



NLC TAMILNADU POWER LIMITED

**5th Annual Report
2010-2011**



BOARD OF DIRECTORS

CHAIRMAN

Shri. A.R.Ansari

DIRECTORS

Shri. R.Kandasamy

Shri. K.Sekar

Shri. J.Mahiselvan

Shri. T.Jeyaseelan

Shri. P.Soma Shekar Reddy

Shri. M.B.N.Rao

Shri. P. Mannar Jawahar

Shri. T.Kumar

CHIEF EXECUTIVE OFFICER

Shri. S.Rajagopal

COMPANY SECRETARY

Shri. R.Jayasarathy

STATUTORY AUDITOR

Ramachandran & Murali,
Chartered Accountants,
No.18, Vathiyar Thottam Main Road,
Rangarajapuram, Chennai - 600 024.

PRINCIPAL BANKERS

Bank of Baroda

Bank of India

Allahabad Bank

Syndicate Bank

Punjab & Sind Bank

Indian Bank

Corporation Bank

Bank of Maharastra

Oriental Bank of Commerce

State Bank of India

Canara Bank

REGISTERED OFFICE

'Neyveli House',
No.135, Periyar EVR High Road,
Kilpauk, Chennai - 600 010.



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DIRECTORS' REPORT FOR THE YEAR 2010-2011

To
The Members,
NLC Tamil Nadu Power Limited

Your Directors have great pleasure in presenting the fifth Annual Report of your Company together with the audited accounts for the year ended 31st March, 2011.

Project

The Ministry of Coal, vide letter No.4301/154/2006/CPAM dated 12.05.2008 has conveyed the GOI sanction for implementation of coal based 2x500 MW Thermal Power project at Tuticorin at an estimated cost of Rs.4909.54 crore. As per the sanction of Government, Unit-I is to be commissioned within 46 months from the date of sanction and Unit-II within 51 months.

Land

Land for the project and colony admeasuring 127.465 hectares has been allotted by VO Chidambaranar Port Trust (VOCPT) - formerly Tuticorin Port Trust (TPT) and long term Lease Agreement for 30 years has been entered into between the Company and VOCPT in this regard.

Status of Project Implementation

The contract for Main plant package of Steam Generator, Turbo Generator and Electrostatic Precipitator, has been awarded to BHEL during the month of January 2009. Civil construction, structural fabrication and mechanical erection works are in progress. Piling and civil foundation works, structural fabrication and erection works for junction towers and conveyors in respect of Coal handling package are under progress.

The works relating to other major packages viz., Circulating Water System, Desalination and Water Treatment Plant, Bi-flue Chimney and Natural Draught Cooling Tower, Switch yard and Power Transformer are all under progress. The Project Consultancy contract has been awarded to MECON Limited.

Construction of coal berth (NCB-1) for the Company has been entrusted to VOCPT on deposit work basis. This berth will be put to dedicated use of the Company for handling the Coal requirement for the project.



Coal Linkage

Ministry of Coal has given Coal linkage to this project from Mahanadi Coalfields Limited (MCL), the Subsidiary Company of Coal India Limited. MCL has issued Letter of Assurance (LOA) to supply 3.0 million ton of "F" grade coal per annum for this Project. Coal is proposed to be transported from Orissa by rail-cum-sea route through Paradip Port. For the balance requirement of about 2.0 million ton/annum, other sources are being explored.

Miscellaneous Works

Works such as construction of compound wall, security office and construction of guest house have been completed. The works in respect of administrative office and residential building (Township) are in progress.

Environment Clearance for the project

Ministry of Environment and Forest (MoEF) has given clearance under the provisions of EIA Notification 1994. Expert Appraisal Committee (EAC) on Coastal Regulation Zone (CRZ), Miscellaneous Projects and Infrastructure Development, has recommended for issuance of clearance for the project under Coastal Zone Regulation Notification 1991.

Project Funding

As per the prevalent norms, the project is to be funded in the ratio of 30:70 of equity and debt. With regard to debt requirements for the project, your Company had earlier tied up with Rural Electrification Corporation Limited (REC) for a rupee term loan for Rs.3437 crore for this project.

With a view to reduce the interest cost of the debt, your Company has replaced above mentioned loan from REC, with a term loan of Rs. 2500 crore from Consortium of bankers led by Bank of Baroda, at a lower interest rate. There would be a substantial savings on interest outgo over the period of the loan which ultimately would result in reduced power tariff for end consumers. Part of the balance debt requirement through External Commercial Borrowings (ECB) in the form of US \$ Loan to the extent of 100 Million is under the process of syndication. The balance fund requirement will be finalised in due course taking into account the prevailing interest rate scenario.

Power Allocation & Evacuation

Central Electricity Authority has revised the allocation of power from the Project to the Southern States by including the DISCOMs of Andhra Pradesh in the beneficiary list apart from the existing beneficiaries viz., TANGEDCO, ESCOMs of Karnataka State, Puducherry Electricity Department,



Kerala State Electricity Board. Based on this, Power Purchase Agreement (PPA) has also been signed with DISCOMs of Andhra Pradesh. All other beneficiaries have already signed the PPA.

Power Grid Corporation of India Limited (PGCIL) is implementing 400 KV power evacuation systems for this project and their works are in progress.

Financial Statement

During the year 2010-11, NLC and TNEB, the Promoter Companies, have been allotted further equity shares for an aggregate value of Rs.200 crore on Rights basis.

The key financial details as on 31.03.2011 are as under:

(Rs.in lakh)

	2010-11	2009-10
Share Capital	50,000.00	30,000.00
Share Application money pending for Allotment	0.00	15,500.00
Secured Loan	1,11,000.00	27,192.07
Current Liabilities	25,250.27	16,696.32
Total	1,86,250.27	89,388.39
Fixed Assets	5,327.46	4,450.68
Capital Works-in-progress	1,52,907.45	54,347.77
Advances for Capital items	27,458.04	30,131.27
Current Assets		
a. Cash and Bank Balances	91.00	184.77
b. Loans and Advances	462.20	271.43
Miscellaneous Expenditure	0.00	2.47
Profit & Loss A/c - Carried forward (Loss)	4.12	0.00
Total	1,86,250.27	89,388.39

Energy Conservation and Research & Development

Not applicable as the project is under implementation.

Corporate Social Responsibility (CSR)

As a Corporate Social Responsibility measure the Company has initiated green belt development programme to comply with environmental requirement and planted 2500 saplings during the year.



Management Discussion & Analysis Report and Report on Corporate Governance

The Management Discussion & Analysis Report is furnished in Annexure-1. The report on Corporate Governance together with the Auditor's Report on the compliance of Corporate Governance conditions stipulated as per DPE Guidelines on Corporate Governance is furnished in Annexure-2 & 3 respectively.

Statutory Audit

Ramachandran & Murali, Chartered Accountants, Chennai have been appointed as the Statutory Auditor of the Company by the Comptroller & Auditor General of India (C&AG), for the financial year 2010-11, under Section 619 (2) of the Companies Act, 1956. The Board of Directors of the Company have fixed Rs.40,000/- as the Statutory Audit fees for the year 2010-11 in addition to reimbursement of out of pocket expenses at actual.

C&AG Comments

C&AG Comments on the accounts for the year ended 31st March 2011 are furnished in Annexure-4.

Directors' Responsibility Statement as per Section 217(2AA) of the Companies Act, 1956

The Board of Directors declares:-

- a. that in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- b. that the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the construction expenditure incurred for that period;
- c. that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d. that the Directors had prepared the annual accounts on a going concern basis.

Board of Directors

As per the Composition of the Board approved by GOI, the Director (Power) of NLC Limited in the ex-officio capacity is appointed as a Director on the Board of the Company. Accordingly Shri.J.Mahilselvan, Director (Power) of NLC was inducted into the Board as an Additional Director with effect from 04.08.2010.

Shri.K.Balasubramanian, Director representing TNEB on the Board of the Company, had relinquished the office of Directorship on 30.09.2010 and Shri.S. Sukumar Solomon, Director / Project (TANGEDCO) nominated by TNEB was inducted into the Board as an Additional Director with effect from 30.09.2010. Shri. S. Sukumar Solomon relinquished the office of



Directorship on 05.08.2011 and Shri. T. Jeyaseelan, Director (Distribution) & Project / TANGEDCO nominated by them was inducted into the Board as an Additional Director with effect from 05.08.2011. The Board places on record its appreciation for the valuable guidance provided by Sarvashri. K.Balasubramanian and S. Sukumar Solomon during their tenure as Directors of the Company.

Shri. M.B.N. Rao, one of the Independent Directors on the Board of NLC has been nominated by NLC for appointment as a Director on the Board of the Company. Accordingly Shri M.B.N.Rao was inducted into the Board as an Additional Director with effect from 11.11.2010.

Sarvashri P.Mannar Jawahar and T. Kumar have been inducted into the Board as Additional Directors of the Company with effect from 05.08.2011.

Shri.A.R. Ansari and Shri.P.Soma Shekar Reddy, Directors retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

Particulars of Employees

Particulars of employees as required under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 – Nil.

Acknowledgement

The Board of Directors of your Company places on record its sincere appreciation for the continued support and guidance extended by the Neyveli Lignite Corporation Limited, TNEB Limited, TANGEDCO, VO Chidambaranar Port Trust, Ministry of Coal, Ministry of Power, Ministry of Environment & Forest, Central Electricity Authority, Ministry of Industry, Ministry of Labour, Ministry of Shipping, Planning Commission and Consortium of Bankers.

The Board of Directors of your Company is pleased to acknowledge with gratitude the co-operation and continued support extended by the Government of Tamil Nadu and the District Administration. The co-operation and support by the Comptroller and Auditor General of India, the Statutory Auditor, Internal Auditor and Central and State Pollution Control Boards need special mention and the Directors acknowledge the same.

for and on behalf of the Board of Directors

A. R. ANSARI
CHAIRMAN

PLACE : Neyveli
DATE : 16.08.2011



Management Discussion and Analysis Report

Industry Structure and Development

Power

Electrical Power is one of the important elements for economic growth of any country. The main aim of the National Electricity Policy is to provide adequate reliable power at an affordable cost to all citizens. Presently India's per capita consumption of energy is very low when compared to other developed countries. The current installed capacity of coal based thermal power plants in the country is around 93900 MW which is around 54% of the total installed capacity.

Demand

The current consumption of electricity in India is around 600 Tera Watt hours per annum. The present consumption of power is expected to be doubled by 2020 due to growth in population, increasing economic activity, infrastructure development etc.

Production

The aggregate all-India installed capacity of electric power generating stations as on 31.03.2001 was 1.02 lakh MW and the all-India installed capacity as on 31.03.2011 was around 1.72 lakh MW. The electricity generation from all sources increased from 499.5 BU in 2000-01 to 811.10 BU in the year 2010-11. The growth of Thermal power generation during the year 2010-11 is 3.81%.

Power Tariff

Power tariff for generating companies owned or controlled by Central Government and generators selling power to more than one State is determined by the Central Electricity Regulatory Commission (CERC) constituted under the Electricity Regulatory Commission Act, 1998. The current tariff regulations for the period 2009-14 has been issued by CERC in January 2009 for generation and transmission projects.

Opportunity and Threats

Opportunities

- Growing demand and supply gap for power in the Southern States.
- The Government of India has initiated several measures to accelerate the power generation in order to achieve the envisaged economic growth rate.



- Upcoming technology for high efficiency power plants.
- Establishment of Power Exchanges and Regional Power Grid to facilitate better distribution and transfer of power from one region to another region.
- State of the art technologies are available for high efficiency power plants which ensure lesser consumption of fuel and also maintain lesser emission levels.

Threats

- ◆ Coal Supply Policy by Coal India Limited to supply less than 50% of the requirement and that also under Fuel Supply Agreement (FSA).
- ◆ Dependence on foreign supply due to limited domestic manufacture of power equipment.
- ◆ Delay in supply by the domestic suppliers due to excess orders in hand which affect the implementation of the projects on schedule.
- ◆ Volatility of Coal price and also its restricted availability.

Segment-Wise Performance

Company is not a multi-segmented Company.

Outlook

Power

Coal based Thermal Project

Your Company is presently implementing a 2x500 MW coal based Thermal Power Project at Tuticorin in Tamilnadu. Capacity addition or establishment of new Power projects will be considered at appropriate time after completion of implementation of the present project.

Risks and Concerns

- Stringent operational norms prescribed by the Regulatory Authorities for the purpose of fixing the tariff. Any adverse changes on the tariff policy would have a material impact on the profitability.
- Stringent environmental protection norms lead to relatively higher input cost of power plant equipment for new projects, which in turn increases the cost of power generation.
- Escalating cost of new power plants.
- Restricted supply of Domestic Coal.



Internal Control Systems and their adequacy

The Company has adequate internal control systems and procedures commensurate with its size and nature of business. The internal audit is conducted by an external firm of Chartered Accountants covering all the areas of operations and the report is periodically reviewed by the Audit Committee.

Audit Committee supervises the financial reporting process through review of periodical financial statements. Further, the accounts of the Company are subject to C&AG audit in addition to the propriety audit conducted by them.

Discussion on Financial Position

Covered in the main report.

Human Resource Development

Human Resource is considered as the real asset and hence utmost priority is given for the development of Human Resource. The total manpower deployed in the Company as on 31.03.2011 was 59.

Industrial Relation

Industrial relation scenario was generally peaceful and cordial during the year 2010-11.



REPORT ON CORPORATE GOVERNANCE

Mandatory Requirements**Company's philosophy on Code of Corporate Governance**

Transparency, accountability and integrity are the main ingredients of good Corporate Governance. Your Company as a Corporate Citizen adheres to the standards of good Corporate Governance in letter and spirit.

Board of Directors

The Board of Directors of your Company is headed by a Non-executive Chairman. The composition of Board of Directors of the Company as approved by the Government of India is as under:-

i. Directors representing NLC in ex-officio capacity	4
ii. Director representing Ministry of Coal	1
iii. Director representing TNEB	1
iv. Independent Directors	3
a. Independent Director from NLC Board	1
b. Other Independent Directors	2
Total	9

As on 31.03.2011, the position of two Independent Directors was vacant. However, the above vacancy has been filled up subsequently with induction of Sarvashri P. Mannar Jawahar and T. Kumar as Independent Directors on the Board of the Company. The present composition of Directors complies with the requirements of DPE guidelines with regard to composition of Board.

The particulars of Board of Directors as on 31st March, 2011 and other details are furnished below:-

Sl.No.	Name (Sarvashri)	Other Directorships held as on 31.03.2011	Other Committee* Membership held as on 31.03.2011	
			As Member	As Chairman
Directors representing NLC				
1	A.R. Ansari	1	-	-
2	R. Kandasamy	2	-	-
3	K. Sekar	1	-	-
4	J. Mahiselvan	1	-	-
Director representing TNEB				
5	S. Sukumar Solomon	3	-	-
Director representing Ministry of Coal				
6	P.Soma Shekar Reddy	-	-	-
Independent Director				
7	M.B.N. Rao	15	6	3

*Audit Committee and Shareholders' Grievance Committee.



Management of Business & Board Precedure

The day-to-day management of business and affairs of the Company is being administered by the Chief Executive Officer (CEO) subject to the superintendence, control and direction of the Board. The CEO has been delegated with certain administrative and financial powers by the Board of Directors. Any proposal beyond the powers of CEO and particularly major decisions involving large capital expenditure, annual plans, award of major contracts, mobilisation of resources, loans and investments if any, (other than short-term investments) borrowings and all policy decisions including policy relating to all human resource matters are decided only at the meetings of the Board/Sub-committee of the Board.

Dates of Board Meetings and Directors' Attendance

During the financial year 2010-11, 7 meetings of the Board of Directors were held on the following dates:

4th May, 2010, 19th June, 2010, 19th July, 2010, 11th November, 2010, 12th January, 2011, 23rd February, 2011 and 2nd March, 2011.

Generally, at least one Board Meeting is held in every three months and minimum four such meetings are held every year and the time gap between two board meetings do not exceed three months. In one instance, there was a gap of 3 months and 23 days between two successive Board Meetings. It is stated that subsequent to the communication received from the Ministry of Coal on the applicability of the guidelines issued by DPE on Corporate Governance, there was no instances when the gap between two successive Board meetings held during the year is more than 3 months.

The details of attendance of Directors at the Board Meetings held during the financial year 2010-11 were as under:

Name (Sarvashri)	No. of Meetings attended out of 7 held	Remarks
A.R. Ansari	7	
R. Kandasamy	7	
K. Sekar	7	
S. Rammohan	1	Relinquished on 31.05.2010
J. Mahiselvan	4	Inducted w.e.f. 04.08.2010
K. Balasubramanian	2+	Relinquished on 30.09.2010
S. Sukumar Solomon	3	Inducted w.e.f. 30.09.2010
P. Soma Shekar Reddy	7	
M.B.N. Rao	4	Inducted w.e.f. 11.11.2010

**General Meeting Attendance**

Shri A.R. Ansari, Chairman, Sarvashri R. Kandasamy, K. Sekar, J. Mahiselvan and K. Balasubramanian, Directors attended the last Annual General Meeting held on 2nd September, 2010.

Board Committees

The following Sub-committees have been constituted by the Board of Directors.

Sub-Committee of Board of Directors

A Sub-Committee of Board of Directors has been constituted to accord approval for pre-qualification requirements (PQR) and technical specification in respect of various packages/purchases/works undertaken by the Company for implementation of the Project and also to accord approval for short-listing of tenders, qualification of bidders on PQR and techno-commercial conditions and also for placement of orders as per the delegation granted by the Board. Presently this Committee comprises Shri A.R. Ansari, as its Chairman and Sarvashri R. Kandasamy, K. Sekar, J. Mahiselvan and T. Jeyaseelan Directors, as its Members.

Audit Committee

Consequent to the nomination of Shri M.B.N. Rao, Independent Director on the Board of the Company, the Audit Committee was reconstituted and as on 31st March, 2011 this Committee comprised Shri M.B.N. Rao, Director as its Chairman and Sarvashri R. Kandasamy and S. Sukumar Solomon, Directors, as its Members. Subsequent to the appointment of Shri P. Mannar Jawahar and Shri T. Kumar, Independent Directors on the Board, the Audit committee was reconstituted again and presently the committee comprises Sarvashri M.B.N. Rao, R. Kandasamy, P. Mannar Jawahar and T. Kumar as members and this composition is as per the requirements of DPE guidelines. The terms and reference of the Audit Committee conform to the requirements of Sec.292 A of the Companies Act, 1956 and DPE Guidelines. The details of attendance of Members at the Audit Committee Meeting of the Company held during the year 2010-11 were as under:-

Name (Sarvashri)	No. of Meetings attended out of 4 held	Remarks
Chairman of the Committee		
K. Sekar	3	Relinquished on 11.11.2010
M.B.N. Rao	1	Inducted w.e.f. 11.11.2010
Members		
R. Kandasamy	4	
K. Balasubramanian	1	Relinquished on 30.09.2010
S. Sukumar Solomon	1	Inducted w.e.f. 30.09.2010

Note: Company Secretary is the Secretary to the Audit Committee.



Remuneration Committee

Since the project is under construction stage, the Remuneration Committee will be constituted after commissioning of the Project.

Remuneration to Directors

No Remuneration/Sitting Fee is being paid to any Part-time Official Directors. Excepting sitting fees of Rs.5,000/- for attending each Board/Committee Meeting, no other remuneration is being paid to the Independent Directors.

Code of Conduct

As required under the Guidelines on Corporate Governance for Central Public Sector Enterprises, the Board of Directors of the Company have laid down a Code of Conduct applicable for all Board Members and Senior Management Personnel of the Company. In this regard a declaration signed by the Chief Executive Officer (CEO) is reproduced below:

"I hereby confirm that all the Members of the Board and Senior Management Personnel to whom the Code of Conduct was applicable have affirmed compliance of the above code for the year ended 31st March, 2011".

General Body Meetings

The following are the details of General Meetings of the Company held in the last three years:-

Year	Date and Time	Venue
AGM 2007-2008	26.07.2008 – 10-00 hours	'Neyveli House', No.135, Periyar EVR High Road, Kilpauk, Chennai-600 010.
AGM 2008-2009	03.09.2009 – 16-30 hours	-do-
AGM 2009-2010	02.09.2010 – 14-00 hours	-do-

Special Resolution

Special Resolution under Section 31 of the Companies Act, 1956 for amendment of the Articles of Association of the Company was passed during the second Annual General Meeting held on 26.07.2008.

Disclosures

The Company, during the year, has not entered into any transactions of material nature with the Directors of the Company that may have potential conflict with the interest of the Company at large. No penalties, strictures have been imposed on the Company by any Statutory Authorities



on any matters relating to any guidelines issued by the Government during the last three years. With regard to the details of administrative and office expenses as a percentage of total expenses vis-a-vis financial expenses and reasons for increase, it is stated that presently the Company being under construction phase, the entire expenditure incurred during the construction period is being transferred to the capital Works-in- Progress and capitalised on commissioning of the respective assets. On completion of the project and after commissioning of the unit, the aforesaid expenditure would come under the ambit of revenue and for the purpose of comparison as stated above.

Means of Communication

Financial statement is being reviewed by the Board represented by both the Promoters. No communication was made through newspaper/website.

General Shareholder information

AGM: Date, Day, time and Venue: 12th September, 2011, Monday, 17.00 Hours
'Neyveli House',
No.135, Periyar EVR High Road,
Kilpauk, Chennai - 600 010.

Project Location

Coal based Thermal Power Project (2x500 MW) is under construction phase, which is situated at Harbour Estate, Tuticorin, Tamil Nadu.

Audit Qualification

It is always the Company's endeavour to present unqualified financial statement.

Training of Board Members

The Directors on the Board are fully aware of the business module of the Company. No training programme was undertaken by the Company for any Director during the year 2010-11.

Whistle Blower Policy

Your Company being the Subsidiary Company of NLC Limited, the activities of the Company come within the ambit of Vigilance Branch, headed by Chief Vigilance Officer in the rank of Director General of Police. The Vigilance Branch is functioning under the overall guidance of the Central Vigilance Commission, which mainly lays stress on preventive vigilance.





RAMACHANDRAN & MURALI,
Chartered Accountants
3-B, Shiyam's Anugraha,
18, Vathiyar Thottam Main Road,
Rangarajapuram, Chennai - 600 024.

CORPORATE GOVERNANCE CERTIFICATE

To

The Members,
NLC Tamil Nadu Power Limited

1. We have examined the compliance of conditions of Corporate Governance by NLC Tamil Nadu Power Limited for the year ended 31st March 2011 as stipulated in the Guidelines of Corporate Governance notified by Department of Public Enterprises (DPE).
2. The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to the procedure and implementation thereof adopted by the Company for ensuring the compliance of the conditions of Corporate Governance as stipulated in the guidelines notified by DPE. It is neither an audit nor an expression of opinion on the financial statement of the Company.
3. Clause 3.1.4. of the above Guidelines stipulates that in respect of non-listed Central Public Sector Enterprises at least 1/3rd of the Board Members should be Independent Directors. As on 31st March, 2011 there was only one Independent Director on the Board of Directors of the Company against the minimum requirement of three Independent Directors.
4. Clause 3.3.1. of the above Guidelines stipulates that time gap between any two meetings of the Board should not be more than 3 months. In one instance there was a gap of 3 months and 23 days between two successive Board Meetings. However it has been stated by the Management that subsequent to the communication received from the Ministry of Coal on the applicability of the above guidelines to the Company, there was no instances when the gap between two Board successive Meetings held during the year is more than 3 months.



5. Clause 4.1.1 of the above Guidelines stipulates 2/3rd of the members of the Audit Committee shall be Independent Directors. As on 31st March, 2011 there was only one Independent Director in the Audit Committee and as such the strength of the Independent Directors in the Audit Committee is only to the extent of 1/3rd against the requirement as stated above.
6. Subject to our observation in Para (3) (4) and (5) above, in our opinion and to the best of information and according to the explanations given to us and the representations made by the Directors and Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the Guidelines of Corporate Governance notified by the DPE.
7. We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

for M/s. RAMACHANDRAN & MURALI
CHARTERED ACCOUNTANTS
Firm Regn. No. 002867S

Place : Chennai
Date : 12.05.2011

C.S.GOVINDARAM
PARTNER
M.No. 201902



**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA
UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF
NLC TAMILNADU POWER LIMITED, CHENNAI FOR THE YEAR ENDED 31ST MARCH 2011**

The preparation of financial statements of **NLC Tamilnadu Power Limited, Chennai** for the year ended 31st March 2011 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the Company. The statutory auditor appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 is responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 12.05.2011.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under Section 619(3)(b) of the Companies Act, 1956 of the financial statements of **NLC Tamilnadu Power Limited, Chennai** for the year ended 31st March 2011. This supplementary audit has been carried out independently without access to the working papers of the statutory auditor and is limited primarily to inquiries of the statutory auditor and Company personnel and a selective examination of some of the accounting records. On the basis of my audit, nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditor's report under Section 619(4) of the Companies Act, 1956.

ADITI ROYCHOUDHURY

**PRINCIPAL DIRECTOR OF COMMERCIAL AUDIT AND
EX-OFFICIO MEMBER AUDIT BOARD, CHENNAI**

Place : Chennai

Dated : June 29, 2011



RAMACHANDRAN & MURALI,
Chartered Accountants
3-B, Shiyams Anugraha,
18, Vathiyar Thottam Main Road,
Rangarajapuram, Chennai - 600 024.

AUDITOR'S REPORT

NLC TAMILNADU POWER LIMITED

1. We have audited the attached Balance Sheet of **NLC TAMILNADU POWER LIMITED**, as at 31st March, 2011, the Profit and Loss Account for the year ended 31st March, 2011 and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 & 5 of the said order.
4. Further to our comments in the Annexure referred to above, we report that:
 - (i) We have obtained all the information & explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (ii) In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of those books;



- (iii) The Balance Sheet & Profit and Loss account dealt with by this report are in agreement with the books ;
- (iv) In our opinion, the Balance Sheet, Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
- (v) In terms of Government of India, Ministry of Finance, Department of Company Affairs Notification No. GSR 829 (E) dated 21st October, 2003, Government Companies are exempt from the applicability of provisions of Section 274 (1) (g) of the Companies Act, 1956.
- (vi) In our opinion and to the best of our information & according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, 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 31st March 2011;
 - b. In the case of the Profit and Loss Account, of the Excess of Expenditure (Construction) for the year ended on that date.
 - c. In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

for M/s. RAMACHANDRAN & MURALI
CHARTERED ACCOUNTANTS
Firm Regn. No. 002867S

Place : Chennai
Date : 12.05.2011

C.S.GOVINDARAM
PARTNER
M.No. 201902



RAMACHANDRAN & MURALI,
Chartered Accountants
3-B, Shiyams Anugraha,
18, Vathiyar Thottam Main Road,
Rangarajapuram, Chennai - 600 024.

ANNEXURE TO AUDITOR'S REPORT

Referred to in paragraph 3 of our report of even date,

- i. a. The Company has proper records showing full particulars including quantitative details and situation of Fixed Assets.
- b. All the assets have not been physically verified by the management during the year. There is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- c. During the year, the Company has not disposed off any part of the plant and machinery.
- ii. The Company does not have any inventories.
- iii. The Company has not granted loans to Companies covered in the Register maintained under section 301 of the Companies Act, 1956. The Company has not borrowed money from the Parties listed under Sec 301 of the Companies Act, 1956.
- iv. The Company has adequate internal control system commensurate with the size and nature of its business for purchase of Fixed Assets.
- v. a. The Company has not granted / taken any loan from Companies, firms and other parties listed under Section 301 of the Companies Act, 1956.
- b. There are no transactions of purchase of goods and materials and sale of goods, materials and services in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year Rs. 5,00,000 or more.
- vi. In our opinion and according to the information and explanations given to us, the provisions of Section 58A and Section 58 AA of the Companies Act and the Companies (Acceptance of Deposit) Rules 1975 is not applicable to the Company at present.
- vii. The Company has an Internal Audit System commensurate with its size and nature of its business.
- viii. In our opinion, the system of maintenance of cost records is not applicable to the Company at present.



NLC TAMILNADU POWER LIMITED

- ix. The Company does not have any liabilities of statutory dues.
- x. In our opinion, the Company does not have accumulated losses as on 31.03.2011. The Company has not incurred cash losses during the financial year covered by our audit. The Company is in the phase of construction.
- xi. The Company is not in default in repayment of dues to Bank/Financial Institutions.
- xii. The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. In our opinion, the Company is not a chit fund or a nidhi or mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- xiv. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- xv. In our opinion, the Company has not given guarantees for loans taken by others from banks or financial institutions.
- xvi. In our opinion, the Company has availed term loans during the year covered by the audit and the same is applied for the purpose for which it was raised.
- xvii. The Company has not used any fund raised on short term basis on long term investment.
- xviii. According to the information and explanations given to us, the Company has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
- xix. According to the information and explanations given to us, during the year covered by our audit report, the Company had not issued any debentures.
- xx. The Company has not raised any money through public issue of shares.
- xxi. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

for M/s. RAMACHANDRAN & MURALI
CHARTERED ACCOUNTANTS
Firm Regn. No. 002867S

Place : Chennai
Date : 12.05.2011

C.S.GOVINDARAM
PARTNER
M.No. 201902

**SIGNIFICANT ACCOUNTING POLICIES****1. Fixed Assets**

Fixed Assets are stated at historical cost less depreciation. Cost of acquisition is inclusive of taxes, duties, freight and installation.

2. Depreciation

i. Depreciation on Fixed Assets is provided under straight line method as indicated below:-

Description of Assets Covered	Basis
a. Furniture & Equipments used in Guest House	At technically assessed rates
b. Other Assets	At the rates prescribed in Schedule XIV of the Companies Act, 1956

Rates under (a) are followed so long as they are higher than the rates covered under base (b).

ii. In the year of commissioning of assets, depreciation is calculated on pro-rata basis, based on the number of months for which asset has been put into use.

iii. Assets costing up to Rs. 5,000/- are fully depreciated in the year in which they are put into use.

3. Intangible Assets

i. Computer Application Software acquired for an amount of less than Rs. 10 lakhs are fully depreciated in the year in which it has been acquired.

ii. Computer Application Software acquired for an amount of more than Rs. 10 lakhs are capitalised as intangible assets and amortised over a period of 5 years.

4. Revenue Recognition

Revenue Recognition is in accordance with Accounting Standard 9.

5. Foreign Currency Transaction

Exchange rate variations in foreign exchange transactions are accounted as per Accounting Standard - 11 of Companies (Accounting Standards) Rules, 2006 and an option has been exercised to capitalise the exchange difference.

6. Borrowing Cost

Borrowing Costs (net of interest earned on temporary investments) specifically attributable to the project fixed assets are capitalised along with the cost of such assets.



NLC TAMILNADU POWER LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2011

(Rs.in lakh)

	Schedule	As at	
		31 ST March 2011	31 ST March 2010
SOURCE OF FUNDS			
Shareholders' Fund	1		
Share Capital		50000.00	30000.00
Share Application money pending for Allotment		0.00	15500.00
SECURED LOAN	2	<u>111000.00</u>	<u>27192.07</u>
Rupee Term Loan			
TOTAL		<u>161000.00</u>	<u>72692.07</u>
APPLICATION OF FUNDS			
Fixed Assets	3		
Gross Block		5953.67	4886.65
Less: Provisions for Depreciation		<u>626.21</u>	<u>435.97</u>
Net Block		5327.46	4450.68
Capital Works-in-Progress		152907.45	54347.77
Advance for Capital Items		27458.04	30131.27
CURRENT ASSETS,			
LOANS AND ADVANCES			
Cash and Bank Balances	4	91.00	184.77
Loans and Advances	5	<u>462.20</u>	<u>271.43</u>
		553.20	456.20
Less : Current Liabilities & Provisions			
Current Liabilities	6	<u>25250.27</u>	<u>16696.32</u>
Net Current Assets		(24697.07)	(16240.12)
Misellaneous Expenditure		0.00	2.47
(To the extent not written off or adjusted)			
Profit and Loss A/c		4.12	0.00
TOTAL		<u>161000.00</u>	<u>72692.07</u>

The Schedules referred to above, notes on accounts (Schedule -10) and the Significant Accounting Policies annexed form an integral part of the Balance Sheet.

For and on behalf of the Board

R. JAYASARATHY
COMPANY SECRETARY

K. SEKAR
DIRECTOR

A.R. ANSARI
CHAIRMAN

Place : Chennai

Date : 12.05.2011

This is the Balance Sheet referred to in our report of even date.

For M/s.RAMACHANDRAN & MURALI

Chartered Accountants
Firm Regn.No.002867S

C.S. GOVINDARAM
Partner

M.No.201902

Place : Chennai

Date : 12.05.2011



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2011 (Rs.in lakh)

	Schedule	For the year ended		For the year ended	
		31 st March 2011		31 st March 2010	
INCOME					
Other Income					
Interest on Deposit (includes current year TDS of Rs. Nil and PY Rs.6.92 lakh)		0.00		43.81	
Interest on others		1.73		1.31	
Recovered - Rent		22.28		8.18	
Others		8.02	32.03	3.71	57.01
TOTAL			32.03		57.01
EXPENSES					
Employees' Remuneration and Benefits	7		744.00		226.15
Interest	8		7175.54		2715.65
Depreciation			190.24		423.03
Other Expenses	9		532.97		134.29
TOTAL			8642.75		3499.12
Expenditure during Construction net of income			(8610.72)		(3442.11)
Transferred to Capital Works-in Progress Accounts			8606.60		3442.11
Carried Forward			(4.12)		0.00

The Schedules referred to above, notes on accounts (Schedule - 10) and the Significant Accounting Policies annexed form an integral part of the Profit and Loss Account.

For and on behalf of the Board

R. JAYASARATHY
COMPANY SECRETARY

K. SEKAR
DIRECTOR

A.R. ANSARI
CHAIRMAN

Place : Chennai

Date : 12.05.2011

This is the Profit and Loss Account referred to in our report of even date.

For **M/s.RAMACHANDRAN & MURALI**

Chartered Accountants
Firm Regn.No.002867S

C.S. GOVINDARAM
Partner

M.No. 201902

Place : Chennai

Date : 12.05.2011



NLC TAMILNADU POWER LIMITED

SHARE CAPITAL

(Rs.in lakh)
SCHEDULE-1

Particulars	As at 31 st March 2011	As at 31 st March 2010
a. Authorised 1800000000 Equity Share of Rs.10/- each	180000.00	180000.00
b. Issued, Subscribed and Paid-up 500000000 Equity Shares of Rs.10/- each fully paid-up	50000.00	30000.00
c. Share Application money pending for Allotment	0.00	15500.00
	50000.00	45500.00

SECURED LOAN

SCHEDULE-2

Particulars	As at 31 st March 2011	As at 31 st March 2010
Rural Electrification Corporation Ltd. - Term Loan	0.00	27192.07
Loans from Banks #	111000.00	0.00
	111000.00	27192.07

The Term Loan of Rs. 250000 lakhs is secured by pari-passu charge on project fixed assets financed.

FIXED ASSETS

SCHEDULE-3

Description	Gross Cost				Depreciation			Net Value		
	As at 31.03.2010	Additions/ Transfers	Deletions/ Transfer/ Adjit	As at 31.03.2011	As at 31.03.2010	Withdrawals/ Transfer/ Adjit	For the Year	As at 31.03.2011	As at 31.03.2011	As at 31.03.2010
Lease Hold Land	4835.51	0.00	0.00	4835.51	429.82	0.00	161.19	591.01	4244.50	4405.69
Buildings	0.00	629.53	0.00	629.53	0.00	0.00	7.57	7.57	621.96	0.00
Water Supply	0.00	59.43	0.00	59.43	0.00	0.00	1.65	1.65	57.78	0.00
Plant & Machinery	15.98	370.60	0.00	386.58	2.02	0.00	17.01	19.03	367.55	13.96
Furniture & Equipment	27.46	7.27	0.00	34.73	1.05	0.00	2.15	3.20	31.53	26.41
Vehicles	4.97	0.00	0.00	4.97	0.35	0.00	0.48	0.83	4.14	4.62
Assets costing Rs. 5000 and below	2.73	0.19	0.00	2.92	2.73	0.00	0.19	2.92	0.00	0.00
Total	4886.65	1067.02	0.00	5953.67	435.97	0.00	190.24	626.21	5327.46	4450.68
Previous Year	8.63	4878.02	0.00	4886.65	0.29	0.00	435.68	435.97	4450.68	

CASH AND BANK BALANCES

SCHEDULE-4

Particulars	As at 31 st March 2011	As at 31 st March 2010
With Scheduled Bank in Current Accounts		
Canara Bank, Kilpauk, Chennai - Escrow A/c	0.00	0.05
Canara Bank, Kilpauk, Chennai	0.33	0.14
Canara Bank, Tuticorin	0.05	12.56
Canara Bank, Neyveli	0.00	1.26
Bank of Baroda, Tuticorin	58.48	0.00
State Bank of India, Tuticorin	32.14	170.76
Total	91.00	184.77



NLC TAMILNADU POWER LIMITED

LOANS AND ADVANCES

(Rs in lakh)
SCHEDULE-5

Particulars	As at 31 st March 2011	As at 31 st March 2010
Advances recoverable in cash or in kind or for value to be received		
Unsecured		
Considered Good	454.26	263.54
Tax deducted at source	7.94	7.89
	<u>462.20</u>	<u>271.43</u>

CURRENT LIABILITIES & PROVISIONS

SCHEDULE-6

Particulars	As at 31 st March 2011	As at 31 st March 2010
Sundry Creditors and accrued expenses	647.12	189.45
Liabilities for capital works	23853.44	16190.43
Other liabilities	749.71	308.17
Interest accrued but not due (REC loan)	0.00	8.27
	<u>25250.27</u>	<u>16696.32</u>

EMPLOYEES' REMUNERATION AND BENEFITS

SCHEDULE-7

Particulars	For the year ended 31 st March 2011	For the year ended 31 st March 2010
Salaries, Wages and incentives	674.08	203.90
Contribution to Provident and other funds	48.56	21.45
Gratuity	14.70	0.00
Welfare expenses	6.66	0.80
	<u>744.00</u>	<u>226.15</u>

INTEREST

SCHEDULE-8

Particulars	For the year ended 31 st March 2011	For the year ended 31 st March 2010
Interest on Term Loan	6274.73	2715.65
Interest others	300.95	0.00
Other Financial charges	599.86	0.00
	<u>7175.54</u>	<u>2715.65</u>

OTHER EXPENSES

SCHEDULE- 9

Particulars	For the year ended 31 st March 2011	For the year ended 31 st March 2010
Petrol & diesel	4.43	0.65
Rent	29.41	17.12
Licence fee	0.11	0.10
Repairs & maintenance	20.42	14.75
Travelling expenses	67.00	24.31
Payment to auditors		
Audit fees	0.44	0.44
Audit certification fees	0.11	0.11
Out of pocket expenses	0.23	0.04
Power charges	235.27	0.00
Water charges	82.28	0.00
Miscellaneous expenses	93.27	76.77
	<u>532.97</u>	<u>134.29</u>



(Rs. in lakh)

NOTES ON ACCOUNTS

SCHEDULE -10

Sl. No.	Subject in brief	For the year ended 31 st March 2011	For the year ended 31 st March 2010
1.	Contingent Liability exists in respect of :		
	a. Service Tax on Lease Hold Land for the construction of Power Projects	400.37	0.00
	b. Bank Guarantee for Commitment Guarantee	1860.00	0.00
2.	Estimated value of contracts remaining to be executed on capital accounts not provided for	313504.57	360292.05
3.	Capital works-in-progress includes capital goods in transit	4940.97	4814.50
4.	Borrowing cost Capitalised during the year	6874.58	2715.64
5.	The effect of foreign exchange fluctuation during the year is as under:-		
	Reduction in Capital Works-in-Progress on account of Exchange rate difference due to exercise of option in terms of para 46 of AS 11 of Companies (Accounting Standards) Rules, 2006	2.32	0.00
6.	Pre-incorporation expenses previously grouped under 'Miscellaneous Expenses' have been charged to Profit and Loss A/c	4.12	0.00
7.	Capital works-in-progress includes:-		
	a. Expenditure related to Feasibility Study, Statutory Clearances, other enabling works etc.	2952.52	2702.00
	b. Expenditure incurred during the construction period of the project	12346.91	3829.59
8.	The details of foreign exchange payment made during the year		
	a. Capital Goods - Value of imports on CIF	5541.35	303.08
	b. Professional Fees	22.45	45.07
	c. Others	1.08	0.00
9.	Figures of the previous year have been re-grouped wherever necessary.		

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2011** (Rs. in lakh)

	For the year ended 31 st March 2011	For the year ended 31 st March 2010
A. CASH FLOW FROM OPERATING ACTIVITIES	0.00	0.00
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(1067.02)	(42.51)
Advance for capital items	2673.23	(14421.58)
Capital Works-in-progress	(82825.83)	(33114.97)
Interest received	1.73	45.12
Net cash used in investing activities	(81217.89)	(47533.94)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Long term loan	83807.93	11927.07
Issue of shares	4500.00	20000.00
Share application money pending for allotment	0.00	15500.00
Interest paid	(7183.81)	(2707.38)
Net cash used/received in financing activities	81124.12	44719.69
Net cash increase/decrease in cash and cash activities	(93.77)	(2814.25)
Cash and cash equivalents as at the beginning of the year	184.77	2999.02
Cash and cash equivalents as at the end of the year	91.00	184.77

Note:- (-) indicates cash outflow

For and on behalf of the Board

R. JAYASARATHY
COMPANY SECRETARY

K. SEKAR
DIRECTOR

A.R. ANSARI
CHAIRMAN

Place : Chennai

Date : 12.05.2011

* This is the Cash Flow Statement referred to in our report of even date.

For M/s.RAMACHANDRAN & MURALI

Chartered Accountants
Firm Regn.No.002867S

C.S. GOVINDARAM
Partner
M.No.201902

Place : Chennai
Date : 12.05.2011



BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details :

Registration No State Code
 Balance Sheet Date
Date Month Year

II. Capital raised during the year (Amount Rs. in thousands):

Public Issue Rights Issue
 Bonus Issue Private Placement

III. Position of Mobilisation and Deployment of Funds (Amount Rs. in thousands):

Total Liabilities	<input type="text" value="16100000"/>	Total Assets	<input type="text" value="16100000"/>
Sources of Funds			
Paid-up Capital	<input type="text" value="-5000000"/>	Reserves and Surplus	<input type="text" value="- - - - -"/>
Secured Loan	<input type="text" value="11100000"/>	Unsecured Loans	<input type="text" value="- - - - -"/>
Deferred tax liability	<input type="text" value="- - - - -"/>		
Application of Funds			
Net Fixed Assets	<input type="text" value="- - 532746"/>		
Capital Works-in-progress	<input type="text" value="15290745"/>	Investments	<input type="text" value="- - - - -"/>
Advance for Capital items	<input type="text" value="- 2745804"/>	Misc. Expenditure	<input type="text" value="- - - - -"/>
Net Current Assets	<input type="text" value="(-) 2469707"/>		
Accumulated Losses	<input type="text" value="- - - - - 412"/>		

IV. Performance of Company (Amount Rs. in thousands):

Turnover	<input type="text" value="- - - - -"/>	Total Expenditure	<input type="text" value="864275"/>
(+) Profit / (-) Loss Before Tax	<input type="text" value="- - - (-) 412"/>	(+) Profit / (-) Loss After Tax	<input type="text" value="(-) 412"/>
Earning per share in Rs.	<input type="text" value="- - - - -"/>	Dividend @ %	<input type="text" value="- - -"/>

V. Generic Names of three principal products/services of Company : (as per monetary terms):*

Item Code No. (ITC Code)
 Product Description

* The Company is yet to start operation. Being at construction stage, all transaction have been transferred to Pre-operative Expenses/Capital Works-in-Progress, except the Pre-incorporation Expenses which has been carried forward as loss.

