.44	132.15
Capital work-in-progress		16.21	134.21
		14,743.94	14,773.72
Non-current investments	10	3.40	3.40
Long-term loans and advances	11	137.96	111.37
Other non-current assets	12	98.76	116.54
		14,984.06	15,005.03
<b>Current assets</b>			
Inventories	13	393.25	372.11
Trade receivables	14	745.19	687.44
Cash and bank balances	15	140.33	200.80
Short-term loans and advances	11	90.80	96.86
Other current assets	12	21.36	17.88
		1,390.93	1,375.09
<b>TOTAL</b>		<b>16,374.99</b>	<b>16,380.12</b>

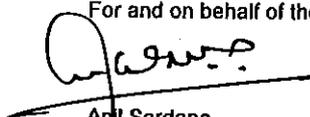
See accompanying Notes forming part of the financial statements

In terms of our report attached,  
For Deloitte Haskins & Sells LLP  
Chartered Accountants

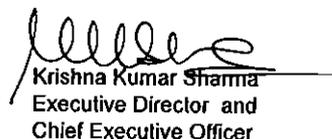
R. A. Banga

R. A. Banga  
Partner

For and on behalf of the Board of Directors,



Anil Sardana  
Chairman



Krishna Kumar Sharma  
Executive Director and  
Chief Executive Officer



Guru Dattatreya  
CFO and Company Secretary

Place : Mumbai  
Date : 6th May, 2014

Place : Mundra  
Date : 6th May, 2014

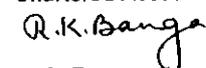
## Statement of Profit and Loss for the year ended 31st March 2014

	Notes	For the year ended 31st March, 2014 Rupees crores	For the year ended 31st March, 2013 Rupees crores
<b>Revenue from operations</b>			
Revenue from operations (Gross)	16	5,637.19	2,795.52
Less: Excise duty	16	0.03	*
Revenue from operations (net)		5,637.16	2,795.52
Other income	17	42.26	15.69
<b>Total revenue</b>		<b>5,679.42</b>	<b>2,811.21</b>
<b>Expenses</b>			
Cost of fuel (net of cost of fuel capitalised Nil; Previous Year Rs. 201.71 crores)		4,409.33	2,169.46
Employee benefits expense	18	68.59	25.44
Finance costs	19	1,239.65	616.45
Depreciation and amortisation	9	823.87	470.03
Other expenses	20	629.84	281.83
<b>Total expenses</b>		<b>7,171.28</b>	<b>3,563.21</b>
<b>Loss before exceptional items and tax</b>		<b>(1,491.86)</b>	<b>(752.00)</b>
Exceptional items- Impairment Loss	9	-	850.00
<b>Loss before tax</b>		<b>(1,491.86)</b>	<b>(1,602.00)</b>
<b>Tax expense:</b>		-	-
<b>Loss after tax</b>		<b>(1,491.86)</b>	<b>(1,602.00)</b>
<b>Earnings per share Face Value of Rs. 10/- each:</b>			
Basic and Diluted		(2.79)	(3.38)

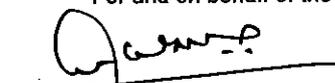
\* Figures below Rs. 50,000 are denoted by "".

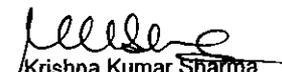
See accompanying Notes forming part of the financial statements

In terms of our report attached.  
For Deloitte Haskins & Sells LLP  
Chartered Accountants

  
R. A. Banga  
Partner;

For and on behalf of the Board of Directors,

  
Anil Sardana  
Chairman

  
Krishna Kumar Sharma  
Executive Director and  
Chief Executive Officer

  
Guru Dattatreya  
CFO and Company Secretary

Place : Mumbai  
Date : 6th May, 2014

Place : Mundra  
Date : 6th May, 2014

Coastal Gujarat Power Limited  
Cash Flow Statement for the year ended 31st March, 2014

	For the year ended 31st March, 2014		For the year ended 31st March, 2013	
	Rupees crores	Rupees crores	Rupees crores	Rupees crores
<b>A. Cash flow from operating activities</b>				
Loss before tax		(1,491.86)		(1,602.00)
Adjustments for:				
Depreciation and amortisation	823.87		470.03	
Provision for Impairment of fixed assets and intangibles	-		850.00	
Loss on sale of assets (net)	0.03		0.08	
Share Issue expenses	1.03		0.92	
Finance costs	1,239.65		616.45	
Interest Income	(34.60)		(13.34)	
Dividend Income from current investments	(5.06)		(2.21)	
Profit on sale of long-term investment	(0.22)		-	
Net unrealised exchange gain	(25.13)		(1.00)	
		<u>1,999.57</u>		<u>1,920.93</u>
Operating gain/(loss) before working capital changes		507.71		318.93
Adjustments for (increase) / decrease in operating assets:				
Inventories	(21.14)		(31.31)	
Trade receivables	(57.75)		(632.18)	
Short-term loans and advances	(3.39)		(17.76)	
Long-term loans and advances	(48.09)		(66.30)	
Other current assets	(3.72)		-	
		<u>(134.09)</u>		<u>(737.55)</u>
Adjustments for increase / (decrease) in operating liabilities:				
Trade payables	396.87		512.91	
Other current liabilities	129.26		21.77	
Short-term provisions	0.51		0.66	
Long-term provisions	1.17		0.05	
		<u>527.81</u>		<u>535.39</u>
Cash flow generated from operations		901.43		116.77
Net income tax paid		(3.55)		(3.37)
Net cash flow generated from operating activities	(A)	<u>897.88</u>		<u>113.40</u>
<b>B. Cash flow from investing activities</b>				
Capital expenditure on fixed assets, including capital advances	(1,008.64)		(1,097.01)	
Proceeds from sale of fixed assets	0.71		0.52	
Purchase of Current Investments	(2,265.50)		(1,793.04)	
Proceeds from sale of Current Investments	2,265.72		1,797.55	
Interest received on deposits with bank and others	34.76		30.58	
Dividend received	5.06		3.82	
		<u>(967.89)</u>		<u>(1,057.58)</u>
Net cash flow used in investing activities	(B)	<u>(967.89)</u>		<u>(1,057.58)</u>
<b>C. Cash flow from financing activities</b>				
Proceeds from Issue of equity shares/share application money	824.67		991.53	
Share Issue Expenses	(1.03)		-	
Proceeds from long-term borrowings	28.28		536.04	
Repayment of long-term borrowings	(823.54)		(814.84)	
Proceeds from other short-term borrowings	5,455.32		2,249.30	
Repayment of other short-term borrowings	(4,554.97)		(1,617.41)	
Finance costs	(1,119.99)		(1,067.50)	
		<u>9.74</u>		<u>477.12</u>
Net cash flow from financing activities	(C)	<u>9.74</u>		<u>477.12</u>
Net Increase/(decrease) in Cash and cash equivalents (A+B+C)		(60.27)		(467.06)
Cash and cash equivalents at the beginning of the year		200.80		688.06
Add: Unrealised exchange gain included in Cash and Cash Equivalents		(0.20)		(0.20)
Cash and cash equivalents at the end of the year # (Refer Note 15)		<u>140.33</u>		<u>200.80</u>
<b># Comprises</b>				
(a) Cash on hand		0.01		-
(b) Balances with banks				
In current accounts		54.63		73.30
In deposit accounts with original maturity of less than 3 months		85.69		127.50
		<u>140.33</u>		<u>200.80</u>

Note:

(i) During the year, loans amounting to Rs. 722 crores from the holding company has been converted into equity share capital (Previous year - Rs. 767.41 crores ).  
(ii) Previous year's figures have been regrouped, whenever necessary, to conform to current year's classification.

\* Figures below Rs. 50,000 are denoted by "".

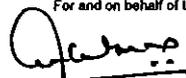
See accompanying notes forming part of the financial statements

In terms of our report attached.  
For Deloitte Haskins & Sells LLP  
Chartered Accountants

R. A. Banga  
Partner

Place : Mumbai  
Date : 6th May, 2014

For and on behalf of the Board of Directors,

  
Anil Sardana  
Chairman

  
Anshu Kumar Sharma  
Executive Director and  
Chief Executive Officer

  
Guru Dalalreya  
CFO and  
Company Secretary

Place : Mumbai  
Date : 6th May, 2014

## **Coastal Gujarat Power Limited**

### **Notes forming part of the financial statements**

#### **Note 1 Corporate information:**

Coastal Gujarat Power Limited (the "Company") was incorporated on 10th February, 2006 as a wholly owned subsidiary of Power Finance Corporation Limited and was a special purpose vehicle formed to acquire project land and complete preliminary formalities and seeking initial consents for establishing the 4000 MW Ultra Mega Power Project (UMPP) at Mundra in the State of Gujarat which was awarded through the competitive bidding process. However, certain parts of land required for the project at the time of transfer of shareholding of the Company's project could not be acquired by Power Finance Corporation Limited. This had to be subsequently acquired by the Company.

Under the terms of the competitive bidding, the successful bidder was to acquire ownership of the Company. In terms of the Share Purchase Agreement dated 22nd April, 2007, the entire shareholding of Power Finance Corporation Limited in the Company was acquired by The Tata Power Company Limited. Consequently, the Company became a wholly owned subsidiary of The Tata Power Company Limited. One power generating unit of 800 MW of the Company commenced commercial operations on 7th March, 2012 and four Power Generating Units of 800 MW each commenced commercial operations during the previous year on 30th July, 2012, 27th October, 2012, 19th January, 2013 and 22nd March, 2013 resulting in total power generating capacity of 4,000 MW. Accordingly, the results for the current year ended 31st March, 2014 are not comparable with those for the previous year.

#### **Note 2 Significant Accounting Policies:**

##### **(a) Basis of accounting and 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 Companies 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 the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known / materialise.

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(c) Inventory:

Inventories of stores, spare parts, loose tools and fuel are valued at cost or net realizable value whichever is lower. Cost is ascertained on weighted average basis.

(d) Cash and cash equivalents (for purposes of Cash Flow Statement):

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

(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) Revenue Recognition:

- (i) Revenue from Power Supply is accounted for on the basis of billings to State Distribution Companies and when it is not unreasonable to expect ultimate collection.
- (ii) Delayed payment charges and interest on delayed payments are recognized, on grounds of prudence, as and when recovered.
- (iii) Interest Income is accounted for on an accrual basis. Dividend income is accounted for when the right to receive income is established.

(g) Tangible/Intangible Fixed Assets:

- (i) Fixed assets are carried at cost less accumulated depreciation / amortisation and impairment losses, if any. The cost of fixed assets comprises its purchase price net of any trade discounts and rebates, any import duties and other taxes (other than those subsequently recoverable from the tax authorities), any directly attributable expenditure on making the asset ready for its intended use, other incidental expenses and interest on borrowings attributable to acquisition of qualifying fixed assets up to the date the asset is ready for its intended use. The Company has adopted the provisions of para 46 of AS 11 The Effects of Changes in Foreign Exchange Rates, accordingly, exchange differences arising on restatement/settlement of long-term foreign currency borrowings relating to acquisition of depreciable fixed assets are adjusted to the cost of the respective assets and depreciated over the remaining useful life of such assets. Machinery spares which can be used only in connection with an item of fixed asset and whose use is expected to be irregular are capitalised and depreciated over the useful life of the principal item of the relevant assets.

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Subsequent expenditure on fixed assets after its purchase / completion is capitalised only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance.

(ii) Capital Work-in-Progress:

Projects under which tangible fixed assets are not yet ready for their intended use are carried at cost, comprising direct cost, related incidental expenses and attributable interest.

(iii) Intangible Assets:

Intangible assets are recognized only if it is probable that the future economic benefits that are attributable to the asset will flow to the Company and the cost of the asset can be measured reliably.

(h) Depreciation/Amortization:

(i) Depreciation in respect of assets (cost less impairment) relating to the electricity business of the Company is provided at rates and methodology as provided in the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009 (CERC) as mentioned below, which are different from Schedule XIV of the Companies Act, 1956.

Depreciation rates used for various classes of assets are:

- Buildings plant and others – 3.34%
- Plant and Machinery – 5.28%
- Transmission Lines, Street Lights, etc.- 5.28%

(ii) Depreciation on the following assets is provided on a straight line method based on at the following rates:

Office Equipment	9.50%
Furniture and Fixtures	9.50%
Computer Equipment	33.33%
Motor Cars	25.00%

(iii) Temporary erections are depreciated fully in the year of acquisition/capitalization.

(iv) Leasehold Land is amortized over a period of 25 years from the year of acquisition/capitalization.

(v) Assets costing less than Rs. 5,000/- are depreciated at the rate of 100%.

(vi) Intangible Assets - Operating right to use sea water intake channel is amortised on straight line method over 25 years.

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(i) Impairment:

The aggregate carrying value of assets is reviewed at each Balance Sheet date for impairment. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment. Where it is not possible to estimate the recoverable amount of individual assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount is the greater of the net selling price and value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor. When there is indication that an impairment loss recognized for an asset or cash-generating unit in earlier accounting periods no longer exist or may have decreased, such reversal of impairment loss is recognized in the Statement of Profit and Loss.

(j) Foreign Exchange Transactions:

Initial recognition:

Transactions in foreign currencies entered into by the Company are accounted at the exchange rates prevailing on the date of the transaction or at rates that closely approximate the rate at the date of the transaction.

Measurement of foreign currency monetary items at the Balance Sheet date:

Foreign currency monetary items (other than derivative contracts) of the Company outstanding at the Balance Sheet date are restated at the year-end rates.

Treatment of exchange differences:

Exchange differences arising on settlement/restatement of short-term foreign currency monetary assets and liabilities of the Company are recognised as income or expense in the Statement of Profit and Loss.

The exchange differences arising on revaluation of long-term foreign currency monetary items are capitalised as part of the depreciable fixed assets to which the monetary items relate and depreciated over the remaining balance life of such assets. Transactions denominated in foreign currencies are recorded at the exchange rate prevailing on the day of each transaction.

Accounting of forward contracts:

Premium/discount on forward exchange contracts, which are not intended for trading or speculation purposes, are amortised over the period of the contracts if such contracts relate to monetary items as at the Balance Sheet date.

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#### Accounting of Derivative contracts:

The Company enters into derivative contracts in the nature of foreign currency swaps, currency options, forward contracts with an intention to hedge its existing assets and liabilities and its firm commitments. Derivative contracts which are closely linked to the existing assets and liabilities are accounted as per the policy stated for Foreign currency transactions and translations. These contracts are marked-to-market and losses are recognised in the Statement of Profit and Loss. Gains arising on the same are not recognised, until realised, on grounds of prudence.

The Company enters into Interest Rate Swap (IRS) contracts to hedge interest rate risks on foreign currency borrowings. These contracts are held to maturity, are settled as and when the amounts fall due under the contract and are in substance contracts which convert floating interest rate to fixed interest rate. Accordingly, such interest is accounted in the period in which it accrues.

#### (k) Investments:

Long term investments are carried at cost, less provision for diminution which is other than temporary. Current investments are carried at lower of cost and fair value.

#### (l) Employee Benefits:

##### (i) Defined Contribution Plan:

The Company's contributions paid/payable during the year to Provident Fund and Superannuation Fund and Employee State Insurance Scheme are considered as defined contribution plans and are charged as an expense based on the amount of contribution required to be made.

##### (ii) Defined Benefit Plan:

The Company's liability towards gratuity is determined by an independent actuary, using the projected unit credit method. Past services are recognized on a straight line basis over the average period until the benefits become vested. Actuarial gains and losses are recognized immediately in the Statement of Profit and Loss. Obligation is measured at the present value of estimated future cash flow using a discount rate that is determined by reference to the market yields at the Balance Sheet date on Government Bonds where the currency and terms of the Government Bonds are consistent with the currency and estimated terms of the defined benefit obligation.

##### (iii) Short-term Employee Benefits:

Short-term employee benefits are recognized as an undiscounted expense in the Statement of Profit and Loss of the year in which the related services are rendered. These benefits include performance bonus to be paid and compensated absences expected to occur within twelve months after the end of the period in which the employee renders the related service.

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(iv) Long-term Employee Benefits:

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related service are recognized as a liability at the present value of the defined benefit obligation as at the Balance Sheet date.

(v) Long Term Incentive Scheme:

The Company's liability towards its long-term incentive scheme expected to be paid on achievement of certain milestones is accrued on a pro-rata basis over the tenure of the Scheme, unless there is a clear indication that the milestones will not be achieved.

(m) Borrowing Costs:

Borrowing costs include interest, amortisation of ancillary costs incurred and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost. Costs in connection with the borrowing of funds to the extent not directly related to the acquisition of qualifying assets are charged to the Statement of Profit and Loss over the tenure of the loan. Borrowing costs, allocated to and utilised for qualifying assets, pertaining to the period from commencement of activities relating to construction / development of the qualifying asset upto the date of capitalisation of such asset are added to the cost of the assets. Capitalisation of borrowing costs is suspended and charged to the Statement of Profit and Loss during extended periods when active development activity on the qualifying assets is interrupted.

(n) Leases:

Assets taken on lease under which all risk and rewards of ownership are effectively retained by the lessor are treated as operating lease. Lease payments under operating leases are recognized in the Statement of profit and loss as expenses on the straight line basis.

(o) Taxes on Income:

Current tax is determined as the amount of tax payable in respect of taxable income for the year as determined in accordance with the provisions of the Income Tax Act, 1961.

Minimum Alternative Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax in future. Accordingly, MAT is recognized as an asset in the Balance Sheet date when it is probable that future economic benefit associated with it will flow to the Company.

Deferred tax, which is computed on the basis of enacted/substantively enacted rates, is recognized, on timing differences, being the difference between taxable income and accounting income that originates in one period and is capable of reversal in one or more subsequent periods. Where there is unabsorbed depreciation or carry forward losses, deferred tax assets are

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recognized only if there is virtual certainty of realization of such assets. Other deferred tax assets are recognized only to the extent there is reasonable certainty of realization in future.

(p) Provisions, Contingent Liabilities and Contingent Assets:

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to their present values and are determined based on the best estimate required to settle the obligations at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. Contingent liabilities are not recognised in the financial statements and are disclosed in the Notes. Contingent asset is neither recognised nor disclosed in the financial statements.

(q) Earning per share:

Basic earnings per share is computed by dividing the profit /(loss) after tax by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit / (loss) after tax as adjusted for dividend, interest and other charges to expense or income relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date.

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Coastal Gujarat Power Limited

Notes forming part of the financial statements

Note 3 Share Capital

	As at 31st March, 2014		As at 31st March, 2013	
	Number of shares	Rupees crores	Number of shares	Rupees crores
(a) Authorised Equity Shares of Rs. 10 each	7,000,000,000	7,000.00	6,000,000,000	6,000.00
(b) Issued, subscribed and fully paid up Equity Shares of Rs. 10 each (The Company is a wholly-owned subsidiary of The Tata Power Company Limited, the Holding Company)	5,917,130,000	5,917.13	4,886,610,000	4,886.61
	<b>5,917,130,000</b>	<b>5,917.13</b>	<b>4,886,610,000</b>	<b>4,886.61</b>

Notes:

i) Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting year

Equity Shares

	As at 31st March, 2014		As at 31st March, 2013	
	Number of shares	Rupees crores	Number of shares	Rupees crores
At the beginning of the year	4,886,610,000	4,886.61	3,970,500,000	3,970.50
Add: Issued during the year	1,030,520,000	1,030.52	916,110,000	916.11
Outstanding at the end of the year	<b>5,917,130,000</b>	<b>5,917.13</b>	<b>4,886,610,000</b>	<b>4,886.61</b>

ii) Terms / rights attached to equity shares:

The Company has only one class of equity shares having a par value of Rs.10 per share. Each holder of equity share is entitled to one vote per share. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive the 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. Clause 20.3 (h) of the Trust and Retention Agreement (TRA) entered by the Company with the Security Trustee requires the setting aside and maintaining minimum funds balance in the bank accounts for making payments in the nature of statutory dues, operation and maintenance cost, financing fees, debt servicing, any major maintenance expenditure due and disputed dues before declaring dividend to the equity shareholders.

iii) 5,917,130,000 shares (31st March, 2013 - 4,886,610,000 shares) being the entire share capital is held by The Tata Power Company Limited.

iv) Details of shares held by each shareholder holding more than 5% shares

Class of Shares / Name of Shareholders	As at 31st March, 2014		As at 31st March, 2013	
	Number of shares held	% holding in that class of shares	Number of shares held	% holding in that class of shares
Equity shares of Rs.10/- each fully paid The Tata Power Company Limited	5,917,130,000	100%	4,886,610,000	100%

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Coastal Gujarat Power Limited

Notes forming part of the financial statements

Note 4 Reserves and surplus

Deficit in Statement of Profit and Loss #

Opening balance

Add: Loss for the year

Closing balance

# Includes provision for Impairment of Rs. 2,650 crores (Previous year Rs. 2,650 crores).

	As at 31st March, 2014	As at 31st March, 2013
	Rupees crores	Rupees crores
Opening balance	(3,809.91)	(2,207.91)
Add: Loss for the year	(1,491.86)	(1,602.00)
Closing balance	(5,301.77)	(3,809.91)

Note 5 Long-Term Borrowing

Term loans

From banks

Indian rupee loans (Secured) (Refer Note no. 8, 21.3 and 21.4)

Foreign currency loans (Secured) (Refer Note no. 8, 21.3 and 21.4)

From other parties

Indian rupee loans (Secured) (Refer Note no. 8, 21.3 and 21.4)

Foreign currency loans (Secured) (Refer Note no. 8, 21.3 and 21.4)

	As at 31st March, 2014		As at 31st March, 2013	
	Rupees crores		Rupees crores	
	Non current	Current	Non current	Current
From banks				
Indian rupee loans (Secured)	2,445.01	128.68	2,556.66	134.56
Foreign currency loans (Secured)	3,121.56	283.78	3,092.61	257.72
From other parties				
Indian rupee loans (Secured)	1,625.03	85.53	1,718.81	90.46
Foreign currency loans (Secured)	3,557.75	224.16	3,458.14	203.57
Total	10,749.35	722.15	10,826.22	686.31

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Notes 5 (contd.):

(m) Details of terms of repayment for the long-term borrowings:

a) Repayment of Indian rupee loans from Banks and from other parties (Secured) for	Rupees crores	Rupees crores	Rupees crores	Rupees crores
	Total loans disbursed as at 31st March, 2014	39 quarterly installments of 1.25%	A bulk installment of 51.25%	
Unit 1 beginning from 15th July, 2011	960.05	468.02	492.03	-
Unit 2 beginning from 15th October, 2011	960.05	468.02	492.03	-
Unit 3 beginning from 15th April, 2012	960.05	468.02	492.03	-
Unit 5 beginning from 15th October, 2012	960.05	468.02	492.03	-
<b>Total</b>	<b>3,840.20</b>	<b>1,872.08</b>	<b>1,968.12</b>	<b>-</b>
		40 quarterly installments of 1.25%	A bulk installment of 50.00%	
Unit 4 beginning from 15th April, 2012	960.06	480.03	480.03	-
<b>Total</b>	<b>960.06</b>	<b>480.03</b>	<b>480.03</b>	<b>-</b>
b) Repayment of Foreign currency loans from The Export Import Bank of Korea (KEXIM) and BNP Paribas (Secured) beginning from 15th July, 2012	Total loans disbursed as at 31st March, 2014	28 half-yearly installments US\$ 23,691,623.82		
	US\$ 683,365,467 (Equivalent to Rs. 3,972.90 crores)	US\$ 683,365,467 (Equivalent to Rs. 3,972.90 crores)	-	-
<b>Total</b>	<b>US\$ 683,365,467</b>	<b>US\$ 683,365,467</b>	<b>-</b>	<b>-</b>
c) Repayment of Foreign currency loans from International Finance Corporation (IFC) (Secured)	Total loans disbursed as at 31st March, 2014	23 half-yearly installments of 4.17%	24th installment of 4.09%	
Unit 1 beginning from 15th July, 2012	US\$ 69,400,000 (Equivalent to Rs. 415.64 crores)	US\$ 66,561,540 (Equivalent to Rs. 398.64 crores)	US\$ 2,838,460 (Equivalent to Rs. 17.00 crores)	-
<b>Total</b>	<b>US\$ 69,400,000</b>	<b>US\$ 66,561,540</b>	<b>US\$ 2,838,460</b>	<b>-</b>
Unit 2 beginning from 15th January, 2013	US\$ 69,400,000 (Equivalent to Rs. 415.64 crores)	US\$ 2,776,000 (Equivalent to Rs. 16.63 crores)	US\$ 8,328,000 (Equivalent to Rs. 49.88 crores)	US\$ 58,296,000 (Equivalent to Rs. 349.13 crores)
Unit 3, 4 and 5 beginning from 15th July, 2013	US\$ 208,200,000 (Equivalent to Rs. 1,246.81 crores)	US\$ 8,328,000 (Equivalent to Rs. 49.88 crores)	US\$ 24,984,000 (Equivalent to Rs. 149.53 crores)	US\$ 174,888,000 (Equivalent to Rs. 1,047.40 crores)
<b>Total</b>	<b>US\$ 277,000,000</b>	<b>US\$ 11,104,000</b>	<b>US\$ 33,312,000</b>	<b>US\$ 233,184,000</b>
d) Repayment of Foreign currency loans from Asian Development Bank (ADB) -Tranche 1 (Secured) beginning from 15th July, 2012	Total loans disbursed as at 31st March, 2014	One installment of US\$ 3,333,334	One installment of US\$ 5,000,001	Balance 29 installments of US\$ 6,333,335
	US\$ 192,000,000 (Equivalent to Rs. 1,149.89 crores)	US\$ 3,333,334 (Equivalent to Rs. 19.96 crores)	US\$ 5,000,001 (Equivalent to Rs. 29.95 crores)	US\$ 183,666,665 (Equivalent to Rs. 1,099.98 crores)
<b>Total</b>	<b>US\$ 192,000,000</b>	<b>US\$ 3,333,334</b>	<b>US\$ 5,000,001</b>	<b>US\$ 183,666,665</b>
e) Repayment of Foreign currency loans from Asian Development Bank (ADB) -Tranche 2 (Secured) beginning from 15th July, 2012	Total loans disbursed as at 31st March, 2014	28 half-yearly installments of US\$ 5,684,914.32		
	US\$ 159,177,601 (Equivalent to Rs. 953.31 crores)	US\$ 159,177,601 (Equivalent to Rs. 953.31 crores)	-	-
<b>Total</b>	<b>US\$ 159,177,601</b>	<b>US\$ 159,177,601</b>	<b>-</b>	<b>-</b>

Exchange rate of 1 US \$ = Rs. 59.89 as at 31st March, 2014.

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## Note 6 Provisions

	As at 31st March, 2014		As at 31st March, 2013	
	Rupees crores		Rupees crores	
	Non current	Current	Non current	Current
Provision for employee benefits:				
Provision for compensated absences	4.94	0.53	5.30	0.55
Provision for gratuity	7.03	0.12	6.94	0.39
Provision for sick leave	1.44	0.16	-	-
Provision - Others:				
Provision for Wealth Tax (net)	-	1.10	-	0.47
<b>Total</b>	<b>13.41</b>	<b>1.91</b>	<b>12.24</b>	<b>1.41</b>

## Note 7 Short-Term Borrowing

	As at 31st March, 2014		As at 31st March, 2013	
	Rupees crores		Rupees crores	
Loans and advances from related parties (Unsecured) (Refer Note 21.3 and 21.11)				
Unsecured loan from Holding Company		1,303.59		400.00
Other loans and advances (Unsecured) (Guaranteed by the Holding Company)				
Unsecured loans from banks		450.00		450.00
Buyer's Credit		805.24		833.61
<b>Total</b>		<b>2,558.83</b>		<b>1,683.61</b>

## Note 8 Other Current Liabilities

	As at 31st March, 2014		As at 31st March, 2013	
	Rupees crores		Rupees crores	
Current maturities of long-term debt (Refer Note 5)		722.15		686.31
Interest accrued but not due on borrowings		187.12		110.12
Interest accrued but not due on other payables		1.82		1.80
Interest accrued and due on borrowings		16.20		16.77
Other payables				
Statutory liabilities		13.33		5.44
Tariff adjustment account		70.00		20.00
Payables for purchase of fixed assets		283.68		1,060.07
Other liabilities towards forward contracts (including Mark to market losses)		71.38		-
Security deposit		0.05		0.05
<b>Total</b>		<b>1,365.73</b>		<b>1,900.56</b>

Note: Interest accrued and due on borrowings is on account of interest payable to State Bank of India (SBI) which is accrued and due for payment on the last day of every month but payment of which is processed by way of direct debit to Company's bank account on 1st day of each subsequent month.

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Tangible assets	Gross block				Accumulated depreciation and impairment				Net block		
	Balance as at 1st April, 2013	Additions (Refer Note 1 & 2)	Disposals	Effect of foreign currency exchange differences	Balance as at 31st March, 2014	Balance as at 1st April, 2013	Depreciation for the year	Disposals	Impairment losses (Refer Note 3)	Balance as at 31st March, 2014	Balance as at 31st March, 2014
	Rupees Crores	Rupees Crores	Rupees Crores	Rupees Crores	Rupees Crores	Rupees Crores	Rupees Crores	Rupees Crores	Rupees Crores	Rupees Crores	Rupees Crores
1. Land											
(a) Freehold Land **	145.73 (136.73)	7.37 (9.00)	-	-	153.10 (145.73)	21.64 (15.10)	-	-	-	21.64 (21.64)	131.46 (124.09)
(b) Leasehold Land	15.03 (15.03)	0.01	-	-	15.04 (15.03)	4.37 (3.05)	0.60 (0.60)	-	-	4.97 (4.37)	10.07 (10.66)
Owned assets:											
Buildings-Plant	395.53 (210.80)	42.52 (183.21)	-	(1.52)	438.05 (395.53)	69.43 (25.80)	13.57 (10.09)	-	(33.54)	83.00 (69.43)	355.05 (326.10)
Buildings-Others	145.59 (31.91)	83.23 (113.11)	-	(0.57)	228.82 (145.59)	28.34 (5.16)	6.45 (3.83)	-	(19.35)	34.79 (28.34)	194.03 (117.25)
Roads	40.20 (28.99)	2.95 (11.21)	-	-	43.15 (40.20)	7.18 (4.79)	1.43 (1.01)	-	(1.38)	8.61 (7.18)	34.54 (33.02)
Plant and Equipment	16,874.51 (5,259.73)	100.28 (11,040.18)	-	661.28 (574.60)	17,636.07 (16,874.51)	2,993.10 (612.30)	790.22 (443.64)	-	(1,937.16)	3,783.32 (2,993.10)	13,852.75 (13,881.41)
Furniture and Fixtures	5.24 (4.62)	9.06 (0.62)	-	-	14.30 (5.24)	2.57 (1.82)	1.01 (0.50)	-	(0.25)	3.56 (2.57)	10.72 (2.67)
Vehicles	19.35 (20.49)	3.74 (0.94)	3.84 (2.08)	-	19.25 (19.35)	9.97 (6.78)	3.47 (3.72)	3.11 (1.49)	(0.96)	10.34 (9.97)	8.92 (9.38)
Office equipment	5.23 (5.23)	1.37	0.02	-	6.58 (5.23)	2.71 (2.06)	0.53 (0.40)	0.01	(0.25)	3.23 (2.71)	3.35 (2.52)
Transmission Lines, Street Lights, etc.	0.43 (0.43)	0.18	-	-	0.61 (0.43)	0.17 (0.13)	0.03 (0.02)	-	(0.02)	0.20 (0.17)	0.41 (0.26)
<b>Total</b>	<b>17,646.84</b>	<b>250.71</b>	<b>3.86</b>	<b>661.28</b>	<b>18,554.97</b>	<b>3,139.48</b>	<b>817.32</b>	<b>3.11</b>	<b>(2,000.17)</b>	<b>3,953.68</b>	<b>14,601.29</b>
Previous year	(5,713.96)	(11,358.27)	(2.08)	(576.69)	(17,646.84)	(676.99)	(463.81)	(1.49)	(2,000.17)	(3,139.48)	(14,507.36)

# Figures in brackets relates to the amount as at 31st March, 2013.

\*\* Includes land pending registration of title in favor of the Company.

Notes:

1. Previous year additions to Building (Plant), Building (Others) and Plant and machinery includes borrowing cost capitalised of Rs. 3.77 crores, Rs. 1.42 crores and Rs. 1,244.33 crores respectively.
2. Previous year additions to Building (Plant), Building (Others) and Plant and machinery includes other expenses (net) capitalised of Rs. 0.14 crores, Rs. 3.91 crores and Rs. 1,168.66 crores respectively.
3. Comprises of Rs. 1,157.59 crores transfer from Capital Work in progress and Rs. 942.58 crores recognised in Statement of profit and loss.

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B	Intangible assets	Gross block				Accumulated amortisation and impairment				Net block		
		Balance as at 1st April, 2013	Additions	Disposals	Effect of foreign currency exchange differences	Balance as at 31st March, 2014	Balance as at 1st April, 2013	Amortisation for the year	Disposals	Impairment losses	Balance as at 31st March, 2014	Balance as at 31st March, 2014
		Rupees Crores	Rupees Crores	Rupees Crores	Rupees Crores	Rupees Crores	Rupees Crores	Rupees Crores	Rupees Crores	Rupees Crores	Rupees Crores	Rupees Crores
	Operating rights - intake channel	163.41 (155.36)	0.10 (8.05)	-	-	163.51 (163.41)	31.26 (17.62)	6.54 (6.22)	-	-	37.80 (31.26)	125.71 (132.15)
	Software	-	0.74	-	-	0.74	-	0.01	-	-	0.01	0.73
	Total	163.41 (155.36)	0.84 (8.05)	-	-	164.25 (163.41)	31.26 (17.62)	6.55 (6.22)	-	-	37.81 (31.26)	126.44 (132.15)
	Previous year											
C	Depreciation, Amortisation and Impairment											
	Particulars											
		For year the ended 31st March, 2014				For year the ended 31st March, 2013						
		Rupees Crores				Rupees Crores						
	Depreciation for the year on Tangible assets as per Note 9 A	817.32				463.81						
	Amortisation for the year on Intangible assets as per Note 9 B	6.55				6.22						
	Depreciation charge to the Statement of Profit and Loss	823.87				470.03						
	Impairment losses for the year on Tangible assets as per Note 9 A					842.58						
	Impairment losses for the year on Intangible assets as per Note 9 B					7.42						
	Impairment losses for the year on Capital Work-in-progress											
	Impairment losses recognised to the Statement of Profit and Loss					850.00						

# Figures in brackets relates to the amount as at 31st March, 2013.

Note:

- Comprises of Rs. 1,157.59 crores transfer from Capital Work in progress and Rs. 842.58 crores recognised in Statement of profit and loss.

## Note 10 Non-current investments

	Face value	Quantity	As at 31st March, 2014		As at 31st March, 2013	
			Rupees crores		Rupees crores	
Trade (Unquoted)						
Investment in subsidiary	US\$1	711,032		3.40	711,032	3.40
Equity shares in Energy Eastern Pte. Ltd. fully paid up *						
<b>Total</b>				<b>3.40</b>		<b>3.40</b>

\* All Shares have been pledged with Lenders of the EEPL.

## Note 11 Loans and advances

	As at 31st March, 2014		As at 31st March, 2013	
	Rupees crores		Rupees crores	
	Non current	Current	Non current	Current
Capital advances	3.04	-	11.17	-
Security deposits	1.68	0.17	1.21	0.76
Advances given to the holding Company (Refer Note 21.11)	-	0.78	-	1.01
Advance income tax (net)	8.94	-	5.39	-
Balance with Government authorities				
Advances	62.05	-	4.43	-
Customs duty paid under protest	52.45	-	52.45	-
Service tax refund receivable	2.83	-	2.83	-
Premium on Option Contracts	16.97	42.19	33.89	51.63
Prepaid expenses	-	44.75	-	41.30
Other advances	-	2.91	-	2.18
<b>Total</b>	<b>137.96</b>	<b>90.80</b>	<b>111.37</b>	<b>98.88</b>

## Note 12 Other assets

	As at 31st March, 2014		As at 31st March, 2013	
	Rupees crores		Rupees crores	
	Non current	Current	Non current	Current
Unamortised expenses				
Ancillary borrowing costs	98.76	17.21	118.54	17.29
Interest receivable on deposit with banks and security deposits	-	0.43	-	0.59
Interest rate swap receivable	-	3.72	-	-
<b>Total</b>	<b>98.76</b>	<b>21.36</b>	<b>118.54</b>	<b>17.88</b>

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Coastal Gujarat Power Limited

Notes forming part of the financial statements

Note 13 Inventories

	As at 31st March, 2014 Rupees crores	As at 31st March, 2013 Rupees crores
Stores and spares parts	20.51	1.84
Fuel		
Coal (including coal-in-transit: Rs. 85.29 crores; 31st March, 2013: Rs. 217.56 crores)	355.01	343.45
Oil	17.73	26.82
<b>Total</b>	<b>393.25</b>	<b>372.11</b>

Note 14 Trade receivables  
(Unsecured unless otherwise stated)

Trade receivables outstanding for a period exceeding six months from the date they were due for payment-

	As at 31st March, 2014 Rupees crores	As at 31st March, 2013 Rupees crores
Considered good	70.61	32.41
Other trade receivable*		
Considered good	674.58	655.03
<b>Total</b>	<b>745.19</b>	<b>687.44</b>

\*Company holds Letter of credits amounting to Rs. 473.43 crores in respect of Electricity Receivables.

Note 15 Cash and bank balances

	As at 31st March, 2014 Rupees crores	As at 31st March, 2013 Rupees crores
Cash on hand	0.01	*
Balances with banks		
(i) In current accounts (Refer Note (1) below)	54.63	73.30
(ii) In deposit accounts (Refer note (2) below)	85.69	127.50
Cash and cash equivalents as per AS 3 Cash Flow Statements	<b>140.33</b>	<b>200.80</b>

\* Figures below Rs. 50,000 are denoted by '\*'.

(1) Including Rs. 1.03 crores (31st March, 2013: Rs. 1.20 crores) in foreign currency.

(2) Balances in deposit accounts have an original maturity of less than 3 months.

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Coastal Gujarat Power Limited

Notes forming part of the financial statements

Note 16 Revenue from operations

	For the year ended 31st March, 2014	For the year ended 31st March, 2013
	Rupees crores	Rupees crores
Revenue from Operations	5,626.69	2,883.13
Other operating revenues	18.56	6.77
	<b>5,645.25</b>	<b>2,889.90</b>
Less: Revenue capitalised	8.06	94.38
	<b>5,637.19</b>	<b>2,795.52</b>
Less: Excise duty on sale of fly ash	0.03	*
<b>Total</b>	<b>5,637.16</b>	<b>2,795.52</b>

Notes:

Revenue from Operations comprises of:

	For the year ended 31st March, 2014	For the year ended 31st March, 2013
	Rupees crores	Rupees crores
Revenue from Power Supply	5,751.58	2,847.56
Revenue from Infirm power supply (during trial runs)	-	87.77
Less: Cash discount	(74.89)	(32.20)
Less: Impact of changes in law to be adjusted in future tariff	(50.00)	(20.00)
<b>Total</b>	<b>5,626.69</b>	<b>2,883.13</b>

Other operating revenue comprise

Sale of scrap	8.06	6.61
Sale of fly ash	1.19	0.16
Insurance claim received	9.31	-
<b>Total</b>	<b>18.56</b>	<b>6.77</b>

Revenue capitalised comprises of:

Revenue from Infirm power supply (during trial runs)	-	87.77
Sale of scrap	8.06	6.61
<b>Total</b>	<b>8.06</b>	<b>94.38</b>

Note 17 Other Income

	For the year ended 31st March, 2014	For the year ended 31st March, 2013
	Rupees crores	Rupees crores
Interest Income:		
Interest from banks on deposits	32.79	22.28
Interest on loans and advances	0.04	0.04
Interest on late payment of power supply dues	1.77	2.94
Dividend income from current investments	5.06	3.82
Profit on sale of current investment	0.22	-
Rental income from buildings	0.48	1.23
Miscellaneous Revenue	1.90	-
<b>Total</b>	<b>42.26</b>	<b>30.31</b>
Less: Other Income capitalised	-	14.62
<b>Total</b>	<b>42.26</b>	<b>15.69</b>

\* Figures below Rs. 50,000 are denoted by "\*\*

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Coastal Gujarat Power Limited

Notes forming part of the financial statements  
Note 18 Employee Benefit Expenses

	For the year ended 31st March, 2014	For the year ended 31st March, 2013
	Rupees crores	Rupees crores
Salaries and wages	60.21	51.92
Contributions to provident and other funds	2.07	2.31
Retiring gratuities	(0.22)	1.62
Staff welfare expenses	8.66	11.89
	<u>70.72</u>	<u>67.74</u>
Less : Employee cost recovered	2.13	2.26
	<u>68.59</u>	<u>65.48</u>
Less: Employee costs capitalised	-	40.04
<b>Total</b>	<u><u>68.59</u></u>	<u><u>25.44</u></u>

Note 19 Finance costs

	For the year ended 31st March, 2014	For the year ended 31st March, 2013
	Rupees crores	Rupees crores
Interest expense on:		
Borrowings	1,020.18	965.77
Trade payables (net)	23.86	0.04
Others - Interest on delayed payment of income tax	*	*
Other borrowing costs	195.61	141.22
	<u>1,239.65</u>	<u>1,107.03</u>
Less: Finance costs capitalised	-	490.58
<b>Total</b>	<u><u>1,239.65</u></u>	<u><u>616.45</u></u>

Note 20 Other expenses

	For the year ended 31st March, 2014	For the year ended 31st March, 2013
	Rupees crores	Rupees crores
Stores and Consumables, oil, etc.	13.36	4.21
Power consumption-		
- on construction activities	-	10.96
- on others	0.67	15.54
Unscheduled Interchange Charges	17.81	17.29
Rental of land, buildings, plant and equipment, etc	7.55	7.08
Repairs and maintenance -		
- to Buildings and civil works	51.15	0.09
- to Machinery (net of insurance claims received Rs. 8.40 crores; previous year Rs. Nil)	35.96	28.05
- to Others	2.49	1.03
Insurance	46.34	29.63
Rates and taxes	25.58	15.37
Travelling and Conveyance	5.73	12.14
Cost of Services Procured	11.72	13.29
Community Welfare Expenses	9.70	7.58
Freight and handling charges		
-Port handling charges	26.57	49.31
-Compensation for ship deferment	127.88	73.48
Consultancy fees	15.65	22.30
Payments to auditors	0.54	0.55
Net loss on foreign currency transactions and translation	225.36	14.20
Loss on fixed assets sold	0.03	0.08
Provision for wealth tax	0.62	0.39
Miscellaneous expenses	5.13	2.97
	<u>629.84</u>	<u>325.54</u>
Less: other expenses capitalised	-	43.71
<b>Total</b>	<u><u>629.84</u></u>	<u><u>281.83</u></u>

\* Figures below Rs. 50,000 are denoted by "\*\*" .

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## Coastal Gujarat Power Limited

### Notes forming part of the financial statements

#### Note 21 Additional information to the financial statements

21.1 The Company is engaged in generation and selling of power. Considering the nature of the Company's business and operations, there are no other reportable segments (business and/or geographical) in accordance with the requirements of Accounting Standard 17- 'Segment Reporting', issued by the Institute of Chartered Accountants of India (ICAI).

#### 21.2 Share Application Money:

As at 31st March, 2014, the Company has received an amount of Rs.11.15 crores towards share application money from the holding Company (As at 31st March, 2013 Rs. 217 crores). The Company has sufficient authorised capital to cover the allotment of these shares.

#### 21.3 Borrowings (Refer Note 5 & 7)

- a) The term loans from banks and other parties (referred "Project Lenders") are secured by a charge on all present and future movable and immovable properties (including a major portion of the project land).
- b) In addition, the Company has hedging facilities from State Bank of India (SBI), ICICI Bank Limited (ICICI), The Hongkong and Shanghai Banking Corporation Limited (HSBC) and BNP Paribas (BNP). As per the Hedging Agreements and Financing Documents, the Company has created security in favor of Hedge Providers, on movable and immovable properties of the Company on pari-passu basis along with the Project Lenders.
- c) As at 31st March, 2014 the Company has created security on land of 1,029 hectare (720 hectare of Govt. land + 179 hectare of Private land + 130 hectare of forest land) being 76.5 percent of total Project land of 1,345 hectare. The security on the balance project land could not be created due to (1) pending transfer of title in respect of such land in favor of CGPL and (2) necessary permission from the local government authorities. In accordance with the 9th Waiver Agreement executed, the Project Lenders had agreed to waive the security creation on the balance project land up to 30th June, 2013. Subsequently, CGPL has requested vide Tenth waiver request letter, to extend timeline till 31<sup>st</sup> December 2014 for creation of security on balance project land.
- d) As per the Financing Agreements, the Holding Company has entered into a Sponsor Support Agreement with the lenders and the Company whereby it has undertaken to provide support by way of base equity contribution to the extent of 25 percent of the project cost and additional equity or subordinated loans to be made or arranged for, if required, as per the financing agreements to finance the project. The Sponsor Support Agreement also includes support by way of additional financial support for any overrun in project costs, operational loss and Debt Service Reserve Guarantee as provided under the Financing Agreements. The support will cease on the date of "Project Financial Completion Date" as defined under the Financing Agreement.

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- e) Further, as per the Ninth Waiver and Sixth Amendment Agreement dated 12th April 2013 with the Project Lenders, the period for compliance of Coal Supply and Transportation Agreement Completion Date (CSTACD) and the compliance of the financial covenants with respect to maintenance of certain ratios was extended up to 30th June, 2013.

In terms of the conditions of the above Financing Agreements, as on 31st March, 2014 a sum of Rs. 2,793 crores has been received (of which Rs. 1,489.41 crores had been converted into equity) by way of subordinated Loan from the Holding Company and a sum of Rs. 450 crores taken as a subordinated loan from Bank of America has been refinanced by the Company from the State Bank of India. The repayment of the subordinated loans of Rs. 1,753.59 crores (Rs. 1,303.59 crores from the Holding Company and Rs. 450 crores from State Bank of India) shall be subject to the provisions of Subordination and Hypothecation Agreements signed with the Security Trustee, as required under Financing Agreements. During the waiver period upto 30th June 2013, the Company was required to maintain Debt to Equity Ratio of 75:25 for meeting financial covenants and Required Debt-to-Equity Ratio of 70:30 for availing the disbursements (capped at 83.33 percent of all Senior Loans). The Company has requested the Lenders for extension of time up to 30th June, 2015 to comply with the financial covenants and maintenance of ratios. Management expects this to be resolved.

The total accrued interest on loans from the Holding Company shown under "Note 8-Other Current Liabilities" as on 31st March, 2014 of Rs. 109.87 crores (31st March, 2013: Rs. 36.57 crores) shall be payable subject to fulfillment of conditions of Subordination Agreement and CSTACD conditions.

#### **21.4(a) Revenue recognition arising out of CERC order :**

The Company has implemented the 4000 MW Ultra Mega Power Project at Mundra ("Mundra UMPP") and commenced commercial operations in its all five Units of 800 MW each.

The company had made an application to the Central Electricity Regulatory Commission (CERC) for evolving a mechanism to compensate the adverse impact of the unforeseen, uncontrollable and unprecedented escalation in the imported coal price and the change in law in Indonesia.

The CERC has, after considering the recommendations of a committee appointed for the purpose (which comprised of experts from various disciplines like Legal, Banking, Finance, Technical and Procurers, the deliberations of which extended over several months) vide its order dated 21st February, 2014, decided that company is entitled to compensatory tariff from 1st April, 2012 over and above the tariff agreed under the PPA with the procurers till the hardship on account of Indonesian regulations persists.

Subsequent to the above CERC order, the procurers have not commenced payment of bills raised by the company and have challenged the order as also filed appeals with APTEL for grant of stay on the enforcement of the CERC order. As of date, APTEL has neither granted the stay nor passed any other order.

The Company has been legally advised that it has a good arguable case. However, in view of the pending appeal as mentioned above and considering that the amounts associated are significant, the Company has not recognized aggregate revenue of Rs. 1,019.06 crores towards compensatory tariff for the period from 1st April, 2012 to 31st March, 2014.

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**(b) Impairment of Assets:**

In terms of the 25 year Power Purchase Agreement (PPA), the Company is entitled to charge 45 percent of escalation of the cost of coal from the procurers of its power.

As at 31st March, 2014, the Company had in pursuance of Accounting Standard 28 (AS 28) – "Impairment of Assets", reassessed impairment of its Mundra UMPP, having regard to the upward revision in the fuel prices, exchange rates variation, operating parameters and compensatory tariff.

Based on assessment as at 31st March, 2013, the Company had accounted an impairment loss of Rs. 2,650 crores in respect of its Mundra UMPP, which had been recognised as an exceptional item-Impairment loss in the Statement of Profit and Loss.

For estimating the Mundra UMPP value in use it is necessary to project future cash flows of Mundra UMPP over its estimated useful life.

The Management has reviewed and reassessed the recoverability of the carrying amount of the assets at Mundra considering the fuel prices, exchange rate variation, operating parameters and compensatory tariff that would impact future cash flows and has concluded that no further provision for impairment for the year ended 31st March, 2014 in CGPL is necessary on this account (provision made Rs. 850 crores for the year ended 31st March, 2013). In view of the pending appeals relating to compensatory tariff, the Management has not considered the effect of compensatory tariff in evaluation of provision for impairment. The legal proceedings and the underlying assumptions will be monitored on a periodic basis by the Management and appropriate adjustments will be made.

The recoverable amount of the relevant assets has been determined on the basis of their value in use. The discount rate used in the current year is 10.61 percent per annum (previous year 10.57 percent per annum).

As stated in Note no. 21.1 of the Notes forming part of the financial statements, the Company has only single reportable segment.

Consequent to the impairment loss in respect of Mundra UMPP, certain covenants governing the loans borrowed for construction of the project have not been met. No notice has been served by the lenders, declaring the loans taken as immediately due and payable. Further, as stated in Note 21.3, the Company had received waiver from compliance of the covenants upto 30<sup>th</sup> June, 2013. Further, the Company has sought revision in certain terms of Financing Agreements and extending of existing waivers. Accordingly, loans aggregating to Rs. 11,471.50 crores are considered to be long-term borrowings (including current maturities of long term borrowings of Rs. 722.15 crores).

- (c) The accumulated losses (including the impairment loss of Rs. 2,650 crores as stated above) as at 31st March, 2014 has substantially eroded the Company's net worth. In view of the matter stated in Note 21.4(a) and 21.4 (b) above and considering the Sponsor Support Agreement signed by the Company with the lenders and with the holding Company (TPCL), wherein TPCL has agreed to provide amongst other things funding of operational deficit of the Company, the financial statements have been prepared on a going concern basis.

## 21.5 Contingent liabilities and commitments (to the extent not provided for)

### (i) Contingent Liabilities:

	<u>As at</u> <u>March 31, 2014</u>	<u>Rupees crores</u> <u>As at</u> <u>March 31, 2013</u>
a) Corporate Guarantee issued on behalf of wholly owned subsidiary – Energy Eastern Pte. Ltd. of US\$ 10 million (Previous Year US\$ 10 million)	59.89	54.39
b) Claims of Service Tax demands against processing fees paid to IFC and ADB for processing and disbursement of Loans.	15.38	13.71
c) Income tax demand relating to tax on interest on deposits with banks.	0.51	0.45
d) Claims by a procurer arising from the disputes relating to PPA against:		
<b>Rupees crores</b>	<b>128.81</b>	<b>93.24</b>
- Change in law (including estimated amounts claimable by others procurers of Rs. 36.36 crores)	69.26	
- Applicability of escalation index	15.34	
- Consequential additional impact on the rebate given	44.21	
	<u>128.81</u>	
e) Green Cess disputed by the Company relating to issue of applicability	73.21	25.35
f) Custom duty claims disputed by the Company relating to issue of classification (Payment made under protest against these claims by the Company Rs. 52.45 crores).	76.32	69.32
g) Water Cess disputed by the Company relating to issue of applicable parameters for determining cess.	12.60	-
i) Stamp Duty on Coal	5.69	3.96

Future cash outflow in respect of above matters are determinable only on receipt of judgement / decision pending at various forums / authorities.

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(ii) Capital Commitments

	<u>Rupees crores</u>	
	<u>As at</u>	<u>As at</u>
	<u>March 31, 2014</u>	<u>March 31, 2013</u>
a. Estimated amount of contracts remaining to be executed (net of capital advance) and not provided.	67.68	289.81

b. Other Commitments:

In terms of the Port Service Agreement entered into by the Company and valid up to 31st March, 2040, the Company is required to pay fixed handling charges amounting to Rs. 138 crores per annum escalable as per CERC notification and variable port handling charges for handling a certain minimum tonnage of coal for its Mundra UMPP. In the event of a default which subsists for over one year, the Port Operator shall be entitled to suspend all its services under the agreement without terminating the agreement and all amounts outstanding shall be payable by the Company.

**21.6 Disclosure required under section 22 of the Micro, Small and Medium Enterprises Development Act, 2006**

Based on the information received by the company from suppliers regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006, there are no amounts due to any supplier covered under this Act as at 31st March, 2014 and hence, the disclosure relating to the amounts unpaid as at the year end with interest paid or payable or payable as required under the said Act have not been given.

**21.7 Payment to Auditors**

	<u>Rupees crores</u>	
	<u>As at</u>	<u>As at</u>
	<u>March 31, 2014</u>	<u>March 31, 2013</u>
As auditors - statutory audit	0.40	0.40
For taxation matters	0.07	0.07
For other services	0.01	0.02
Reimbursement of expenses	*	*
Service tax on above	0.06	0.06
<b>Total payments to the auditors</b>	<b>0.54</b>	<b>0.55</b>

The remuneration disclosed above excludes fees of Rs. 0.08 crores inclusive of service tax, (31st March, 2013: Rs. 0.09 crores) for attest and other professional services rendered by firm of accountants in which some partners of the firm of statutory auditors are partners.

\* Figures below Rs. 50,000 are denoted by '\*'.

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**21.8 Details of derivative instruments:**

(i) The following derivative positions are open as at 31st March, 2014. These transactions have been undertaken to act as economic hedges for the Company's exposures to various risks in foreign exchange markets and may/may not qualify or be designated as hedging instruments. The accounting for these transactions is stated in Notes 2 (j).

	<u>As at 31st March, 2014</u>		<u>As at 31st March, 2013</u>	
	<u>Foreign Currency</u>	<u>Rupees crores</u>	<u>Foreign Currency</u>	<u>Rupees crores</u>
<b>Forward Contracts:</b>				
No. of Contracts – 226# (Previous Year – 145)	EURO 0.76 million	6.29	EURO 3.68 million	25.61
	JPY 860.79 million	50.35	JPY 3,363.62 million	195.09
	US\$ 368.89 million	2,209.23	US\$ 158.40 million	861.55
<b>Forward Contracts under firm commitment for interest liability:</b>				
No. of Contracts – 144# (Previous Year – Nil)	US\$ 76.51 million	458.23	-	-
Unrecognized gain in respect of firm commitment of interest liability covered under forward contracts.		10.83		-
<b>Currency Option Contracts:</b>				
No. of Contracts – 360 (Previous Year – 370)	US\$ 490.24 million	2,936.03	US\$ 580.88 million	3,159.41
Unrecognized gain in respect of above currency option contracts		181.00		297.81
<b>Interest Rate Swap Contracts</b>				
No. of Contracts – 19 (Previous Year - 19)	US\$ 1,177.00 million	7,049.08	US\$ 1,263.57 million	6,872.56

# Includes number of forward contracts in the nature of debt servicing which are composite contracts taken for principal as well as interest repayment on loans.

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(ii) The year end foreign currency exposures that have not been hedged by a derivative or otherwise are given below:

	<u>2013-14</u>		<u>2012-13</u>	
	<u>Foreign Currency</u>	<u>Rupees crores</u>	<u>Foreign Currency</u>	<u>Rupees crores</u>
Capital Imports	US\$ 87,992	0.53	US\$ 32,939,515*	179.16
	EURO 254,914	2.10	EURO 713,219	4.87
	GBP 2800	0.03	GBP 58,284	0.48
Coal and Freight	US\$ 10,172,999	60.93	US\$ 78,160,078	425.11
Debt Servicing**	US\$ 781,675,228	4,681.45	US\$ 774,720,456	4,213.70
Bank Balance	US\$ 171,225	1.03	US\$ 221,225	1.20

\*Payment to import of capital equipment vendors is intended to be made from foreign currency loans yet to be drawn.

\*\* Without considering hedge cover of US\$ 235,718,607 valued at Rs. 141.17 crores taken for future firm commitment of interest liabilities.

**21.9 C.I.F. value of imports and expenditure in foreign currency (on accrual basis):**

<u>Particulars</u>	<u>Rupees crores</u>	
	<u>2013-14</u>	<u>2012-13</u>
(a) C.I.F Value of imports :		
Capital goods	11.28	211.05
Coal imported	<u>3,780.41</u>	<u>2,073.29</u>
	<u>3,791.69</u>	<u>2,284.34</u>
(b) Expenditure in foreign currency :		
Professional and consultation fees	3.12	1.74
Interest and Commitment Charges	366.08	350.08
Freight Compensation	127.88	73.48
Travelling Expenses	<u>0.09</u>	<u>-</u>
	<u>497.17</u>	<u>425.30</u>
(c) Value of components, stores and spare parts consumed (including fuel consumed)#		

<u>Particulars</u>	<u>2013-14</u>		<u>2012-13</u>	
	<u>Rupees crores</u>	<u>%</u>	<u>Rupees crores</u>	<u>%</u>
(i) Imported	4,385.74	99.09	2,271.56	95.63
(ii) Indigenous	<u>36.95</u>	<u>0.91</u>	<u>103.82</u>	<u>4.37</u>
	<u>4,422.69</u>	<u>100.00</u>	<u>2,375.38</u>	<u>100.00</u>

# Includes consumption of fuel during trial-run, which has been capitalised.

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## 21.10 Employee Benefit Plans

### (a) Defined contribution plans

The Company makes contribution towards provident fund to a defined contribution retirement benefit plan for qualifying employees. The provident fund is administered by the Trustees of Tata Power Consolidated Provident Fund. Under the Schemes, the Company is required to contribute a specified percentage of salary to the retirement benefit schemes to fund the benefit.

Company's Provident Fund is administered by the Trustees of Tata Power Consolidated Provident Fund. The Company's Provident Fund is exempted under Section 17 of Employees Provident Fund Act, 1952. One condition for grant of exemption is that the employer shall make good any deficit, in the interest rate declared by Trust compared to the rate declared by the Central Government. Having regard to the assets of the Fund and the return on its investments, the Company does not expect any deficiency in the foreseeable future.

On account of Defined Contribution Plans, a sum of Rs. 2.06 crores (31st March, 2013 – Rs. 2.31 crores) has been charged to the Statement of Profit and Loss.

### (b) Defined benefit plans

The Company operates an unfunded post retirement gratuity defined benefit plan, the liability in respect of which arises on retirement, withdrawal, resignation or death of an employee.

The actuarial valuation of the present value of the defined benefit obligation has been carried out as at 31<sup>st</sup> March, 2014. The following tables set out the amounts recognised in the financial statements as at 31<sup>st</sup> March, 2014 for the above mentioned defined benefits plan. Gratuity included as part of Retiring gratuities expense in Note 18 Employee Benefits Expenses.

Particulars	Year ended 31 <sup>st</sup> March 2014	Year ended 31 <sup>st</sup> March 2013
	Rupees crores	
Components of employer expenses		
Current service cost	0.75	0.98
Interest Cost	0.58	0.62
Actuarial losses/(gain)	(1.55)	0.02
<b>Total expense recognised in the Statement of Profit and Loss</b>	<b>(0.22)</b>	<b>1.62</b>
Actual contribution and benefit payments for the year		
Actual Benefit payment	0.29	1.59
Actual Contribution	(0.22)	1.62
Net Assets/(Liability) recognised in Balance Sheet		
Present Value of defined obligation	7.15	7.33
Funded status (Surplus/Deficit)	(7.15)	(7.33)
<b>Net Assets /(Liability) recognised in the Balance Sheet</b>	<b>(7.15)</b>	<b>(7.33)</b>

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Note: (i)

Particulars	Year ended 31 <sup>st</sup> March, 2014	Year ended 31st March, 2013
	Rupees crores	
<b>Change in defined benefit obligation (DBO) during the year</b>		
Present value of DBO at beginning of the year	7.33	7.30
Current service cost	0.75	0.98
Interest Cost	0.58	0.62
Acquisition	0.33	-
Actuarial (gain)/losses	(1.55)	0.02
Benefit paid	(0.29)	(1.59)
<b>Present value of DBO at the end of the year</b>	<b>7.15</b>	<b>7.33</b>
<b>Actuarial assumption</b>		
Discount rate	9.20%	8.60%
Salary escalation	11.00%	11.00%
Attrition 21-44 years	3.00%	3.00%
45 and above	0.50%	0.50%
Mortality tables	Indian Assured Lives Mortality (2006-08)	Indian Assured Lives Mortality (2006-08)
	Rupees crores	
Estimate of amount of contribution in the immediate next year	0.13	0.40

(ii) The discount rate is based on the prevailing market yields of Government of India securities as at the Balance Sheet date for the estimated term of the obligation.

The estimates of future salary increases, take into account inflation, seniority, promotions, increments and other relevant factors.

(iii) Experience Benefits

<u>Gratuity Benefits</u>	Rupees crores				
	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>
Present value of Defined Benefits Obligation	7.15	7.33	7.30	4.76	3.09
Fair value of plan assets	-	-	-	-	-
Funded status [surplus/(Deficit)]	(7.15)	(7.33)	(7.30)	(4.76)	(3.09)
Experience gain/(loss) adjustment on plan liabilities	0.58	0.40	(0.28)	1.35	0.10
Experience gain/(loss) adjustment on plan assets	-	-	-	-	-
Actual gain / (loss) due to change on assumptions	0.97	(0.42)	(2.60)	-	-

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**21.11 Related party transactions: Disclosure as required by Accounting Standard 18 (AS- 18)**

“Related Party Disclosures” are as follows:

- a) Names of the related parties and description of relationship with which transactions have taken place:

Sr No	Name of the related party	Nature of relationship	Country of origin
I	The Tata Power Company Limited (TPCL)	Holding Company	India
II	Energy Eastern Pte. Limited (EEPL)	Wholly owned Subsidiary	Singapore
III	Trust Energy Resources Pte. Limited (TERPL)	Fellow Subsidiary #	Singapore
IV	Maithon Power Limited (MPL)	Fellow Subsidiary #	India
V	Tata Power Trading Company Limited (TPTCL)	Fellow Subsidiary #	India
VI	PT Sumber Energy Andalan (SEA)	Fellow Subsidiary #	Indonesia
VII	Mr. Krishna Kumar Sharma - Executive Director & CEO	Key Management Personnel (KMP)	India

# Fellow subsidiaries with which transactions have taken place.

Note: Related parties have been identified by the Management.

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

	(Rupees crores)						
	TPCL	EEPL	TERPL	MPL	TPTCL	SEA	KMP
Purchase of Assets	-	-	-	0.06	-	-	-
Sale of Assets	-	-	-	-	-	-	-
Purchase of goods	(0.04)	-	-	-	-	-	-
Rendering of service	2.13	-	(48.44)	-	-	1.49	-
Remuneration to Executive Director	(2.26)	-	-	-	-	-	-
Receiving of services	-	-	-	-	-	-	0.91
Interest expenditure (Refer Note 8)	-	-	-	-	-	-	(0.35)
Loans taken	2.58	554.81	187.26	-	-	-	-
Loans repaid	(2.94)	(262.39)	(188.59)	-	(0.67)	-	-
(includes loan taken and converted to Equity of Rs. 722.00 crores; Previous year Rs. 767.41 crores)	81.45	7.16	1.80	-	-	-	-
	-	(1.74)	(1.97)	-	-	-	-
	1,895.59	-	-	-	-	-	-
	(955.10)	-	-	-	-	-	-
	992.00	-	-	-	-	-	-
	(767.41)	-	-	-	-	-	-

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Guarantees and collaterals given by TPCL	1,345.88	-	-	-	-	-
	(1,308.11)	-	-	-	-	-
Equity contribution received (including advance towards Equity contribution)	824.67	-	-	-	-	-
	(991.53)	-	-	-	-	-
<b>Balances outstanding at the end of the year</b>						
Guarantees and Collateral issued by TPCL outstanding	3,341.43	-	-	-	-	-
	(3,473.55)	-	-	-	-	-
Guarantees and Collateral issued favouring EEPL.	-	59.89	-	-	-	-
	-	(54.39)	-	-	-	-
Balance advance towards Equity	11.15	-	-	-	-	-
	(217.00)	-	-	-	-	-
Trade payables	0.33	267.82	109.61	-	-	-
	(0.38)	(220.06)	(119.86)	-	(0.11)	-
Trade Receivable	-	-	-	0.21	-	1.49
	-	-	-	-	-	-
Loans taken including interest accrued	1,413.46	-	-	-	-	-
	(436.57)	-	-	-	-	-

Note: Figures in brackets relate to the previous year.

#### 21.11A Managerial Remuneration

Particulars	Year ended 31st March 2014	Year ended 31st March 2013
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Remuneration paid to Executive Director & CEO	9,100,000	3,500,000*
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\* Represents amount charged by the Holding Company

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## 21.12 Earnings per share

	<u>As at</u> <u>31st March, 2014</u>	<u>As at</u> <u>31st March, 2013</u>
Loss after tax attributable to Equity Shareholders (Rupees crores)	(1,491.86)	(1,602.00)
Weighted average number of equity shares for Basic EPS (Nos.)	5,349,198,603	4,745,549,562
Par value per share (Rupees)	10.00	10.00
Basic Earnings per share (Rupees)	(2.79)	(3.38)
Loss for Diluted EPS (Rupees crores)	(1,491.86)	(1,602.00)
Weighted average number of equity shares for Basic EPS (Nos.)	5,349,198,603	4,745,549,562
Add: Effect of potential Equity Shares on conversion of unsecured loans including accrued interest from Holding Company and share application money pending allotment	1,432,757,588	417,000,000
Weighted average number of equity shares for Diluted EPS (Nos.)	6,781,956,191	5,162,549,562
Diluted Earnings per share (Rupees)	(2.79)	(3.38)
Effect of potential Equity Shares (Rupees)	-	-

\*Since the effect of potential Equity Shares is anti-dilutive these have not been considered for calculation of diluted earnings per shares.

## 21.13 Deferred Tax Assets/(Liability)

	<u>As at</u> <u>31<sup>st</sup> March, 2014</u> Rupees crores	<u>As at</u> <u>31<sup>st</sup> March, 2013</u> Rupees crores
Deferred Tax Liability comprises of tax effect of timing differences on account of: Book depreciation and depreciation as per the Income-tax Act, 1961	<u>2,453.37</u> <b>2,453.37</b>	<u>2210.64</u> <b>2210.64</b>
Deferred Tax Asset comprises of tax effect of timing differences on account of: Carry forward of unabsorbed depreciation and business loss (Restricted)	<u>2,453.37</u> <b>2,453.37</b>	<u>2210.64</u> <b>2210.64</b>
Net Deferred Tax Asset/(Liability)	-	-

The Company has recorded the net deferred tax liability of Rs. 2,453.37 crores as at 31st March, 2014 and recognised the deferred tax asset on unabsorbed depreciation and carry forward of losses, on the basis of prudence, only to the extent of the above mentioned deferred tax liability as at 31st March, 2014. Accordingly, there is no impact on the Statement of Profit and Loss.

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**21.14 Operating Leases as required by Accounting Standards 19 (AS-19):**

The Company's significant leasing arrangements are in respect of residential flats and office premises. The lease arrangements range between 11 months and 3 years and are usually renewable by mutual consent. Under these arrangements, refundable interest free deposits have been given.

**21.15** Previous year's figures have been regrouped/re-classified wherever necessary to correspond with the current year's classification / disclosure.

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