

Schedule forming part of the Profit and Loss Account

SCHEDULE "5" : COMPUTATION OF NET PROFIT IN ACCORDANCE WITH SECTION 309(5) OF THE COMPANIES ACT, 1956 AND COMMISSION PAYABLE TO THE WHOLE-TIME AND OTHER DIRECTORS

	Rupees Crores	Rupees Crores	<i>Previous Year Rupees Crores</i>
Profit before Taxes and Statutory Appropriations as per Profit and Loss Account.		734.27	676.94
Add - Managerial Remuneration	2.22		2.50
Provision for diminution in value of Investments	(6.26)		(14.44)
Provision for Doubtful Debts and Advances (Net)	(14.58)		(7.18)
Provision for Doubtful Deposits	1.27		Nil
		(17.35)	(19.12)
		716.92	657.82
Less - Profit on Sale of Investments (Net)	35.28		30.37
Surplus on buy-back of Euro Notes	Nil		2.32
		35.28	32.69
Net Profit as per Section 309(5)		681.64	625.13
Commission payable to :			
(a) Whole-time Directors (inclusive of short provision of Rs. 0.03 crore of previous year written off - Previous Year excess provision Rs. 0.14 crore)		0.80	0.88
(b) Non Whole-time Directors (net of excess provision of Rs. Nil of previous year written back - Previous Year Rs. 0.11 crore) restricted to		0.50	0.14
		1.30	1.02
Notes :			
(i) For the purpose of the above computation, in respect of assets relating to the electricity business of the Company, depreciation for the year and in respect of discarded assets, has been considered as per the provisions of the Electricity (Supply) Act, 1948, in lieu of depreciation under Section 350 of the Companies Act, 1956. The Company has also received legal opinion supporting this treatment.			
(ii) The Company has been legally advised that commission payable to the non Whole-time Directors in terms of Section 309 and other applicable provisions, if any, of the Companies Act, 1956, does not require the approval of the Central Government. The Company has, therefore, not applied for such approval.			

Signatures to Notes and Schedules "A" to "1" and "1" to "5"

For and on behalf of the Board,

F. A. VANDREVALA
Managing Director.

H. S. VACHHA
Director.

B. J. SHROFF
Secretary.

Mumbai, 21st May, 2004.

Notes forming part of the Accounts

1. Major Accounting Policies :-

(a) Fixed Assets :

- (i) All fixed assets are stated at cost less depreciation. Cost comprises the purchase price and any other applicable costs.
- (ii) In respect of assets relating to the electricity business as Licensee :
 - (a) The net increase/decrease in the Company's liability for repayment of loans for suppliers' credit arrangement for purchase of fixed assets, consequent upon realignments in rupee value in terms of foreign currency values and cost of rollover charges on forward contracts, has been recognised in the Profit and Loss Account over the period of repayment of liabilities on the basis of the realised losses or gains on repayment and the amount of increase/decrease remaining to be charged off on the basis of future repayment is shown as an asset in the Balance Sheet.
 - (b) Borrowing costs in respect of loans acquired for acquisition and construction of fixed assets are charged to the Profit and Loss Account.
- (iii) In respect of assets relating to the business of the Company other than the electricity business as Licensee :
 - (a) The net increase/decrease in the Company's liability for repayment of loans for purchase of fixed assets, consequent upon realignments in rupee value in terms of foreign currency values is adjusted in the carrying amount of the respective fixed assets.
 - (b) Borrowing costs in respect of loans acquired for acquisition and construction of fixed assets are capitalised upto the date the assets are ready for use.

(b) Depreciation / Amortisation :

- (i) Depreciation for the year in respect of assets relating to the electricity business of the Company as Licensee has been provided on straight line method in terms of the Electricity (Supply) Act, 1948 on the basis of Central Government Notification No. S.O. 265(E) dated 27th March, 1994, except that computers acquired on or after 1st April, 1998 are depreciated at the rate of 33.40% p.a. on the basis of approval obtained from the State Government.
- (ii) Depreciation for the year in respect of assets relating to the electricity business of the Company as other than a Licensee has been provided on straight line method in terms of the Electricity (Supply) Act, 1948 on the basis of Central Government Notification No. S.O. 266(E) dated 29th March, 1994.
- (iii) In respect of assets relating to the Broadband and communication business of the Company, depreciation has been provided on straight line method basis at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956.
- (iv) In respect of assets relating to the other business of the Company, depreciation has been provided for on written down value basis at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956, except in the case of technical know-how which is written off on a straight line basis over a period of six years.
- (v) Assets costing less than Rs. 5,000/- are written off in the year of purchase.
- (vi) Leasehold Land is amortised over the period of the lease.
- (vii) Goodwill is amortised over a period of five years.

(c) Investments :

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

(d) Inventories :

Inventories of stores and spare parts and loose tools are valued at or below cost. Cost is ascertained on weighted average basis. Work-in-progress is valued at lower of cost and net realisable value and in the case of electronic products includes attributed profits. Cost includes material costs, labour and manufacturing overheads on the basis of absorption costing.

(e) Taxes on Income :

Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred tax is recognised, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods – (See Note 27). Where there is unabsorbed depreciation or carry forward losses, deferred tax assets are recognised only if there is virtual certainty of realisation of such assets. Other deferred tax assets are recognised only to the extent there is reasonable certainty of realisation in future.

(f) Research and Development Expenses :

Research and Development costs of a revenue nature are charged as an expense in the year in which these are incurred.

(g) Warranty Expenses :

Anticipated product warranty costs for the period of warranty are provided for in the year of sale. Other warranty obligations are accounted for as and when claims are admitted.

(h) Foreign Exchange Transactions :

Monetary assets and liabilities related to foreign currency transactions remaining unsettled at the end of the year are translated at the year-end rate and the difference in translation and realised gains and losses on foreign exchange transactions (other than for fixed assets) are recognised in the Profit and Loss Account. In respect of transactions covered by foreign exchange contracts, the difference between the contract rate and the spot rate on the date of the transaction is charged to the Profit and Loss Account over the period of the contract.

(i) Retirement Benefits :

Provisions for accruing liability for gratuity, pension and leave encashment on separation have been made on the basis of the liability as actuarially determined as at the year-end. There are no separate trust funds in respect of these liabilities.

(j) Revenue Recognition :

(i) Revenue from Power Supply is accounted for on the basis of billings to consumers and is inclusive of Fuel Adjustment Charges.

(ii) Delayed payment charges for power supply are recognised, on grounds of prudence, as and when recovered.

(iii) Revenue in respect of Broadband and communication business is accounted for on the basis of sale of fibre cables and services rendered.

(k) Accounting for Contracts :

In accordance with Accounting Standard AS –7 (Revised) on Construction contracts issued by the Institute of Chartered Accountants of India, income on contracts in respect of the Transmission EPC Business Unit and manufacture of electronic products are accounted on “Percentage of completion” basis measured by the proportion that cost incurred upto the reporting date bear to the estimated total cost of the contract.

(l) Issue Expenses :

(i) Expenses incurred in connection with issue of Rights Shares and Global Depository Shares are amortised over the remaining period of the licence for supply of electricity, in accordance with the treatment adopted for the determination of “Clear Profit” under the Electricity (Supply) Act, 1948. However, the closing balance of the expenditure in connection with Global Depository Shares carried forward under ‘Miscellaneous Expenditure (to the extent not written off)’ has been disclosed as an adjustment against Securities Premium.

(ii) Expenses incurred in connection with the issue of Euro Notes are adjusted against Securities Premium.

(iii) Discount on issue of Euro Notes are amortised over the tenure of the Notes.

(m) Expenditure on Amalgamation :

The expenditure incurred is amortised over a period of five years.

(n) Segment Reporting :

The accounting policies adopted for segment reporting are in line with the accounting policy of the Company. Revenue and expenses have been identified to segments on the basis of their relationship to the operating activities of the segment. Revenue and expenses, which relate to the enterprise as a whole and are not allocable to segments on a reasonable basis, have been included under “Unallocated expenses”.

(o) Payments under Voluntary Retirement Schemes (VRS) :

Liability for Schemes effective from 1st April, 2003 is amortised over a period of thirty six months commencing from the month following the month of separation.

Change in accounting policy – Payments under Voluntary Retirement Schemes (VRS) :

During the year, the Company has changed its accounting policy of charging liability under VRS schemes in the year in which it is incurred to amortising such liability over a period of thirty six months commencing from the month following the month of separation. However, there is no impact on the profits for the year as there is no liability incurred for VRS schemes during the year.

2. With the coming into force of the Electricity Act , 2003 (the Act), the Electricity (Supply) Act, 1948 stands repealed on 10th June, 2003. However, in terms of the Act, the terms and conditions for determination of tariff under the Electricity (Supply) Act, 1948 continue to apply as at 31st March, 2004. Accordingly, the financial statements have been prepared after taking into consideration the provisions of the Sixth Schedule to the Electricity (Supply) Act, 1948.

3. (a) Accounting Standard 16 (AS-16) issued by The Institute of Chartered Accountants of India requires borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying fixed asset to be capitalised upto the date the assets are ready for use. However, in accordance with past practice and consistent with the treatment adopted for determination of "Capital Base" and "Clear Profit" under the Electricity (Supply) Act, 1948, the Company has charged borrowing costs in respect of assets relating to the electricity business of the Company as Licensee to the Profit and Loss Account. The effect on profit for the year and reserves as at the end of the year, if borrowing costs had been capitalised, has not been determined.
- (b) Accounting Standard 11 (AS-11) issued by The Institute of Chartered Accountants of India requires exchange differences arising on repayment/realignment of liabilities incurred for the purpose of acquiring fixed assets, which are carried in terms of historical cost, to be adjusted in the carrying amount of the respective fixed assets. However, in accordance with past practice and consistent with the treatment adopted for determination of "Capital Base" and "Clear Profit" under the Electricity (Supply) Act, 1948, the Company has dealt with such differences in accordance with the accounting policy enunciated in Note 1(a)(ii) above. The effect on profit for the year and reserves as at the end of the year, if exchange differences had been adjusted in the carrying amount of fixed assets, has not been determined.
4. (a) The Company together with the erstwhile The Tata Hydro-Electric Power Supply Company Limited (Tata Hydro) and The Andhra Valley Power Supply Company Limited (Andhra Valley) had in 1999-2000 appropriated in advance through Special Appropriation towards Project Cost an amount of Rs.11.77 crores for which approval of the relevant authorities is needed. Out of this appropriation in advance, a sum of Rs. 5.83 crores had been adjusted (against the amount to be appropriated) during the year 2000-2001 and the balance of Rs. 5.94 crores has been adjusted during the year 2001-2002.
- (b) In terms of an approval from the Government of Maharashtra, the Company was authorised to appropriate a sum of Rs. 153.00 crores over a period of 7 years effective from 1996-97 upto 2003-04 from the income received from investment in units of Unit Trust of India invested out of the Deferred Taxation Liability Fund, towards the cost of the 220 kV South Mumbai Ring System to Special Appropriation towards Project Cost. As there was no income received during 2002-03 on the said units, the Company had appropriated the full income of Rs. 4.37 crores received on other investments of the fund and in addition had appropriated a further amount of Rs. 24.38 crores as Special Appropriation towards Project Cost in respect of which an application has been made to Government of Maharashtra for its approval. During the current year, the Company has further appropriated full income of Rs. 9.90 crores received from tax – free bonds of Unit Trust of India (received in exchange of UTI units of US – 64), and Rs. 2.63 crores received on other investments of the Fund which is subject to the approval of the Government of Maharashtra for which application is to be made.
5. (a) In terms of an order by Maharashtra Electricity Regulatory Commission (MERC) dated 24th November, 2003, the Company's Wind Farm should be treated as a separate business and not as a part of its licensee business. As the power generated from the Wind Farm during the year has been merged with the power supplied to MSEB and the revenues, therefore, received from MSEB at the same rate as applicable to power generated through its licensee assets, the Company has been legally advised that based on the discussions with MSEB and the arrangements arrived at with it, the Wind farm can be treated as a separate business, not forming part of the licensed business, from 1st April, 2004. Consequently for the year ended 31st March, 2004 the Wind Farm has been treated as a part of the Company's licensee business.
- (b) "Reasonable Return" for the purposes of the Sixth Schedule to the Electricity (Supply) Act, 1948 has been computed in accordance with legal advice obtained by the Company regarding the correct interpretation of the Government of India notification dated 5th May, 1999. Any adjustment necessary in this account will be made by adjusting an equivalent amount against the Special Appropriation towards Project Cost after obtaining the approval of the Government of Maharashtra.
6. Contingency Reserve Investments and Deferred Taxation Liability Fund Investments include 6.75% Unit Trust of India-Tax Free US Bonds 2008 of face value Rs. 87.56 crores and Rs. 176.00 crores respectively received on conversion of units in Scheme US-64 which are being carried at the cost at which the units were acquired viz. Rs. 126.94 crores and Rs. 292.09 crores respectively. No provision has been made for diminution in the value of these investments and the loss on realisation of these investments, if any, will be adjusted against the said reserves.
7. (a) Contingencies Reserve No. 1 represents the transfer to such reserves in terms of Para IV of the Sixth Schedule to the Electricity (Supply) Act, 1948.
- (b) Contingencies Reserve No. 2 represents the transfer to such reserves in respect of the "Net surplus on cancellation of forward exchange forward cover contracts", in accordance with the approval of the State Government.
8. The Company has been legally advised that the Company is considered to be established with the object of providing infrastructural facilities and accordingly, Section 372A inserted by the Companies (Amendment) Act, 1999 effective 31st October, 1998 is not applicable to the Company.
9. (a) The Company has in consideration of loan facilities and deferred payment guarantee facilities aggregating to Rs. 1,129.40 crores (31st March, 2003 - Rs. 1,038.10 crores) (amount outstanding as at 31st March, 2004 – Rs.1,040.21 crores) (31st March, 2003 – Rs. 990.50 crores) and Rs. 520.00 crores (31st March, 2003 – Rs. 520.00 crores) (amount outstanding as at 31st March, 2004 – Rs. 366.34 crores) (31st March, 2003 – Rs. 407.20 crores) respectively extended by the Financial Institutions and Banks to Haldia Petrochemicals Limited (HPL), given an undertaking to such Financial Institutions and Banks not to dispose of its investments in HPL without their prior consent so long as any part of the loan/guarantee limits sanctioned by them to HPL remains outstanding.
- (b) (i) The Company has
 - (a) an investment in and outstanding deposits with Tata Teleservices Limited (TTSL) of Rs. 600.00 crores (31st March, 2003-Rs. 500.00 crores) and Rs. Nil (31st March, 2003-Rs. 275.00 crores) respectively;

- (b) given guarantees to third parties on behalf of TTSL aggregating to Rs. 721.00 crores (31st March, 2003-Rs. 880.00 crores) and provided letters of awareness to banks and financial institutions in respect of facilities aggregating to Rs. 90.00 crores (31st March, 2003-Rs. 90.00 crores);
- (c) issued a non-disposal undertaking on existing and future shareholding in TTSL in consideration of a grant of a short term loan of Rs.100.00 crores (31st March, 2003 Rs.100.00 crores) by the institution to TTSL;
- (d) given an undertaking in respect of long term borrowings by TTSL for the AP Circle Project to meet jointly with the other promoters (the Company's Share being 20.36 %) cost over-runs and provide for shortfall in Cash Flow and contribute additional equity as required;and
- (e) in terms of the shareholders agreement, an obligation to subscribe for or arrange along with the participants of the Tata Group, for additional capital as per specified schedule.
- (ii) TTSL Ltd. has accumulated losses as at 31st March, 2004 which have significantly eroded its net worth. In the opinion of the Management, having regard to the long gestation period inevitable in the nature of its business, there is no permanent diminution in the value of the investment.
- (c) The Company has an investment in the Equity Shares of Panatone Finvest Limited (PFL) of Rs. 500.00 crores (31st March, 2003- Rs. 500.00 crores) and has provided guarantees to PFL's bankers for an aggregate amount of Rs. 500.00 crores (31st March, 2003-Rs. 500.00 crores).
- (d) The Company has an investment in the Equity and Preference Shares of Tata Ceramics Limited (TCL) of Rs. 9.11 crores and Rs. 88.04 crores respectively against which a provision for diminution in value of investments of Rs. 55.33 crores has been made in earlier years. TCL has significant accumulated losses but having regard to long term prospects of the Company, in the opinion of the Management there is no additional permanent diminution in value .
- (e) The Company has an investment in Tata Teleservices (Maharashtra) Limited (TTML) of Rs. 115.44 crores and has issued guarantees on behalf of TTML aggregating to Rs. 17.86 crores to TTML 's bankers.
- (f) The Company has provided Undertakings to certain Financial Institutions for non-disposal of its shareholding in North Delhi Power Limited (NDPL) during the tenor of two loans, taken by NDPL from certain Financial Institutions aggregating to Rs. 280.28 crores.
- (g) The Company has an investment in Powerlinks Transmission Ltd. (PTL) of Rs. 66.94 crores and has issued a guarantee on behalf of PTL amounting to Rs. 55.00 crores to Power Grid Corporation of India Limited to secure the performance and obligation of PTL under the Implementation agreement between Power Grid and PTL.
10. Capital commitments not provided for are estimated at Rs.247.23 crores (31st March, 2003 - Rs.194.66 crores).
11. (a) The Company had entered into financial lease agreements in earlier years for assets aggregating to Rs. Nil (31st March, 2003 – Rs. 54.89 crores) taken on lease. Future lease rental obligations on these assets aggregate to Rs. Nil (31st March, 2003 – Rs. 0.70 crore). Lease rentals of Rs. 1.05 crores (2002-2003 - Rs. 2.50 crores) payable for the year have been charged to the Profit and Loss Account.
- (b) Disclosures as required by Accounting Standard (AS-19) issued by The Institute of Chartered Accountants of India are as follows :
- (i) The Company's significant leasing arrangements are in respect of residential flats, office premises, plant and machinery and equipments taken on lease. The arrangements range between 11 months and 10 years generally and are usually renewable by mutual consent or mutually agreeable terms. Only in one arrangement there is an escalation clause. Under these arrangements, generally refundable interest-free deposits have been given. Further, in case of one arrangement, apart from the deposit, a bank guarantee of Rs. 2 crores has been furnished. In respect of the above arrangements, lease rentals payable are recognised in the Profit and Loss Account for the year and included under Rental of Land, Buildings, Plant and Equipment, etc. (disclosed under Operation Expenses in Schedule "2") and Rent (disclosed under Administration Expenses in Schedule "2").
- (ii) Commercial/residential premises have been given on operating lease having original cost of Rs. 20.43 crores and accumulated depreciation of Rs. 2.89 crores as at 31st March 2004. Depreciation on the above assets for the current year is Rs. 0.62 crore. Lease Rental income recognised in the Profit and Loss Account during the year is Rs. 3.34 crores. In case of most of the assets leased, formal agreement is yet to be entered into.
12. 14% Twelfth Debentures of the value of Rs. 56.44 crores, 10.90% Secured Redeemable Debentures of the face value of Rs. 120.00 crores and 10.20% Secured Redeemable Debentures of the face value Rs. 169.00 crores redeemed by the Company have been kept alive for reissue.
13. Other advances [Item (f) – Schedule " G "] includes advance to subsidiaries as follows :
- | | | Rs. in crores | |
|-----|---|---------------|---------------------------|
| | | | As at
31st March, 2003 |
| (a) | Tata Power Trading Company Limited | 0.16 | Nil |
| (b) | Duncans North Hydro Power Company Limited
(Since changed to Alaknanda Hydro Power Company Limited) | 4.26 | Nil |
| (c) | Tata Power Broadband Company Limited | 1.21 | Nil |
14. Under an agreement for an aggregate value of Japanese Yen 1440 million made between the Company, the erstwhile Tata Hydro and Andhra Valley and Kanematsu Corporation, Japan, the Company has obtained supplier's credit for part financing the import of equipment for 245 kV Gas Insulated Switchgear for Borivli Receiving Station. The deferred payment obligations [item (d) - Schedule "D"] under the above arrangements have been guaranteed by State Bank of India.

15. (a) Sundry Creditors [Item (b) under 'Current Liabilities' - Schedule "H"] include Rs. 0.23 crore (31st March, 2003 - Rs.0.27 crore) due to small scale and ancillary undertakings.
- (b) The small scale and ancillary undertakings to whom amount is outstanding for more than 30 days are as follows :
- Yashmun Engineers Limited
 Hercules Mechanical Works
 Leak - Proof Engineering (I) Pvt Ltd.
 Nitin Fire Protection Industries Ltd.
 Nand Kishore Khanna & Sons
 Perfo Mesh
- The above information has been compiled in respect of parties to the extent to which they could be identified as small scale and ancillary undertakings on the basis of information available with the Company.

16. Contingent Liabilities :
- (a) Claims against the Company not acknowledged as debts Rs. 163.17 crores (31st March, 2003 - Rs.103.62 crores).
- (b) Other employee matters – amount not ascertainable.
- (c) Taxation matters for which liability is disputed by the Company and provision is not made (computed on the basis of assessments which have been re-opened and assessments remaining to be completed) :

	Rs. in crores	
		As at 31st March, 2003
(i) Matters on which there are decisions of the appellate authorities in the Company's favour, not accepted by the tax authorities	43.00	37.35
(ii) Other matters in respect of which the Company is in appeal	—	13.48
(iii) Interest and penalty demanded	18.13	27.06
(d) Bonds furnished to Excise authorities	12.00	0.36

Note : If any liability materialises in respect of Items (a) to (c) above, the same would have to be considered for the purposes of the computations and appropriations under the Electricity (Supply) Act, 1948, to the extent it pertains to the licensed business.

17. In respect of the share of Standby Charges billed by Maharashtra State Electricity Board (MSEB) and recoverable from Reliance Energy Limited (REL), the Company has, taken credit for the amount recoverable in terms of the Common Order dated 3rd June, 2003 passed by Honourable Bombay High Court in Maharashtra Electricity Regulatory Commission (MERC) Appeal No. 1 of 2002 and MERC Appeal No.2 of 2002. This amount upto 31st March, 2004 aggregates to Rs.991.00 crores, including Rs.198.00 crores for the year ended 31st March, 2004. However, these amounts have been disputed by REL and only Rs. 809.90 crores has been paid by REL to MSEB through the Company/(MERC) till 31st March, 2004. MERC had heard the dispute and issued an Order on 7th December, 2001. This order was challenged by both parties before the Honourable High Court which has by its said order dated 3rd June, 2003 remanded the matter back to MERC. Appeals by both parties to the Supreme Court against the said Order of the Honourable High Court have been dismissed and the matter has been remanded back to MERC. Hearing of the matter on the remand has concluded and MERC's order is awaited. Further pending MERC's order, no adjustment has been made for the amounts payable as per the MERC Order of Rs. 62.44 crores for 1999-2000 or for the shortfalls (amount not ascertained) for the years 2000-01, 2001-02, 2002-03 and 2003-04.
18. (a) (i) Provision has been made in the accounts for supply of gas upto 29th January, 1987 by Oil and Natural Gas Commission (ONGC) on the basis of their bills. The Company has been advised that the price at which the gas is billed is to be treated as provisional. The Company has not accepted this position.
- (ii) In respect of gas supplied by ONGC from 30th January, 1987 to 15th May, 1992, transportation charges have been billed on a provisional basis. The Company has also been advised that the excise duty and octroi, if levied, on the price of gas, together with the sales tax on the excise duty, transportation charges and octroi would be recovered from the Company.
- (iii) In respect of gas purchased from ONGC and later from GAIL, claims aggregating to Rs. 40.09 crores (31st March, 2003- Rs. 40.09 crores) has been made on the Company towards shortfall in the off take of minimum guaranteed quantities of gas during the period from 1st April, 1992 to 31st March, 2001 which claims have been contested by the Company.

- (iv) In respect of supply of fuel by Hindustan Petroleum Corporation Limited, the Company has not accepted claims for quantities billed which are in excess of the Company's meter readings. The amount of such claims not provided for aggregates Rs. 3.74 crores (31st March, 2003 – Rs.3.74 crores).
- (b) If any amount is payable by the Company in respect of the items referred to in (a) above, the same would be recoverable as part of fuel surcharge from the consumers. No provision has, therefore, been made in the accounts in respect of these items.
19. The Wage Agreement entered by the Company with the employees, expired on 31st December, 2001 and a fresh Agreement is under negotiation. Pending finalisation of these negotiations, provision on an estimated basis has been made during the year, in addition to provision made last year on this account and is included in Item 1 (a) of Schedule "2" and no separate allocation has been made toward the Company's contribution to Provident and other Funds etc. included therein. Any adjustment necessary consequent on final determination of the liability pertaining to the period from 1st January, 2002 to 31st March, 2004 will be made in the year in which such negotiations are concluded.
20. Income in respect of Broadband services rendered [item (c) – Schedule "1"] includes Rs. 17.78 crores, Rs. 5.36 crores , Rs. 5.23 crores and Rs. 2.27 crores on account of revenue from Infrastructure Provider Category II (IP II), Infrastructure Provider Category I (IP I), Internet Service Provider (ISP) and Sale of dark fibres respectively. Interest on government and other securities, loans, advances, deposits etc [item (a) – Other Income - Schedule "1"] include Rs. 0.30 crore and Rs. 0.19 crore on account of revenue from IP II and IP I .
21. Rates and Taxes [item 2(d) – Schedule "2"] include write back of provision made in the earlier years towards property tax payable aggregating to Rs. Nil (31st March, 2003 – Rs.11.33 crores) consequent to finalisation of rateable value.
22. The Company has paid during the year monthly payments aggregating to Rs.0.51 crore (Previous year – Rs. 0.33 crore) under post retirement scheme to former Managing/Executive Directors.
23. Information in regard to components consumed relating to the manufacturing activities of the Company :

			2002-2003	
	Nos.	Rs. crores	Nos.	Rs. crores
(i) Integrated Circuits.....	17383	2.83	13796	1.51
(ii) Others (including diodes, transistors, printed circuit boards, etc.) .		15.65		11.23
		<u>18.48</u>		<u>12.74</u>

24. (a) Total number of units sold during the year - 12231 M.U. (2002-2003 - 12318 M.U.).
 (b) Total number of units purchased during the year – 44 M.U. (2002-2003 – 37 M.U.).
25. Turnover, opening and closing stock relating to the manufacturing activities of the Company :

Class of Products

Turnover
Rs. in crores

			2002-2003	
	Nos.	Value	Nos.	Value
(i) Ruggedised Minicomputer/Microprocessor based Systems.....	184	23.96	62	14.32
(ii) Platform Servo Controller Systems	8	2.89	2	0.65
(iii) Global Positioning Systems	—	—	78	0.64
(iv) Sonobuoys	325	0.98	—	—
(v) Sub systems for Airborne Applications	15	0.19	11	0.13
(vi) Sub systems for Locomotive	—	—	—	—
(vii) Software	18	4.11	—	—
(viii) System for Vehicle Mounting Application	40	5.55	2	10.46
(ix) VM Tactical Display Control & ATC Control	6	11.00	15	13.46
(x) Spares	—	6.38	—	—
(xi) Others	—	0.02	—	0.14
(xii) Simulators	—	—	—	0.14
(xiii) Energy Meters	10*	0.02	115*	0.03
(xiv) Radar Data Processor	8	3.55	1	0.58
		<u>58.65</u>		<u>40.55</u>

Opening stock and closing stock in respect of the above items - Nil.

* excludes internal consumption – 1000 Nos. (2002-03-1830 Nos.)

26. In respect of the contracts pertaining to the Transmission EPC business Unit, disclosures required as per AS-7 (Revised) are as follows :

- i) Contract revenue recognised as revenue during the year Rs.103.92 crores.
- ii) In respect of contracts in progress :
 - a) The aggregate amount of costs incurred and recognised profits upto 31st March, 2004 Rs. 106.21 crores.
 - b) Advances and progress payments received as at 31st March, 2004 Rs.25.89 crores.
 - c) Retention money included as at 31st March, 2004 in Sundry Debtors Rs.6.10 crores.
- iii) Gross amount due to customers for contract work as a liability Rs. 3.49 crores.
Further cost of materials and erection charges for Transmission EPC business Unit comprises of.

	Rs. crores	
	2003-04	2002-03
Material Cost	65.19	20.75
Sub-Contracting charges	31.93	2.33
	<u>97.12</u>	<u>23.08</u>

27. Consequent on the application of Accounting Standard 22 (AS-22) "Accounting for Taxes on Income" which became effective from 1st April, 2001 :

- (a) In respect of the licensed business there is, on the difference between the written down values of fixed assets (including foreign exchange fluctuations on approved borrowings) as per the Electricity (Supply) Act, 1948 and the Income-tax Act, 1961, a deferred tax liability of Rs.392.69 crores as at 31st March, 2004 (*Rs. 419.56 crores as at 31st March, 2003*). In terms of an approval in principle from the Government of Maharashtra, a Special Appropriation (subject to the approval of the Government) of Rs. 22.93 crores in 2002-03 and Rs. 106.63 crores in 2001-02 have been made to the Deferred Taxation Liability Fund. Further, no adjustment has been made to the Deferred Taxation Liability Fund during the year ended 31st March, 2004 on account of reversal of deferred tax liability of Rs. 26.87 crores.
- (b) In respect of the non-licensed business and other adjustments relating to licensed business there is a net deferred tax asset of Rs. 37.24 crores as at 31st March, 2004 (*asset of Rs.20.57 crores as at 31st March, 2003*).

	Rs. crores	
	2003-04	2002-2003
Deferred Tax Liability:		
Arising on account of timing differences in:		
Depreciation	441.76	466.70
Less : Balance in deferred tax liability fund	419.56	419.56
Less : Reversal of deferred tax liability, not adjusted	26.87	—
	<u>49.07</u>	<u>47.14</u>
	(A)	(A)
Deferred Tax Assets :		
Arising on account of timing differences in :		
Provision for doubtful debts and advances	11.47	16.24
Provision for tax, duty, cess, fee	25.20	20.06
Provision for gratuities	20.72	19.32
Provision for leave encashment	4.75	3.35
Others	24.17	8.74
	<u>86.31</u>	<u>67.71</u>
	(B)	(B)
Net Deferred Tax Liability/(Asset)	<u>(37.24)</u>	<u>(20.57)</u>
	(A) – (B)	(A) – (B)

- (c) Consequent to the Accounting Standards Interpretation (ASI) 3 issued by The Institute of Chartered Accountants of India, in the previous year deferred tax liability created in 2001-02 in respect of units entitled to deduction under Section 80 IA, had been adjusted during the year ended 31st March, 2003. An amount of Rs.95.93 crores in respect of deferred tax liability applicable to the period prior to 1st April, 2001 was credited to the General Reserve and an amount of Rs. 67.36 crores was credited to the Profit and Loss Account for the year ended 31st March, 2003.

		Rs. crores	
			2002-2003
28. (a) (i)	Managerial Remuneration for Directors.....	2.17	2.45
(ii)	The above is inclusive of :		
(a)	Estimated value of benefits in cash or in kind provided to Whole-time Directors	0.34	0.38
(b)	Contribution to Provident & Other Funds	0.08	0.10
(c)	Commission to Directors	1.30	1.02
(iii)	Directors' Sitting Fees	0.05	0.04
(b)	Managerial Remuneration shown above is inclusive of :		
(i)	Rs. 0.03 crore (31st March, 2003 - net of Rs. 0.25 crore being write back of excess provision) being charge due to short provision for commission relating to the previous year;		
(ii)	Rs. 0.03 crore (31st March, 2003 - Rs. Nil) paid to Ex-Managing Director for leave encashment in respect of period of service with the Company.		

		Rs. crores	
			2002-2003
29.	Details of Auditors' Remuneration :		
(i)	Audit fees #	0.54	0.54
(ii)	Fees for taxation matters **	0.16	0.16
(iii)	Fees for company law matters	*	*
(iv)	Fees for other services @	0.69	0.28
(v)	Reimbursement of out-of-pocket expenses (included under Miscellaneous Expenses)	0.01	0.01
#	Includes Service Tax Rs.0.04 crore (2002-2003 - Rs.0.04 crore).		
**	Includes Service Tax Rs.0.01 crore (2002-2003 - Rs.0.01 crore).		
@	Includes Service Tax Rs.0.05 crore (2002-2003 - Rs.0.01 crore).		

30. Licensed and installed capacities and production relating to the manufacturing activities of the Company

Class of Products	Licensed Capacity	Installed Capacity@	Production	2002-2003		
				Licensed Capacity	Installed Capacity@	Production
	Nos.	Nos.	Nos.	Nos.	Nos.	Nos.
(i) Video Mappers	15	15	—	15	15	—
(ii) Tactical Display Consoles	50	15	6	50	15	15
(iii) Ruggedised Minicomputer/ Microprocessor based Systems	70	200	184	70	70	62
(iv) Simulators	30	5	—	30	5	—
(v) Platform Servo Controller System with Microprocessor Console Option	20	10	8	20	5	2
(vi) Sonobuoys	3000	500	325	3000	500	—
(vii) AMTI/Radar Data Processor	10	10	8	10	10	1
(viii) Air Traffic Control Display	20	20	—	20	20	—
(ix) Display Test Sets	50	20	—	50	20	—
(x) Low Frequency Receivers	20	10	—	20	10	—
(xi) GPS Receivers	—	500	—	—	500	78
(xii) Sub systems for Airborne Applications .	—	500	15	—	500	11
(xiii) Switched Mode Power Supplies	400	—	—	400	—	—
(xiv) Modems	200	—	—	200	—	—
(xv) Power Line Monitors	200	—	—	200	—	—
(xvi) Sub systems for Locos	—	20	—	—	20	—
(xvii) Voltage Stabiliser	—	50000	—	—	50000	—
(xviii) System for vehicle mount application ..	—	40	40	—	5	2
(xix) Energy Meters	—	10000	1010	—	10000	1945

@ As certified by the concerned Senior Manager and accepted by the Auditors.

TATA POWER

Eighty-fifth annual report 2003-2004

The Tata Power Company Limited

		Rs. crores	
		2002-2003	
31.	(a) C.I.F. value of imports :		
	(i) Capital goods	18.25	58.36
	(ii) Components and spare parts	8.47	9.69
	(iii) Fuel	287.69	503.26
	(b) Expenditure in foreign currency :		
	(i) Professional and consultation fees	5.37	12.54
	(ii) Interest and commitment charges	115.50	133.24
	(iii) Other matters	17.85	12.83
	(c) Value of components, stores and spare parts consumed :		
	(1) Relating to activities other than manufacturing activities (including fuel consumed and stores consumption included in Repairs and Maintenance and Other Operation Expenses) :		

		Rs. crores			
		2002-2003			
	(i) Imported	436.13	22.73%	756.86	35.76%
	(ii) Indigenous	1,482.64	77.27%	1,359.50	64.24%
		<u>1,918.77</u>	<u>100.00%</u>	<u>2,116.36</u>	<u>100.00%</u>
	(2) Relating to manufacturing activities :				
	(i) Imported	8.14	44.05%	6.83	53.61%
	(ii) Indigenous	10.34	55.95%	5.91	46.39%
		<u>18.48</u>	<u>100.00%</u>	<u>12.74</u>	<u>100.00%</u>

(d) Remittances by the Company in foreign currencies for dividends (including amounts credited to Non-Resident External Accounts) :
In respect of the Company

Dividend for the year ended

	31st March, 2003	2002-2003 31st March, 2002
No. of non-resident shareholders	2,368	2,482
No. of Equity Shares of face value Rs.10 each held	34,75,105	36,59,687
Amount of Dividend Rs. (crores)	2.26	1.45

The above excludes Rs.0.71 crore (2002-2003 - Rs.0.50 crore) being dividend remitted to non-resident depository of the Global Depository Shares holding 10,85,530 shares (2002-2003 - 12,73,720 shares).

		Rs. crores	
		2002-2003	
(e)	Earnings in foreign exchange :		
	(i) Interest	41.75	49.27
	(ii) Export on FOB basis	6.84	16.23
	(iii) Others	Nil	2.32

32. Disclosure as required by Accounting Standard 18 (AS-18) 'Related Party Disclosures' issued by The Institute of Chartered Accountants of India are as follows :

Names of the related parties and description of relationship :

(a) Related parties where control exists :
Subsidiaries

Af-Taab Investment Co. Ltd.
Chemical Terminal Trombay Ltd.
Tata Petrodyne Ltd.
Tata Power Trading Co. Ltd. (w.e.f. 31.12.03)
Tata Power Broadband Co. Ltd. (w.e.f. 19.11.03)
Duncans North Hydro Power Co. Ltd. (w.e.f. 16.12.03)
(Since changed to Alaknanda Hydro Power Co. Ltd.)
Powerlinks Transmission Ltd. (w.e.f. 07.07.03) (also a Joint Venture)

(b) Other related parties (where transactions have taken place during the year) :

(i) Associates

Aerospace Systems Pvt. Ltd.*
Dynamic Advertising & Research Team Ltd.*
Nelco Ltd.
Pاناتone Finvest Ltd.
Rujvalika Investments Ltd.
Tata Ceramics Ltd.
Tata Projects Ltd.
Tata Services Ltd. (upto 23.12.03)

- (ii) Joint Venture
 (iii) Promoters holding together with its Subsidiary is more than 20%
- (c) Key Management Personnel
- Tata Teleservices Ltd.
 Yashmun Engineers Ltd.
 Tata BP Solar India Ltd.
 North Delhi Power Ltd.
 Tata Sons Ltd.
- Vandrevala F.A.
 Kukde P.K.

* Through Subsidiary Companies

(d) Details of Transactions :

Rs. crores

	Subsidiaries	Associates	Joint Venture	Key Management Personnel	Promoters
Purchases of goods	0.56	0.46			
	—	0.75			
Sale of goods and scrap	0.09		0.61		
	—		0.16		
Purchase of fixed assets		3.02	—		
		62.94	0.04		
Rendering of services	9.08	19.78	2.26		0.02
	0.98	0.40	4.19		0.10
Receiving of services	0.05	12.09	—		0.71
	0.04	12.06	*		0.91
Management contracts					10.22
					10.44
Guarantee and collaterals	55.00	1251.00			
	—	1570.00			
Interest received	14.93	26.36		0.01	0.06
	21.63	27.92		0.01	—
Dividend received	1.06	3.62			1.49
	2.03	14.71			3.75
Dividend paid	0.03			—	36.97
	0.02			*	28.44
Guarantee commission received		2.59			
		3.05			
Guarantee commission paid					—
					0.16
Deposits given	290.93	250.10	—		35.00
	290.73	308.00	1.50		—
Refunds towards deposits given	292.41	500.00			35.00
	320.84	243.00			—
Refund of advances			—		
			2.20		
Equity contribution (including advance towards equity contribution)	101.84	100.00	—		
	—	237.00	180.32		
Redemption of Preference Shares					—
					15.00
Remuneration paid				1.53	
				2.50	
Loans repaid				0.01	
				0.07	
Advances received		—			
		0.01			
Advances given	0.20				
	—				
<u>Debit balances outstanding</u>					
Deposits given (including interest accrued)	198.38	27.48			
	216.79	275.16			
Other receivables	8.15	4.86	1.69		—
	0.05	0.43	3.29		0.02
Loans				0.18	
				0.19	
<u>Credit balances outstanding</u>		3.81		0.80	10.22
		1.78		1.05	10.44
Guarantees and Collaterals outstanding .	55.00	1311.00			
	—	1570.00			

Note : Previous year's figures are in italics.

Details of material related party transactions [included under (d) above] :

Rs. crores

	Subsidiary			Associates		
	Af-Taab Investment Co. Ltd.	Tata Petrodyne Ltd.	Powerlinks Transmission Ltd. (also a Joint Venture)	Tata Teleservices Ltd.	Panatone Finvest Ltd.	Nelco Ltd.
Purchase of Fixed Assets						2.65
Guarantees & Collaterals given				751.00	500.00	
Guarantee Commission received				2.59		
Interest received	9.39	5.50		25.69		
Deposits given	100.93	180.00		225.00		
Refunds towards deposits given	115.71	166.70		500.00		
Equity Contribution (including advance towards equity contribution)	29.69		66.94	100.00		

33. Disclosures as required under Clause 32 of listing agreement :

Loans and Advances in the nature of Loans to Subsidiaries and Associates

	Name	Amount Outstanding as at the year end **	Maximum Amount outstanding during the year	Investments in Company's Shares (Nos.)
Subsidiary	# Aftaab Investment Co. Ltd.	146.86	224.08	Nil
"	Tata Petrodyne	<i>161.64</i>	<i>166.51</i>	<i>Nil</i>
"	# Chemical Terminal Trombay Ltd.	42.80	48.00	Nil
"		<i>29.50</i>	<i>92.62</i>	<i>Nil</i>
Associates	# Panatone Finvest Ltd.	Nil	10.00	40,058
"	@Tata Teleservices Ltd.	<i>Nil</i>	<i>Nil</i>	<i>Nil</i>
"	* Nelco Ltd.	25.10	25.10	Nil
"		<i>Nil</i>	<i>Nil</i>	<i>Nil</i>
"	Nelco Ltd.	Nil	290.00	Nil
"		<i>275.00</i>	<i>280.00</i>	<i>Nil</i>
"		1.65	1.65	Nil
"		<i>1.65</i>	<i>1.65</i>	<i>Nil</i>
"	Nelco Ltd.	Nil	Nil	Nil
"		Nil	3.00	Nil
Promoters	# Tata Sons	Nil	35.00	56,879,052
"		<i>Nil</i>	<i>Nil</i>	<i>56,879,052</i>
Parties in which Directors are interested (Section 301)	Rallis India Ltd.	15.00	20.00	Nil
"		<i>15.00</i>	<i>15.00</i>	<i>Nil</i>
"	Tata Internet Services Ltd.	Nil	18.00	Nil
"		<i>18.00</i>	<i>18.00</i>	<i>Nil</i>
"	Tata Advanced Materials Ltd.	Nil	Nil	Nil
"		<i>Nil</i>	<i>0.40</i>	<i>Nil</i>
"	Tata Industries Ltd.	Nil	Nil	2,68,000
"		<i>Nil</i>	<i>15.00</i>	<i>2,68,000</i>
"	Tata SSL Ltd.	Nil	Nil	Nil
"		<i>Nil</i>	<i>10.00</i>	<i>Nil</i>
"	Nelito Systems Ltd.	1.27	1.33	Nil
"		<i>1.33</i>	<i>1.33</i>	<i>Nil</i>

Previous year's figures are in Italics.

* No repayment schedule.

@ Including Rs. 205 crores as at 31st March 2003 without repayment schedule.

On call – no repayment schedule.

** Excluding accrued interest.

34. Segment Information:
(a) Primary Segment Information :
REVENUE

External Revenue

Inter-segment Revenue

Total Revenue

RESULT

Total Segment Results

Interest Expense

Unallocable Income net of unallocable expense

Income Taxes

Profit after Tax

OTHER INFORMATION

Segment Assets

Unallocated Assets

Total Assets

Segment Liabilities

Unallocated Liabilities

Total Liabilities

Capital Expenditure

Non-cash Expenses other than Depreciation/Amortisation

Depreciation/Amortisation

Rs. crores

	Power	Others	Eliminations	Total
External Revenue	4,042.37	196.71		4,239.08
Inter-segment Revenue	4,229.82	69.93		4,299.75
	0.56	2.13	(2.69)	—
	—	0.21	(0.21)	—
Total Revenue	<u>4,042.93</u>	<u>198.84</u>	<u>(2.69)</u>	<u>4,239.08</u>
	4,229.82	70.14	(0.21)	4,300.50
Total Segment Results	858.22	16.78		875.00
Interest Expense	875.64	3.49		879.13
				(265.83)
				(308.27)
Unallocable Income net of unallocable expense				125.10
Income Taxes				106.08
				(225.19)
				(157.02)
Profit after Tax				<u>509.08</u>
				519.92
Segment Assets	4,312.63	295.65		4,608.28
Unallocated Assets	4,816.59	215.17		5,031.76
				3,618.12
				3,656.47
Total Assets				<u>8,226.40</u>
				8,688.23
Segment Liabilities	953.62	80.71		1,034.33
Unallocated Liabilities	1,076.89	61.91		1,138.81
				2,183.54
				2,870.99
Total Liabilities				<u>3,217.87</u>
				4,009.80
Capital Expenditure	216.68	23.43		240.11
	209.49	33.02		242.51
Non-cash Expenses other than Depreciation/Amortisation	97.98	2.14		100.12
	98.18	2.42		100.60
Depreciation/Amortisation	319.22	14.73		333.95
	314.97	3.07		318.04

Types of products and services in each business segment :

Power – Generation, Transmission and Distribution of Electricity.

Others – Electronics, Broadband Services, Project Consultancy etc.

1. Revenue from Power Supply.....
2. Income from Operations
 - a. Sale of Electronic Products (net of excise)
 - b. Other Operations
3. Net adjustments in respect of Previous Years

Rs. crores

		2002-2003
Revenue from Power Supply	3,991.77	4,193.53
Income from Operations		
a. Sale of Electronic Products (net of excise)	55.99	39.80
b. Other Operations	189.50	66.42
	245.49	106.22
Net adjustments in respect of Previous Years	1.82	—
	<u>4,239.08</u>	<u>4,299.75</u>

(b) Secondary Segment Information :

The export turnover of the Company being 0.17% of the total turnover, there are no reportable geographical segments.

35. Interest in Joint Ventures :

The Company's interests, as a venturer, in jointly controlled entities are :

Name	Country of Incorporation	Principal activities	Percentage of Voting Power as at 31st March, 2004
North Delhi Power Ltd.	India	Distribution of Power	49
Powerlinks Transmission Ltd.	India	Transmission Project	51

The Company's interests in these Joint Ventures are reported as Long Term Investments (Schedule 'F') and stated at cost less provision, if any, for permanent diminution in value of such investments. The Company's share of each of the assets, liabilities, income and expenses, etc. (each without elimination of the effect of transactions between the Company and the Joint Ventures) related to its interests in these Joint Ventures are :

		Rs. crores	
		2002-03	
I. ASSETS			
1. Fixed Assets		542.83	441.27
2. Investments		2.96	Nil
3. Current Assets, Loans and Advances			
(a) Inventories		15.18	10.28
(b) Sundry Debtors		111.38	76.45
(c) Cash and Bank Balances		39.11	9.01
(d) Other Current Assets		Nil	Nil
(e) Loans and Advances		10.62	6.09
4. Miscellaneous Expenditure (to the extent not written off)		42.28	Nil
II. LIABILITIES			
1. Loan Funds			
(a) Secured Loans		339.36	286.24
(b) Unsecured Loans		3.38	Nil
2. Capital Grants		4.75	Nil
3. Consumer Contribution for Capital Works		6.96	Nil
4. Current Liabilities and Provisions			
(a) Liabilities		116.46	51.12
(b) Provisions		3.73	1.69
5. Deferred Tax - Net		17.23	6.95
III. INCOME			
1. Sales		628.47	430.00
2. Other Income		20.12	11.37
3. Prior Period Income		10.93	Nil
IV. EXPENSES			
1. Cost of Power Purchased		425.40	293.49
2. General, Distribution, Administration and Other Expenses		135.14	77.88
3. Tax on Sale of Electricity		27.38	18.40
4. Depreciation/Amortisation		42.89	32.10
5. Interest		2.06	0.17
6. Provision for Taxation		12.35	8.46
V. OTHER MATTERS			
1. Contingent Liabilities		125.60	2.28
2. Capital Commitments		498.43	60.78

Further, in accordance with Accounting Standard -27 "Financial Reporting of Interests in Joint Ventures" issued by The Institute of Chartered Accountants of India, the jointly controlled entity "India Natural Gas Company Private Ltd." has not been considered as the company is under members voluntary winding up.

36. Previous year's figures have been restated, wherever necessary, to conform to this year's classification. Figures are rounded off to nearest lakh. Figures below Rs. 50,000 are denoted by '*'. .

Statement Pursuant to Part IV of Schedule VI to the Companies Act, 1956 :

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

 Registration No.

1	1	-	0	0	5	6	7
---	---	---	---	---	---	---	---

 Balance Sheet Date

3	1	0	3	2	0	0	4
---	---	---	---	---	---	---	---

Date Month Year

 State Code

1	1
---	---

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

 Public Issue

								N	I	L
--	--	--	--	--	--	--	--	---	---	---

 Bonus Issue

										N	I	L
--	--	--	--	--	--	--	--	--	--	---	---	---

 Rights Issue

								N	I	L
--	--	--	--	--	--	--	--	---	---	---

 Private Placement

										N	I	L
--	--	--	--	--	--	--	--	--	--	---	---	---

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

 Total Liabilities

		6	7	7	1	7	6	1	1
--	--	---	---	---	---	---	---	---	---

 Total Assets

		6	7	7	1	7	6	1	1
--	--	---	---	---	---	---	---	---	---

Sources of Funds :

 Paid-up Capital

			1	9	7	9	1	5	8
--	--	--	---	---	---	---	---	---	---

 Reserves & Surplus
(Including Special Appropriation towards Project Cost - 53,36,129 and Capital Contributions from Consumers - 4,18,003)

		4	8	5	2	4	1	9	2
--	--	---	---	---	---	---	---	---	---

 Secured Loans

			7	2	1	7	3	2	7
--	--	--	---	---	---	---	---	---	---

 Unsecured Loans

			9	9	9	6	9	3	4
--	--	--	---	---	---	---	---	---	---

Application of Funds :

 Net Fixed Assets

		3	4	7	6	7	0	9	9
--	--	---	---	---	---	---	---	---	---

 Investments

		2	7	2	8	8	3	3	0
--	--	---	---	---	---	---	---	---	---

 Net Current Assets

			5	1	3	3	5	2	9
--	--	--	---	---	---	---	---	---	---

 Miscellaneous Expenditure

				1	5	6	2	9	6
--	--	--	--	---	---	---	---	---	---

 Deferred Tax Asset

			3	7	2	3	5	7
--	--	--	---	---	---	---	---	---

 Accumulated Losses

								N	I	L
--	--	--	--	--	--	--	--	---	---	---

IV. Performance of the Company (Amount in Rs. Thousands)

 Turnover (Total Income)

		4	3	9	9	0	7	4	3
--	--	---	---	---	---	---	---	---	---

 Total Expenditure

		3	6	6	4	8	0	0	4
--	--	---	---	---	---	---	---	---	---

 + - Profit/(Loss) Before Tax

7	3	4	2	7	3	9
---	---	---	---	---	---	---

 + - Profit/(Loss) After Tax

5	0	9	0	8	3	9
---	---	---	---	---	---	---

Please tick appropriate box (+ for Profit, - for loss)

 Earnings per Share in Rupees (Rs.)
 (on profit after taxes)

		2	5	.	7	2
--	--	---	---	---	---	---

 (on distributable profits)

		2	3	.	5	9
--	--	---	---	---	---	---

 Dividend Rate (%)

		7	0
--	--	---	---

V. Generic Names of Three Principal Products/Services of Company (as per Monetary terms)

Item Code Nos. (ITC Codes)	Product Descriptions
N . A	P O W E R
N . A	E L E C T R O N I C P R O D U C T S
N . A	T E C H N I C A L S E R V I C E S

Performance Perspective

(Rs. Crores)

	1999-00	2000-01	2001-02	2002-03	2003-04
Sales	2781	3405	3803	4300	4239
Sales in MUs	9205	9324	11107	12318	12231
Other Income	365	246	356	152	160
PBT and Statutory Appropriations	664	530	672	677	734
Distributable profits	417	363	381	450	467
EPS (Rs.) (on Profit after taxes)	21	20	26	26	26

Financial Statistics

BALANCE SHEET – KEY DETAILS

(Rs. Crores)

As on	Capital	Shareholders' Reserves	Statutory Reserves	Borrowings	Gross Block	Depreciation	Net Block	Investments	Debt/Equity Ratio
31-3-1995	109.02	584.51	350.94	913.50	1493.67	192.44	1301.23	495.16	0.87:1
31-3-1996	109.00	636.15	490.09	781.21	1493.16	265.83	1227.33	556.26	0.63:1
31-3-1997	115.06	798.07	511.59	706.06	1641.83	341.84	1299.99	613.04	0.50:1
31-3-1998	115.22	899.94	524.60	1125.91	1747.36	431.64	1315.72	1069.03	0.73:1
31-3-1999	115.45	1006.02	546.90	1225.94	1895.09	523.70	1371.39	1208.15	0.73:1
31-3-2000	115.54	1168.44	572.60	1248.01	2041.21	622.19	1419.02	1354.92	0.67:1
31-3-2001	197.91	2507.12	1163.03	2597.89	5046.89	1446.88	3600.01	1505.19	0.67:1
31-3-2002	197.91	2744.66	1290.07	2788.93	5531.17	1724.57	3806.60	1882.09	0.66:1
31-3-2003	197.91	3162.38	1359.97	2399.20	5708.74	2034.74	3674.00	2451.83	0.51:1
31-3-2004	197.92	3450.28	1402.14	1721.42	5841.09	2364.36	3476.73	2728.83	0.34:1

PROFIT AND LOSS ACCOUNT

(Rs. Crores)

Year	Gross Revenue	Cost of Power Purchased	Operation Expenses (incl. fuel)	Depreciation	Interest	Taxes	Statutory Appropriations	Distributable Profits	Retained Profits	Dividends	Rate of Equity Dividend (%)
1994-95	1089.72	286.03	539.00	55.34	82.04	7.80	45.37	74.14	58.86	15.28	30
1995-96	1243.70	148.03	630.06	74.56	78.88	89.18	138.07	84.92	56.79	28.13	35
1996-97	1262.36	170.07	737.74	77.23	75.71	87.56	6.83	107.22	68.52	38.70	35
1997-98	1308.35	155.54	724.51	91.70	88.31	87.96	17.08	143.25	104.53	38.72	37
1998-99	1268.70	172.31	658.21	94.61	98.89	83.07	16.00	145.61	102.59	43.02	37
1999-00	1570.93	186.87	849.30	100.60	104.54	97.59	25.23	206.80	163.79	43.01	42
2000-01	3650.65	401.28	2283.90	204.55	230.91	140.42	26.31	363.28	315.34	47.94 [#]	50
2001-02	4159.08	399.03	2507.97	281.65	298.59	163.61	126.85	381.38	224.82 ^{##}	99.06	50
2002-03	4451.78	406.90	2708.69	318.04	341.21 ^{&}	157.02	69.91	450.01	271.54 [@]	128.78	65
2003-04	4399.07	409.49	2637.64	333.95	283.72 ^{&}	225.19	42.16	466.92	362.61 ^{\$}	138.69	70

[#] Including net reversal of provision for dividend for earlier years Rs. 0.63 crore.

^{##} Net of Transfer to Debenture Redemption Reserve Rs. 57.50 crores.

[@] Net of Transfer to Debenture Redemption Reserve Rs. 49.69 crores.

^{\$} Includes transfer from Debenture Redemption Reserve Rs. 34.38 crores.

[&] Includes Finance charges.

Important Ratios

(for the year ended 31st March, 2004)

Sales/Total Fixed Assets	0.72:1
Operating Profit/Capital Employed	21%
Return on Networth	13%
Profit/Sales	12%

The figures from the year ended 31st March, 2001 represent the merged entity consequent upon the amalgamation of The Andhra Valley Power Supply Co. Ltd. and The Tata Hydro-Electric Power Supply Co. Ltd. with the Company effective 1st April, 2000 whereas the figures for the previous years represent The Tata Power Co. Ltd. (without amalgamation) and hence are not comparable.

Report on Corporate Governance

Company's Philosophy on Corporate Governance

Good corporate governance helps to achieve excellence to further enhance stakeholders' value by focusing on long-term stakeholder value creation without compromising on integrity, social obligations and regulatory compliances. Hence, it has always been an integral part of your Company's philosophy. The Company's management firmly believes that good corporate governance should be internally driven and not to be looked upon just as an issue of compliance dictated by statutory requirements.

The Corporate Governance philosophy has been further strengthened with the adoption of the Tata Business Excellence Model to drive excellence in all areas of its functioning while upholding the highest levels of values and business ethics as also the Balanced Score Card methodology for tracking progress on longer term strategic goals. The Company has also adopted the Tata Code of Conduct to serve as the standard of values, ethics and business principles.

Your Company has complied with the requirements of the Corporate Governance Code, the disclosure requirements of which are given below :

Board of Directors

> Composition :

The Board of Directors has ten members, out of whom two are Executive Directors and eight are Non-Executive Directors (NEDs) who bring in a wide range of skills and experience to the Board. The Company has a Non-Executive Chairman and the number of Independent Directors is more than one-third of the total number of Directors. The composition of the Board is in conformity with Clause 49 of the Listing Agreement.

None of the Directors on the Board is a Member on more than 10 Committees and Chairman of more than 5 Committees (as specified in Clause 49), across all the Companies in which he is a Director. The necessary disclosures regarding Committee positions have been made by the Directors.

The composition of the Board as on 31st March 2004 was as under :

Name of the Director and Business Relationship	Category of Directorship	*No. of other Directorships	#No. of other Committee Members held		No. of Board Meetings attended during the year	Attendance at the 84th Annual General Meeting held on 4th August 2003
			Chairman	Member		
Mr. R. N. Tata, Chairman	Promoter, Non-Executive	12	–	7	5	Yes
Mr. Syamal Gupta	Promoter, Non-Executive	11	–	7	5	Yes
Mr. R. Gopalakrishnan	Promoter, Non-Executive	13	1	8	5	Yes
Mr. C. P. Mistry	Independent, Non-Executive	9	–	3	5	Yes
Dr. H. S. Vachha	Independent, Non-Executive	5	3	2	5	Yes
Mr. R. K. Misra (Representative of LIC as Investor/Lender)	Independent, Non-Executive	–	–	–	2	No
Mr. A. J. Engineer §	Non-Independent, Non-Executive	8	–	1	3	–
Mr. F. A. Vandrevala, Managing Director	Executive	14	–	2	6	Yes
Mr. P. K. Kukde, Executive Director	Executive	3	–	–	6	Yes

* Directorships in private companies, foreign companies and associations are excluded.

Represents Memberships/Chairmanships of Audit Committee, Shareholders'/Investors' Grievance Committee and Remuneration Committee.

§ Appointed as an Additional Director w.e.f 19th November 2003.

Mr. J. S. Kawale, State Government Director, ceased w.e.f. 1st March 2004. He attended 2 Board Meetings during the year. Mr. Sanjay Bhatia, Secretary (MSEB), who has been nominated by Government of Maharashtra in place of Mr. Kawale, has been appointed as Director with effect from 12th May 2004.

Six Board Meetings were held during the year and the gap between two meetings did not exceed four months.

Leave of absence was granted by the Board to the Directors who were absent at the respective Board Meeting(s).

➤ **Dates of Board Meetings**

28th May 2003; 22nd July 2003; 23rd October 2003; 28th November 2003; 20th January 2004 and 8th March 2004.

The information as required under Annexure I to Clause 49 is being made available to the Board.

Committees of Directors

Audit Committee

The Audit Committee was reconstituted on 29th March 2001 and the terms of reference, role and scope were revised in line with those prescribed by Clause 49 of the Listing Agreement with the Stock Exchanges. The Company also complies with the provisions of Section 292A of the Companies Act, 1956 pertaining to Audit Committee and its functioning.

The Board delegated the following powers to the Audit Committee :

- To investigate any activity within its terms of reference.
- To seek information from any employee.
- To obtain outside legal or other professional advice.
- To secure attendance of outsiders with relevant expertise, if it considers necessary.

The Board defined the role of the Audit Committee, as under :

- a) Overseeing the Company's financial reporting process and the disclosure of its financial information, to ensure that the financial statement is correct, sufficient and credible;
- b) Recommending the appointment/removal of external auditors, fixing audit fees and approving payments for any other services;
- c) Reviewing with the Management the annual financial statements before submission to the Board;
- d) Reviewing with the Management, external and internal auditors, the adequacy of internal control systems;
- e) Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit;
- f) Discussing with internal auditors of any significant findings and follow-up thereon;
- g) Reviewing the findings of any internal investigations by the internal auditors into matters where there is a suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
- h) Discussing with external auditors before the audit commences, the nature and scope of audit as well as have post-audit discussions to ascertain any area of concern;
- i) Reviewing the Company's financial and risk management policies;
- j) To look into the reasons for substantial defaults in the payments to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.

The composition of the Audit Committee as on 31st March 2004 was as under :

Sl. No.	Name of the Director	Designation	No. of Meetings attended during 2003-04	Remarks
1.	Dr. H. S. Vachha	Chairman	9	Dr. Vachha is a former executive of ICICI Limited and, accordingly, has the requisite knowledge in financial matters.
2.	Mr. Syamal Gupta	Member	7	–
3.	Mr. R. K. Misra	Member	9	–

All the above Directors are Non-Executive and two Directors, including the Chairman, are Independent.

The Audit Committee met nine times during the year under review on the following dates:

24th April 2003; 28th May 2003; 19th June 2003; 21st July 2003; 8th October 2003; 22nd October 2003; 12th January 2004; 20th January 2004 and 31st March 2004.

The Audit Committee invites such of the executives as it considers appropriate to be present at its meetings. The heads of Internal Audit and Finance attend the meetings. The Statutory Auditors are also invited to the meetings. Mr. B. J. Shroff, the Company Secretary, acts as the Secretary of the Committee.

Remuneration Committee

The composition of the Remuneration Committee as on 31st March 2004 was as under :

Sl. No.	Name of the Director	Designation	No. of Meetings attended during 2003-04	Remarks
1.	Mr. C. P. Mistry	Chairman	2	–
2.	Mr. Syamal Gupta	Member	2	–
3.	Mr. R. Gopalakrishnan	Member	2	–

All the above Directors are Non-Executive and the Chairman is an Independent Director.

The Remuneration Committee met twice during the year on the following dates:

6th May 2003 and 19th September 2003.

Terms of Reference :

The terms of reference of the Committee include recommending to the Board of Directors specific remuneration packages for Executive Directors and management staff.

Remuneration Policy :

➤ Management Staff

Remuneration of employees largely consists of basic remuneration, perquisites and performance incentives. The components of the total remuneration vary for different grades and are governed by industry patterns, qualifications and experience of the employee, responsibilities handled by him, his individual performance etc. For the last few years, effort has also been made to link the annual variable pay of senior managers with the performance of the Company in general and their individual performance for the relevant year measured against specific Key Performance Areas which are aligned to the Company's objectives.

➤ Non-Executive Directors

The Non-Executive Directors (NEDs) are paid remuneration by way of Commission and Sitting Fees. In terms of the shareholders' approval obtained at the Annual General Meeting held on 4th August 2003, the Commission is paid at a rate not exceeding 1% per annum of the net profits of the Company (computed in accordance with Section 309(5) of the Companies Act, 1956). The distribution of Commission amongst the NEDs is placed before the Board. The Commission is distributed broadly on the basis of Board Meetings and various Committee Meetings attended by the NEDs. The Commission payable to the Chairman is decided by other members of the Board, keeping in mind the greater contribution made by the Chairman.

The Non-Executive Directors were paid Rs. 5,000/- as sitting fees per Board/Committee Meeting attended by them till 23rd October 2003. Thereafter, the Non-Executive Directors were paid Rs. 10,000/- as sitting fees per Board Meeting and meetings of the Committee of the Board and Audit Committee; the fees for other Committee meetings remaining the same.

➤ Executive Directors

The Company pays remuneration by way of salary, perquisites and allowances (fixed component) and commission (variable component) to the Managing Director and the Executive Director. Salary is paid within the range approved by the shareholders. Annual increments effective 1st April, each year, as recommended by the Remuneration Committee, are placed before the Board for approval. The ceiling on perquisites and allowances as a percentage of salary, is fixed by the Board. Within the prescribed ceiling, the perquisite package is fixed by the Remuneration Committee. Commission is calculated with reference to the net profits of the Company in a particular

financial year and is determined by the Board of Directors at the end of the financial year based on the recommendations of the Remuneration Committee, subject to overall ceilings stipulated in Sections 198 and 309 of the Companies Act, 1956. Specific amount payable to such Directors is based on the performance criteria laid down by the Board which broadly takes into account the profits earned by the Company for the year.

Retirement Policy for Directors

Consistent with widely accepted policies worldwide in professionally managed companies, the Board of the Company had, in May 1994, adopted a retirement policy wherein Executive Chairmen and Directors retire at the age of 65 years whilst the Non-Executive Chairmen or the Deputy/Vice Chairmen retire at the age of 75 years. On the recommendations of Tata Sons Ltd., the Company has adopted a stated Retirement Policy for Executive Chairmen, Managing Directors and Executive Directors which offers special retirement benefits including pension, ex-gratia, medical benefits and residential accommodation facility on their retirement. The quantum and payment of the said benefits are subject to an eligibility criteria of the retiring director and is payable at the discretion of the Board in each individual case on the recommendation of the Remuneration Committee. The said policy has also been approved by the members at their Annual General Meetings held on 11th August 1995 and 6th August 2002.

Remuneration to Directors :

During the year under review, the Non-Executive Directors of the Company were paid remuneration as under :

Name of the Director	Sitting Fees paid (Gross) (Rs.)	Commission paid (Gross) * (Rs.)
Mr. R. N. Tata	60,000	6,55,000
Mr. Syamal Gupta ^	1,30,000	5,55,000
Mr. R. Gopalakrishnan	65,000	4,75,000
Mr. R. Thothadri \$	–	1,60,000
Mr. C. P. Mistry	50,000	60,000
Dr. H. S. Vachha	1,15,000	5,65,000
Mr. R. B. Budhiraja #	–	20,000
Mr. R. K. Misra @	75,000	10,000
Mr. J. S. Kawale #	10,000	–
Mr. A. J. Engineer	30,000	–

* Commission relates to the financial year ended 31st March 2003 which was paid during the financial year under review. Commission of Rs. 50 lakhs has been provided as payable to the eligible Non-Executive Directors in the accounts for the year ended 31st March 2004.

^ Mr. Syamal Gupta has received rent aggregating to Rs. 7,25,450 in respect of premises leased to the Company.

\$ The Commission of Mr. Thothadri, Nominee Director of LIC, was paid to LIC.

The remuneration of Mr. Budhiraja and Mr. Kawale, who were the State Government Nominee Directors, was paid to the Government Treasury.

@ The Commission of Mr. Misra, Nominee Director of LIC, was paid to LIC. Out of an aggregate amount of Rs. 75,000 payable to Mr. Misra as Sitting Fees during FY 2003-04, Rs. 35,000 was paid to LIC. Travel and other out-of-pocket expenses were reimbursed to LIC/Mr. Misra for attending Board and Committee Meetings.

Apart from this, none of the Non-Executive Directors had any pecuniary relationship or transactions with the Company other than the Directors Fees and Commission received by the Directors.

The details of the remuneration paid to the Executive Directors are :

Name	Salary (Rs.)	Commission paid in 2003-2004 @ (Rs.)	Perquisites (Rs.)	Retirement Benefits (Rs.)	Total (Rs.)
Mr. F. A. Vandrevala, Managing Director	18,60,000	35,00,000	17,58,488	5,02,200	76,20,688
Mr. P. K. Kukde, Executive Director	12,00,000	5,00,000	16,58,463	3,24,000	36,82,463
Mr. A. J. Engineer, Managing Director (Retired w.e.f. 31st August 2002)	–	40,00,000	3,10,000*	–	43,10,000
Mr. A. M. Sahni Executive Director (Retired w.e.f. 31st October 2002)	–	25,00,000	–	–	25,00,000

@ Commission relates to the financial year ended 31st March 2003 which was paid during the financial year under review. Commission of Rs. 77 lakhs has been provided as payable to the eligible Executive Directors in the accounts of the current year, the distribution of which is yet to be determined.

* Represents amount paid to Mr. Engineer for leave encashment at the end of his tenure.

> Salient features of the agreements executed by the Company with the Managing and Executive Directors respectively consequent upon obtaining shareholders' approval at the Annual General Meeting held on 4th August 2003.

Terms of Agreement	Mr. F. A. Vandrevala Managing Director	Mr. P. K. Kukde Executive Director
Period of appointment	1-9-2002 to 31-8-2007	23-1-2003 to 22-1-2006
Remuneration		
- Salary	In the salary scale of Rs. 12,00,000 Rs. 40,00,000 per annum	In the salary scale of Rs. 7,80,000Rs. 26,00,000 per annum
- Commission	At the discretion of the Board within the limits stipulated under the Companies Act, 1956.	
- Perquisites and allowances (excluding Company's contribution to Provident Fund, Superannuation, Gratuity, Leave encashment)	Upto 140% of salary	
Stock Option	Nil	

The agreements with the Managing Director and Executive Director are contractual in nature. The agreements may be terminated by either party giving to the other party six months' notice or the Company paying six months' remuneration in lieu thereof.

Shareholders'/Investors' Grievance Committee

The present composition of the Shareholders'/Investors' Grievance Committee is as under :

Name of the Director	Designation	Category of Directorship
Mr. Syamal Gupta	Chairman	Non-Executive
Mr. F. A. Vandrevala	Member	Executive

The Shareholders'/Investors' Grievance Committee met twice during the year as under :

18th August 2003 and 23rd March 2004.

In accordance with Clause 49(VI)(D) of the Listing Agreements with the Stock Exchanges, the Board has authorised Mr. B. J. Shroff, Company Secretary and Compliance Officer, and Mr. S. Venkataraman, Constituted Attorney of the Company, to severally approve share transfers/transmissions, in addition to the powers with the members of the Shareholders'/Investors' Grievance Committee.

All investor complaints which cannot be settled at the level of Mr. B. J. Shroff, Company Secretary and Compliance Officer, are placed before the Committee for final settlement.

Total number of shareholders' complaints received during the year under review was 881. Out of these, 3 complaints were not redressed to the satisfaction of the shareholders as on 31st March 2004.

120 transfers and 131 demats which were pending as on 31st March 2004 have been subsequently processed and completed except 1 transfer request which pertained to a prohibition case along with exchange and split requirement which is under process.

Investor Survey

A questionnaire was sent to all the shareholders of the Company in November 2003 to determine the satisfaction levels and explore avenues for improvement based on suggestions made by them. 2,953 responses were received. Various suggestions received from the shareholders were duly considered and appropriate action was taken on the merits. The Company would welcome suggestions that will further help improving its services to shareholders.

General Body Meetings

a) The last three Annual General Meetings (AGMs) were held as under :

Financial Year ended	Day & Date	Time	Venue
31st March 2001	Friday, 10th August 2001	3 p.m.	Birla Matushri Sabhagar, Sir Vithaldas Thackersey Marg, Mumbai 400 020.
31st March 2002	Tuesday, 6th August 2002		
31st March 2003	Monday, 4th August 2003		

All special resolutions moved at the last AGM were passed unanimously on a show of hands by the shareholders present at the meeting. None of the business required to be transacted at this AGM is proposed to be passed by postal ballot.

Postal Ballot

The Company successfully completed the process of obtaining the approval of its Members on the Ordinary Resolution under Section 293(1)(a) of the Companies Act, 1956 for transferring the undertaking which comprises the broadband business of the Company on a 'going concern basis' to Tata Power Broadband Company Limited, vide the Postal Ballot.

Ms. Shirin Bharucha, Legal Advisor, who was appointed as the Scrutinizer, carried out the Postal Ballot process in a fair and transparent manner. The results were announced on 9th March 2004.

Voting Pattern and Procedure for Postal Ballot

1. The Board of Directors of the Company, at its meeting held on 20th January 2004, had appointed Ms. Shirin Bharucha, Legal Advisor, as the Scrutinizer for conducting the postal ballot voting process.

2. The Company had completed on 31st January 2004, the dispatch of postal ballot forms alongwith postage prepaid business reply envelopes to its Members whose name(s) appeared on the Register of Members/list of beneficiaries as on 20th January 2004.
3. Particulars of the postal ballot forms received from the Members were entered in a register separately maintained for the purpose.
4. The postal ballot forms were kept under her safe custody in sealed and tamper proof ballot boxes before commencing the scrutiny of such postal ballot forms.
5. All postal ballot forms received/receivable upto the close of working hours on 1st March 2004, the last date and time fixed by the Company for receipt of the forms, had been considered for her scrutiny.
6. Envelopes containing postal ballot forms received after 1st March 2004, had not been considered for her scrutiny.
7. Mr. F. A. Vandrevala, Managing Director, announced the following result of the Postal Ballot as per the Scrutinizer's Report :

Number of postal ballot forms posted	1,72,102
Number of valid postal ballot forms received	11,886
Number of invalid postal ballot forms received	732
Number of Postal Ballot Forms not received	1,59,484
Votes in favour of the Resolution	102,576,437
Votes against the Resolution	130,744
Invalid votes	579,524

Accordingly, the Ordinary Resolution set out in the Notice dated 20th January 2004 was duly passed by the requisite majority of the shareholders.

- b) No Court-convened Meetings were held during the last three years.

Disclosures

1. There were no materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, directors or the management, their subsidiaries or relatives etc. during the year, that may have potential conflict with the interests of the Company at large.
2. The Board has received disclosures from key managerial personnel relating to material, financial and commercial transactions where they and/or their relatives have personal interest. There are no materially significant related party transactions which have potential conflict with the interest of the Company at large.
3. There was no non-compliance during the last three years by the Company on any matter related to Capital Market. There were no penalties imposed nor strictures passed on the Company by Stock Exchanges, SEBI or any statutory authority.

Means of Communication

1. Quarterly and half-yearly reports are published in the following newspapers :

Name of the Newspaper	Region	Language
Indian Express – West & North	Ahmedabad, Vadodara, Mumbai, Chandigarh, New Delhi, Nagpur and Pune	English
Loksatta – All editions	Ahmednagar, Mumbai, Pune and Nagpur	Marathi
Jam-e-Jamshed	Mumbai	Gujarati
Vyapar	Mumbai and Rajkot	Gujarati

Half-yearly report was sent to each household of shareholders for the half-year ended 30th September 2003.

2. Official news releases are given directly to the press.
3. Financial results and other information was displayed on the Company's website www.tatapower.com

4. Management's Discussion and Analysis forms part of this Annual Report, which is being posted to the shareholders of the Company.
5. To familiarise our shareholders with the Company's operations, based on requests by its shareholders, the Company arranges for visits to its hydro stations in small batches. During FY2004, shareholders were taken to Khopoli Generating Station.

General Shareholder Information

1. The Annual General Meeting is scheduled to be held on Tuesday, 29th June 2004 at Nehru Centre Auditorium, Discovery of India Building, Dr. Annie Besant Road, Worli, Mumbai 400 018 at 3 p.m.

As required under Clause 49 (VI)(A) of the Listing Agreements with the Stock Exchanges, particulars of Directors seeking appointment/re-appointment at the forthcoming Annual General Meeting (AGM) are given in the Annexure to the Notice of the AGM to be held on 29th June 2004.

2. Financial Calendar : April to March
3. Book Closure : From 10th June 2004 to 29th June 2004, both days inclusive
4. Dividend Payment Date : 30th June 2004
5. Listing on Stock Exchanges : The Company's Shares are listed on the following 2 Stock Exchanges in India :

The Stock Exchange, Mumbai
(Regional Stock Exchange)
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai 400 001.

National Stock Exchange of India Ltd.
'Exchange Plaza',
Bandra-Kurla Complex,
Bandra (E),
Mumbai 400 051.

The Global Depository Shares (GDS) issued by the Company jointly with the erstwhile The Tata Hydro-Electric Power Supply Company Limited and The Andhra Valley Power Supply Company Limited in the International Market have been listed on the Luxembourg Stock Exchange and have been accepted for clearance through Euroclear and Cedel. They have also been designated for trading in the PORTAL System of the National Association of Securities Dealers, Inc.

In terms of the Resolution passed at the Annual General Meeting held on 4th August 2003, the Company made applications to Pune Stock Exchange Ltd., The Delhi Stock Exchange Association Ltd. and The Stock Exchange, Ahmedabad for delisting of its Equity Shares. The delisting approvals were received as under :

Name of Stock Exchanges delisted from	Delisted with effect from
Pune Stock Exchange Ltd.	6th October 2003
The Delhi Stock Exchange Association Ltd.	23rd October 2003
The Stock Exchange, Ahmedabad	15th January 2004

The 10.9% Secured Redeemable Non-Convertible Debentures aggregating to Rs. 200 crores and the 10.2% Redeemable Transferable Secured Non-Convertible Debentures aggregating to Rs. 300 crores issued by the Company have been listed on the Wholesale Debt Market segment of National Stock Exchange of India Ltd.

The Company has paid the requisite Annual Listing Fees to all the 5 Stock Exchanges for the financial year 2003-2004.

6. Stock Code (For Equity Shares)

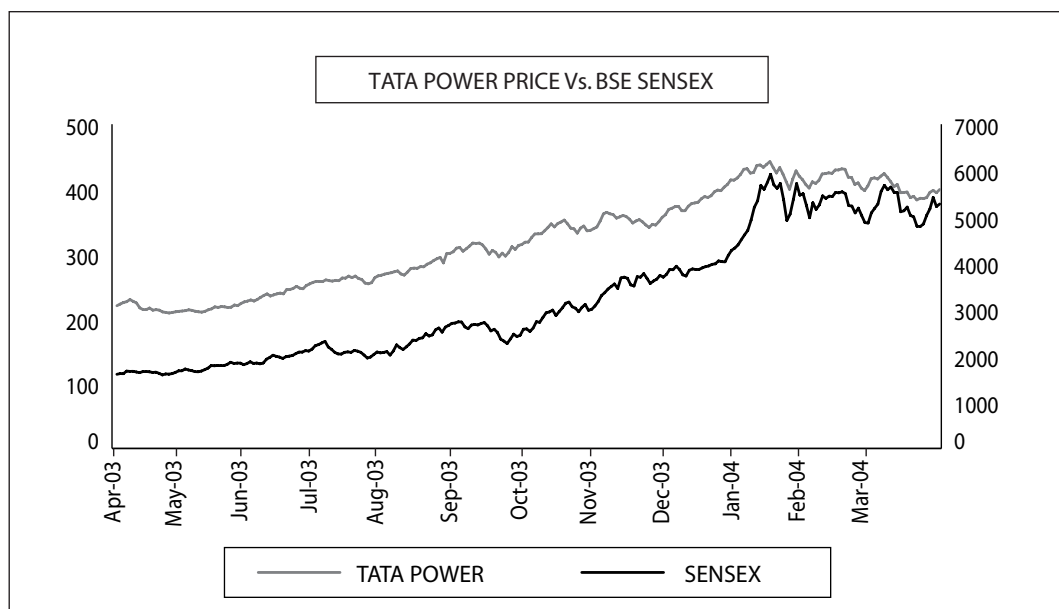
The Stock Exchange, Mumbai	
(physical form)	400
(demat form)	500400
National Stock Exchange of India Ltd.	TATAPOWER EQ

7. Market Information

a) Market Price Data : High, Low during each month and trading volumes of the Company's Equity Shares during the last financial year at The Stock Exchange, Mumbai (BSE) and National Stock Exchange of India Ltd. (NSE) are given below :

Stock Exchange		BSE			NSE		
Month		High	Low	No. of shares traded during the month	High	Low	No. of shares traded during the month
2003	April	119.75	113.35	1,146,331	119.75	113.20	3,077,444
	May	132.95	118.25	3,633,167	133.05	118.25	6,954,327
	June	158.45	130.50	8,901,225	158.20	130.40	17,970,352
	July	165.20	139.40	10,731,899	165.35	139.05	23,858,167
	August	193.35	150.30	15,496,191	193.95	149.90	35,914,451
	September	195.30	161.65	14,185,276	195.50	162.35	28,775,673
	October	235.80	180.35	27,399,275	235.75	180.60	50,798,812
	November	269.65	240.15	23,099,028	268.65	240.10	43,731,202
	December	313.90	265.85	14,349,110	313.35	265.45	31,007,620
2004	January	422.80	321.85	34,184,216	422.30	322.15	61,805,073
	February	395.80	347.60	21,964,487	395.65	346.95	47,906,507
	March	405.70	342.10	31,734,436	405.35	342.40	60,096,925

b) Performance of Tata Power Share price in comparison to BSE Sensex :



8. Registrars and Transfer Agents : Tata Share Registry Ltd. (TSRL)
Army & Navy Bldg.,
148, Mahatma Gandhi Road,
Mumbai 400 001
Tel. : 022 56568484
Fax : 022 56568494
Email : csg-unit@tatashare.com
Website : www.tatashare.com

For the convenience of shareholders based in the following cities, transfer documents and letters will also be accepted at the following branches/agencies of TSRL :

Branches of TSRL

- | | |
|--|--|
| 1. Tata Share Registry Limited
503, Barton Centre, 5th floor
84, Mahatma Gandhi Road
Bangalore - 560 001
Tel : 080-25320321
Fax : 080-25580019
E-mail : tsrlbang@bgl.vsnl.net.in | 2. Tata Share Registry Limited
Bungalow No.1, 'E' Road
Northern Town, Bistupur
Jamshedpur - 831 001
Tel : 0657-2426616
Fax : 0657-2426937
E-mail : tsrljsr@sify.com |
| 3. Tata Share Registry Limited
Tata Centre, 1st Floor
43, Jawaharlal Nehru Road
Kolkata - 700 071
Tel : 033-22883087
Fax : 033-22883062
E-mail : tsrlcal@cal2.vsnl.net.in | 4. Tata Share Registry Limited
Plot No. 2/42, Sant Vihar
Ansari Road, Darya Ganj
New Delhi - 110 002
Tel : 011-23271805
Fax : 011-23271802
E-mail : tsrldel@giasdl01.vsnl.net.in |

Agent of TSRL

Shah Consultancy Services Limited
1, Sumatinath Complex, 2nd Dhal
Pritamnagar, Ellisbridge
Ahmedabad - 380 006
Telefax : 079-26576038
E-mail : shahconsultancy@hotmail.com

In respect of queries pertaining to the Company, Shareholders are requested to address correspondence to The Tata Power Company Ltd., Bombay House, 24, Homi Mody Street, Mumbai - 400 001. Tel : 56658282, Fax : 56658801

9. Share Transfer System : Share Transfers in physical form can be lodged with TSRL at the above mentioned address or at their branch offices, addresses of which are available on – website: www.tatashare.com

Transfers are normally processed within 20 days from the date of receipt. If the documents are complete in all respects, Mr. B. J. Shroff, the Company Secretary and Compliance Officer and Mr. S. Venkataraman, Constituted Attorney, are severally empowered to approve transfers, in addition to the powers with the members of the Shareholders'/Investors' Grievance Committee.

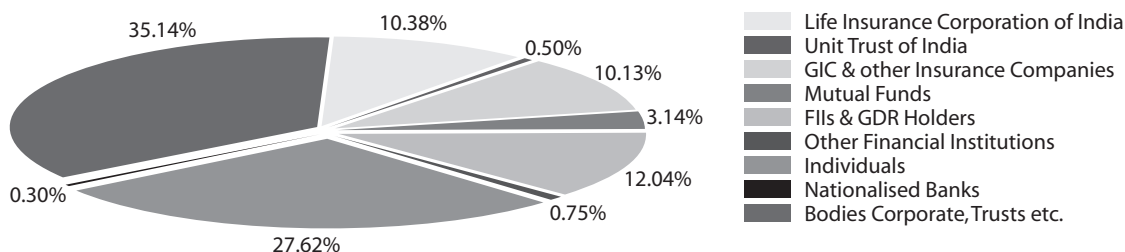
10. Distribution of Shares as on 31st March 2004

Slab	No. of shareholders				No. of Shares					
	Physical	Demat	Total	%	Physical	%	Demat	%	Total	%
1 - 500	67,174	79,931	147,105	85.44	9,553,610	4.83	11,532,706	5.83	21,086,316	10.66
501 - 1000	6,327	8,802	15,129	8.79	4,260,467	2.15	6,417,992	3.24	10,678,459	5.39
1001 - 2000	1,643	4,174	5,817	3.38	2,279,027	1.15	6,000,757	3.03	8,279,784	4.18
2001 - 3000	457	1,290	1,747	1.01	1,112,017	0.56	3,181,443	1.61	4,293,460	2.17
3001 - 4000	233	603	836	0.49	821,642	0.42	2,122,976	1.07	2,944,618	1.49
4001 - 5000	101	334	435	0.25	450,866	0.23	1,539,956	0.78	1,990,822	1.01
5001 - 10000	123	541	664	0.39	824,914	0.42	3,796,421	1.92	4,621,335	2.34
10001 and above	41	398	439	0.25	3,969,788	2.00	140,033,282	70.76	144,003,070	72.76
Total	76,099	96,073	172,172	100.00	23,272,331	11.76	174,625,533	88.24	*197,897,864	100.00

* Excluding 230,308 shares not allotted but held in abeyance, 440,270 shares cancelled pursuant to a Court Order and 4,804,040 shares of the Company held by the erstwhile The Andhra Valley Power Supply Co. Ltd. cancelled pursuant to the Scheme of Amalgamation sanctioned by the High Court of Judicature at Bombay.

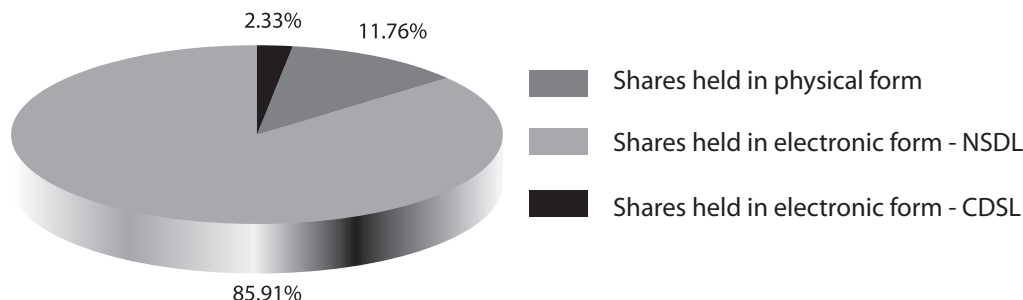
11. Shareholding pattern as on 31st March 2004

Particulars	Equity Shares	
	No. of Shares	Percent
Life Insurance Corporation of India	20,533,703	10.38
Unit Trust of India	997,584	0.50
GIC & Other Insurance Companies	20,044,583	10.13
Mutual Funds	6,215,554	3.14
FII's & GDR Holders	23,813,572	12.04
Other Financial Institutions	1,488,596	0.75
Individuals	54,662,019	27.62
Nationalised Banks	584,447	0.30
Bodies Corporate, Trusts etc.	69,557,806	35.14
Total	197,897,864	100.00



12. Dematerialisation of Shares as on 31st March 2004 and Liquidity :

The Company's shares are compulsorily traded in dematerialised form and are available for trading on both the Depositories in India - National Securities Depository Ltd.(NSDL) and Central Depository Services (India) Ltd.(CDSL). 174,625,533 Equity Shares of the Company representing 88.24% of the Share Capital are dematerialised as on 31st March 2004.



Under the Depository system, the International Securities Identification Number (ISIN) allotted to the Company's shares is **INE245A01013**.

Shares held in electronic form

Shareholders holding shares in electronic form may please note that :

- i) Instructions regarding bank details which they wish to have incorporated in future dividend warrants must be submitted to their Depository Participants (DP). As per the regulations of NSDL and CDSL, the Company is obliged to print bank details on the dividend warrants, as furnished by these Depositories to the Company.
- ii) Instructions already given by them for shares held in physical form will not be automatically applicable to the dividend paid on shares held in electronic form.
- iii) Instructions regarding change of address, nomination and power of attorney should be given directly to the DP.
- iv) The Company provides ECS facilities for shares held in electronic form and shareholders are urged to avail of this facility.

The Company's shares are regularly traded on BSE and NSE as is seen from the volume of shares indicated in the table containing market information.

13. Number of GDS outstanding as on 31st March 2004 : 11,141
 Since the underlying Equity Shares represented by GDS have been allotted in full, the outstanding GDS have no impact on the Equity of the Company.

14. Plant Location :

a) Thermal Power Stations :

i) Trombay Generating Station Mahul Road, Chembur, Mumbai - 400 074	(ii) Jojobera Power Plant, Jojobera, Jamshedpur - 831 016	(iii) Wadi Power Plant Adjoining ACC Wadi Cement Plant, P.O.Wadi - 585 225 Dist. Gulbarga, Karnataka	(iv) Belgaum Power Plant Plot Nos.1234 to 1240 & 1263 to 1297, KIADB Kanbargi Industrial Area, Auto Nagar, Belgaum - 590 010 Karnataka
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b) Hydro Generating Stations :

i) Generating Station Bhira P.O. Bhira Taluka Mangaon Dist. Raigad Maharashtra - 402 308	ii) Generating Station Bhivpuri P.O. Bhivpuri Camp Taluka Karjat, Dist. Raigad Maharashtra - 410 201	iii) Generating Station Khopoli P.O. Khopoli Power House Dist. Raigad Maharashtra - 410 204
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- c) Strategic Electronics Division : 42/43 Electronic City
Electronic City Post Office,
Hosur Road,
Bangalore - 561 229.
- d) Distribution Division : Senapati Bapat Marg,
Lower Parel,
Mumbai - 400 013.
15. Address for correspondence : The Tata Power Company Limited
Bombay House,
24, Homi Mody Street ,
Mumbai - 400 001
Tel. : 56658282
Fax : 56658801

Other information

Tata Code of Conduct for Prevention of Insider Trading

In accordance with the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, as amended (the Regulations), the Board of Directors of the Company adopted the Code of Conduct for Prevention of Insider Trading and the Code of Corporate Disclosure Practices (the Code) to be followed by Directors, Officers and other Employees. The Code is based on the principle that Directors, Officers and Employees of a Tata Company owe a fiduciary duty to, among others, the shareholders of the Company to place the interest of the shareholders above their own and conduct their personal securities transactions in a manner that does not create any conflict of interest situation. The Code also seeks to ensure timely and adequate disclosure of Price Sensitive Information to the investor community by the Company to enable them to take informed investment decisions with regard to the Company's securities.

In terms of the said Code, a Committee has been constituted called 'Ethics and Compliance Committee', the composition of which, as on 31st March 2004, is as under :

Name of the Director	Designation	Category of Directorship
Dr H. S. Vachha	Chairman	Independent
Mr. F. A. Vandrevala	Member	Executive

The Vice President (Finance) is the Compliance Officer to ensure compliance and effective implementation of the Regulations and also this Code across the Company.

Certificate

To the Members of
THE TATA POWER COMPANY LIMITED

We have examined the compliance of conditions of Corporate Governance by The Tata Power Company Limited, for the year ended on 31st March, 2004, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementations thereof adopted by the Company of ensuring compliance with the conditions of the certificate of Corporate Governance as stipulated in the said clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

As required by the Guidance Note issued by The Institute of Chartered Accountants of India, we have to state that while the Shareholders/Investors Grievance Committee has not maintained records to show the investor grievances pending for a period of one month against the Company, the Registrars of the Company have certified that as at 31st March, 2004, there were no investor grievances remaining unattended/pending for more than 30 days.

We further state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For A. F. FERGUSON & CO.
Chartered Accountants,

R.A. BANGA
Partner.

Mumbai, 21st May, 2004.

For S. B. BILLIMORIA & CO.
Chartered Accountants,

UDAYAN SEN
Partner.

Statement pursuant to Section 212 of the Companies Act, 1956, relating to Subsidiary Companies

Name of the Subsidiary	Tata Petrodyne Limited	Chemical Terminal Trombay Limited	Af-Taab Investment Company Limited	Tata Power Trading Company Limited	Alaknanda Hydro Power Company Limited (formerly Duncans North Hydro Power Company Limited)	Tata Power Broadband Company Limited	Powerlinks Transmission Limited
1. Financial year of the subsidiary ended on	31st March, 2004	31st March, 2004	31st March, 2004	31st March, 2004	31st March, 2004	31st March, 2004	31st March, 2004
2. Shares of the subsidiary held by the Company on the above date :							
(a) Number and Face value	9,80,00,425 Equity Shares of Rs. 10/- each, fully paid	1,52,064 Equity Shares of Rs. 100/- each, fully paid	13,39,200 Equity Shares of Rs. 100/- each, fully paid	20,00,000 Equity Shares of Rs. 10/- each, fully paid	31,00,000 Equity Shares of Rs. 10/- each, fully paid	1,00,000 Equity Shares of Rs. 10/- each, fully paid	6,69,37,500 Equity Shares of Rs. 10/- each, fully paid
(b) Extent of holding	100%	72%	100%	100%	100%	100%	51%
3. Net aggregate amount of profits/(losses) of the subsidiary for the above financial year of the subsidiary, so far as they concern members of the Company :							
(a) dealt with in the accounts of the Company for the year ended 31st March, 2004	Nil	Rs. 1,06,44,480	Nil	Nil	Nil	Nil	Nil
(b) not dealt with in the accounts of the Company for the year ended 31st March, 2004	Rs. 46,47,79,939	Rs. 25,29,792	(Rs. 2,05,13,100)	Nil	Nil	(Rs. 72,37,870)	Nil
4. Net aggregate amount of profits/(losses) for previous financial years of the subsidiary, since it became a subsidiary so far as they concern members of the Company :							
(a) dealt with in the accounts of the Company for the year ended 31st March, 2004	Nil	Rs. 2,93,06,880	Nil	Nil	Nil	Nil	Nil
(b) not dealt with in the accounts of the Company for the year ended 31st March, 2004	Rs. 36,42,01,383	Rs. 4,36,06,510	(Rs. 20,01,73,880)	Nil	Nil	Nil	Nil

Figures in brackets represents loss.

For and on behalf of the Board,

F. A. VANDREVALA
Managing Director.

H. S. VACHHA
Director.

B. J. SHROFF
Secretary.

Mumbai, 21st May, 2004.

Consolidated Financial Statements

AUDITORS' REPORT

TO THE BOARD OF DIRECTORS OF

THE TATA POWER COMPANY LIMITED

ON THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TATA POWER COMPANY LIMITED

1. We have audited the attached consolidated Balance Sheet of The Tata Power Company Limited and its subsidiaries, (the Group) as at 31st March, 2004, and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of The Tata Power Company Limited's management. Our responsibility is to express an opinion on these consolidated 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 prepared, in all material respects, in accordance with an identified financial reporting framework and 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of certain subsidiaries and joint ventures, whose financial statements reflect total assets of Rs. 342.68 crores as at 31st March, 2004 (*Rs. 325.66 crores as at 31st March, 2003*) and total revenues of Rs. 15.51 crores (*Rs. 4.66 crores for the year ended 31st March, 2003*) and associates whose financial statements reflect the Group's share of loss upto 31st March, 2004 of Rs. 318.22 crores (*Rs. 266.28 crores upto 31st March, 2003*) and the Group's share of loss of Rs. 51.94 crores for the year ended on that date (*Rs. 135.79 crores for the year ended 31st March, 2003*) as considered in the consolidated financial statements. These financial statements, other than to the extent as referred to in paragraphs 6 and 7 below, have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as they relate to the amounts included in respect of these subsidiaries, joint ventures and associates, is based solely on the report of the other auditors.
4. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21, 'Consolidated Financial Statements', Accounting Standard 23, 'Accounting for Investment in Associates in Consolidated Financial Statements' and Accounting Standard 27', 'Financial Reporting of Interest in Joint Ventures', issued by The Institute of Chartered Accountants of India and on the basis of the separate audited/unaudited financial statements of The Tata Power Company Limited and its subsidiaries, joint ventures and associates included in the consolidated financial statements.
5. In so far as it relates to the results of operations and the financial position of The Tata Power Company Limited included in these consolidated financial statements :
 - (a) As The Tata Power Company Limited is governed by the Electricity (Supply) Act, 1948, the provisions of the said Act have prevailed wherever they have been inconsistent with the provisions of the Companies Act, 1956.
 - (b) For the purposes of computations of "Capital Base" and "Clear Profit" under the Sixth Schedule to the Electricity (Supply) Act, 1948.
 - (i) As stated in Note 4(a) of the Notes forming part of the financial statements the Company had in 1999-2000 appropriated in advance through Special Appropriation towards Project Cost an amount of Rs. 11.77 crores for which the approval of the relevant authorities is needed. Out of this appropriation in advance, a sum of Rs. 5.83 crores had been adjusted against the amount to be appropriated during the year 2000-2001 and the balance of Rs. 5.94 crores had been appropriated during the year 2001-2002.
 - (ii) Special appropriation to Deferred Taxation Liability Fund of Rs. 106.63 crores in 2001-2002 and Rs. 22.93 crores in 2002-2003 had been made, as referred to in Note 24(a) of the Notes forming part of the financial statements for which approval of the relevant authorities has not yet been obtained. For the reasons and to the extent stated in the Note, the manner of accounting for deferred tax liability in respect of the Licensee Business differs from the provisions of Accounting Standard 22 (AS-22) issued by The Institute of Chartered Accountants of India.

- (iii) Special appropriation to project cost of Rs.28.75 crores in 2002-2003 and Rs.2.63 crores for the current year has been made as referred to in Note 4(b) of the Notes forming part of the financial statements for which approval of the relevant authorities has to be obtained.
 - (iv) In terms of an order from Maharashtra Electricity Regulatory Commission (MERC) dated 24th November, 2003, the Company's Wind Farm business has to be treated as a separate business not forming part of the Licensee Business. For the reasons explained in Note 5(a), the Wind Farm business has been treated as a part of the Licensee Business for the year ended 31st March, 2004.
 - (c) "Reasonable Return" has been computed in terms of the Sixth Schedule to the Electricity (Supply) Act, 1948, in the manner indicated in Note 5(b) of the Notes forming part of the financial statements.
 - (d) In the event of approval of the relevant authorities not being obtained for the matters referred to in sub-paragraph (b) above or any adjustment becoming necessary for the matter referred to in sub-paragraph (c) above, the computations of "Capital Base" and "Clear Profit" will have to be revised for the year and the earlier years as necessary. In the event of such revision and the consequential recomputation of "Reasonable Return", the appropriation to Consumers Benefit Account and Statutory Reserves for the relevant years may need revision. It is not possible to quantify this revision until the matter referred to above is resolved.
 - (e) As stated in Note 3(a) of the Notes forming part of the financial statements, borrowing costs attributable to the acquisition and construction of fixed assets relating to the electricity business as licensee, have not been capitalised as required by Accounting Standard 16, issued by The Institute of Chartered Accountants of India, but have been charged to the Profit and Loss Account consistent with the treatment adopted for the determination of "Capital Base" and "Clear Profit" under the Electricity (Supply) Act, 1948.
 - (f) As stated in Note 3(b) of the Notes forming part of the financial statements, exchange differences arising on repayment/realignment of liabilities incurred for the purpose of acquiring fixed assets, which are carried in terms of historical cost, in respect of assets relating to the electricity business as licensee, have not been adjusted in the carrying amount of fixed assets as required by Accounting Standard 11, issued by The Institute of Chartered Accountants of India, but are being recognised in the Profit and Loss Account over the period of repayment of liabilities consistent with the treatment adopted for the determination of "Capital Base" and "Clear Profit" under the Electricity (Supply) Act, 1948.
6. In so far as it relates to the results of operations and the financial position of Tata Petrodyne Limited included in these consolidated financial statements :
- As stated in Note 1(b)(ii)(b)(ii) of the Notes forming part of the financial statements, in respect of two Production Sharing joint venture operations, the financial statements include assets aggregating Rs.205.59 crores (*Rs. 154.16 crores as at 31st March, 2003*), liabilities aggregating Rs. 14.56 crores (*Rs. 16.67 crores as at 31st March, 2003*), income aggregating Rs. Nil (*Rs. 0.01 crore for the year ended 31st March, 2003*) and expenditure aggregating Rs. 7.32 crores (*Rs. 2.57 crores for the year ended 31st March, 2003*) which have been incorporated on the basis of the information available, in the absence of audited accounts.
7. As stated in Note 1(b)(iii)(b)(ii) of the Notes forming part of the financial statements, as the audited financial statements for the year ended 31st March, 2004 of Nelco Ltd., an associate of the Company are not available, the Group's share of loss upto 31st March, 2004 of Rs. 13.21 crores and the Group's share of loss of Rs. 6.64 crores for the year ended on that date have been recognized in the consolidated financial statements on the basis of unaudited financial statements for the 12 months period ended 31st March, 2004 as provided by the management of that associate.
8. In so far as it relates to the results of operations and the financial position of North Delhi Power Limited included in these consolidated financial statements :

Attention is invited to Notes 26 and 27 of the Notes forming part of the Financial Statements, regarding reconciliation and classification of debtors' balances and the absence of balance confirmations from some parties for amounts recoverable from/payable to them, and the resultant impact of the differences, if any, that may arise out of such reconciliation/confirmation. Pending reconciliation/confirmation of these balances, we are unable to comment on the same.

Further, as stated in the Notes referred to above, in the absence of adequate information, the Company has allocated debtors' balances between debts outstanding for more than six months and other debts on an estimated basis.

9. On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual financial statements of The Tata Power Company Limited and its aforesaid subsidiaries, joint ventures and associates, in our opinion, the consolidated financial statements subject to the matters stated in paragraphs 5 to 8 above give a true and fair view in conformity with the accounting principles generally accepted in India :
- (a) in the case of the consolidated balance sheet of the consolidated state of affairs of The Tata Power Company Limited and its subsidiaries as at 31st March, 2004,
 - (b) in the case of the consolidated profit and loss account of the consolidated results of operations of The Tata Power Company Limited and its subsidiaries for the year ended on that date, and
 - (c) in the case of the consolidated cash flow statement of the consolidated cash flows of The Tata Power Company Limited and its subsidiaries for the year.

For S. B. BILLIMORIA & CO.
Chartered Accountants,

UDAYAN SEN
Partner.
Membership Number : 31220

Mumbai, 31st May, 2004.

For A. F. FERGUSON & CO.
Chartered Accountants,

R. A. BANGA
Partner.
Membership Number : 37915

Consolidated Balance Sheet as at 31st March, 2004

	Schedule No.	Page	Rupees Crores	Rupees Crores	As at 31-3-2003 Rupees Crores
FUNDS EMPLOYED :					
1. SHAREHOLDERS' FUNDS					
Share Capital	"A"	103		197.88	197.87
Reserves and Surplus	"B"	104		4,005.15	3,701.81
2. MINORITY INTEREST				10.10	10.00
3. SPECIAL APPROPRIATION TOWARDS PROJECT COST				533.61	521.08
4. CAPITAL GRANT				—	—
SHARE IN JOINT VENTURE			4.75	—	—
				4.75	—
5. CAPITAL CONTRIBUTIONS FROM CONSUMERS			41.81		41.81
SHARE IN JOINT VENTURE			6.96		5.67
				48.77	47.48
6. SECURED LOANS	"C"	105		1,090.93	1,691.54
7. UNSECURED LOANS	"D"	105		1,003.36	1,059.15
8. TOTAL FUNDS EMPLOYED				6,894.55	7,228.93
APPLICATION OF FUNDS :					
9. FIXED ASSETS	"E1"	105			
Gross Block			6,515.43		6,285.34
Less : Depreciation/Amortisation to date			2,762.00		2,355.61
				3,753.43	3,929.73
Capital Work-in-Progress (including advances against capital expenditure)			367.31		243.32
SHARE IN JOINT VENTURE			79.28		21.61
				446.59	264.93
Incidental expenditure incurred during construction period	"E2"	106		14.22	—
Increase in foreign currency liabilities (net) for purchase of capital assets (net of amount written off to date)				44.93	146.63
				4,259.17	4,341.29
10. INVESTMENTS	"F"	106		2,172.64	2,024.56
11. DEFERRED TAX ASSET (NET) (See Note 24)			34.90		28.17
SHARE IN JOINT VENTURE			(17.24)		(6.95)
				17.66	21.22
12. CURRENT ASSETS, LOANS AND ADVANCES	"G"	107			
Current Assets			Rs. 1,301.21 Crores		1,487.79
Loans and Advances			" 652.16 Crores		928.36
				1,953.37	2,416.15
Less :					
13. CURRENT LIABILITIES AND PROVISIONS	"H"	108			
Current Liabilities			Rs. 1050.81 Crores		1,144.20
Provisions			" 515.87 Crores		466.75
				1,566.68	1,610.95
14. NET CURRENT ASSETS				386.69	805.20
15. MISCELLANEOUS EXPENDITURE	"I"	108		58.39	36.66
(to the extent not written off)					
16. TOTAL APPLICATION OF FUNDS				6,894.55	7,228.93

Notes – Pages 112 to 125.

As per our report attached.

For S. B. BILLIMORIA & CO.
Chartered Accountants,

UDAYAN SEN
Partner.

Mumbai, 31st May, 2004

For A. F. FERGUSON & CO.
Chartered Accountants,

R. A. BANGA
Partner.

For and on behalf of the Board,

F. A. VANDREVALA
Managing Director.

B. J. SHROFF
Secretary.

H. S. VACHHA
Director.

Mumbai, 31st May, 2004

Consolidated Profit and Loss Account for the year ended 31st March, 2004

	Schedule No.	Page	Rupees Crores	Rupees Crores		Previous Year Rupees Crores
INCOME						
1. REVENUE FROM POWER SUPPLY			3,991.77			4,193.53
SHARE IN JOINT VENTURE			621.53			424.94
				4,613.30		4,618.47
2. INCOME FROM OTHER OPERATIONS						
a) SALE OF ELECTRONIC PRODUCTS			58.65			40.55
LESS: EXCISE DUTY			2.66			0.75
			55.99			39.80
b) OTHER OPERATIONS	1	109	332.74			161.13
				388.73		200.93
3. OTHER INCOME	1	109		169.99		141.56
4. NET ADJUSTMENT IN RESPECT OF PREVIOUS YEARS			1.82			—
SHARE IN JOINT VENTURE			10.93			—
				12.75		—
5. TOTAL INCOME				5184.77		4,960.96
EXPENDITURE						
6. COST OF POWER PURCHASED			409.49			406.90
SHARE IN JOINT VENTURE			425.40			293.49
				834.89		700.39
7. COST OF FUEL				1848.87		2,062.59
8. GENERATION, DISTRIBUTION, ADMINISTRATION AND OTHER EXPENSES	2	110		737.33		542.77
9. NET ADJUSTMENT IN RESPECT OF PREVIOUS YEARS				—		3.75
10. TAX ON SALE OF ELECTRICITY			122.25			123.34
SHARE IN JOINT VENTURE			27.38			18.40
				149.63		141.74
11. DEPRECIATION / AMORTISATION			386.60			355.06
SHARE IN JOINT VENTURE			42.89			32.10
				429.49		387.16
12. EXPLORATION EXPENSES WRITTEN OFF/SITE RESTORATION EXPENSES				2.21		3.24
13. ALLOWANCES UNDER SALES CONTRACT				—		2.04
14. SHARE OF PROFIT OF GOVT. OF INDIA UNDER PSC				1.32		2.50
15. AMOUNT WRITTEN OFF IN RESPECT OF NET INCREASE IN FOREIGN CURRENCY LIABILITIES FOR PURCHASE OF CAPITAL ASSETS.				95.08		90.63
16. INTEREST AND FINANCE CHARGES	3	111		290.52		343.80
17. TOTAL EXPENDITURE				4,389.34		4,280.61
PROFIT BEFORE TAXES, STATUTORY APPROPRIATIONS, MINORITY INTEREST AND SHARE OF ASSOCIATES				795.43		680.35
18. PROVISION FOR TAXATION						
a. CURRENT TAX			231.03			203.20
b. DEFERRED TAX			(6.73)			(62.81)
			224.30			140.39
SHARE IN JOINT VENTURE			12.35			8.46
				236.65		148.85
19. EXCESS PROVISION FOR TAXATION IN RESPECT OF EARLIER YEARS				(2.48)		(1.39)
20. ADDITIONAL INCOME-TAX ON DIVIDEND				17.95		16.50
21. PROVISION FOR WEALTH TAX				0.43		0.41
PROFIT AFTER TAXES AND BEFORE STATUTORY APPROPRIATIONS, MINORITY INTEREST AND SHARE OF ASSOCIATES				542.88		515.98
22. SHARE OF LOSS OF ASSOCIATES FOR THE YEAR (net) [See Note 1(b)(iii)(b)(i)]				39.96		125.32
23. MINORITY INTEREST				0.51		0.85
PROFIT AFTER TAXES, MINORITY INTEREST, SHARE OF ASSOCIATES AND BEFORE STATUTORY APPROPRIATIONS				502.41		389.81
24. STATUTORY APPROPRIATIONS	4	111		42.16		69.91
PROFIT AFTER TAXES, STATUTORY APPROPRIATIONS, MINORITY INTEREST AND SHARE OF ASSOCIATES				460.25		319.90
APPROPRIATIONS:						
25. PROPOSED DIVIDEND			138.66			128.76
26. INTERIM DIVIDEND			—			—
27. TRANSFER TO DEBENTURE REDEMPTION RESERVE			—			49.69
28. TRANSFER TO GENERAL RESERVE			150.20			150.00
				288.86		328.45
29. BALANCE CARRIED TO BALANCE SHEET				171.39		(8.55)
30. BASIC AND DILUTED EARNINGS PER SHARE (in Rs.) (Face Value Rs. 10/-)				23.26		16.17
(on Profit After Taxes, Statutory Appropriations, Minority Interest and Share of Associates on share outstanding)						

Notes – Pages 112 to 125.

As per our report attached to the Balance Sheet.

For S. B. BILLIMORIA & CO.
Chartered Accountants,

For A. F. FERGUSON & CO.
Chartered Accountants,

UDAYAN SEN
Partner.

R. A. BANGA
Partner.

Mumbai, 31st May, 2004

For and on behalf of the Board,

F. A. VANDREVALA
Managing Director.

B. J. SHROFF
Secretary.

H. S. VACHHA
Director.

Mumbai, 31st May, 2004

Consolidated Cash Flow Statement for the year ended 31st March, 2004

	Year ended 31-3-2004 Rs. Crores	Year ended 31-3-2003 Rs. Crores
A. Cash Flow from Operating Activities		
Profit before Taxes	795.43	680.35
Adjustments for :		
Depreciation and depletions	429.49	387.16
Interest Expenditure	267.95	310.78
Interest Income	(92.69)	(60.18)
Income from Trade Investments	(2.45)	(14.59)
Income from Other Investments	(6.92)	(7.96)
Provision for diminution in value of Investments	(9.01)	(12.58)
Retiring Gratuities	10.11	8.49
Leave Encashment	3.90	4.48
Pension Scheme	2.35	4.86
Loss on Sale of Assets (Net)	9.12	(4.31)
Loss on Exchange on loan repayments (Net)	5.13	8.50
Guarantee Fees for Loans/Other Finance Charges	7.45	10.63
Profit on Sale of Investments (Net)	(35.12)	(31.27)
Surplus on buy-back of Euro Notes	—	(2.32)
Provision for Contingency	—	0.03
Provision for Doubtful deposits	1.27	—
Exploration expenses written off/site restoration cost	2.21	3.24
Net increase in Foreign Currency Liabilities written off	95.08	90.63
Miscellaneous Expenditure written off	13.94	14.60
Voluntary Sep Scheme-Ex Gratia Payment Amortised	2.12	—
	<u>703.93</u>	<u>710.19</u>
Operating Profit before Working Capital Changes	1,499.36	1,390.54
Adjustments for :		
Trade & Other Receivables	147.11	(202.55)
Inventories	14.13	(8.99)
Trade and other Payables	(67.90)	167.51
	<u>93.34</u>	<u>(44.03)</u>
Cash Generated from Operations	1,592.70	1,346.51
Taxes Paid	(290.67)	(220.65)
Miscellaneous Expenditure (to the extent not written off) incurred during the year	(0.24)	(2.28)
Retiring Gratuities Paid	(6.42)	(4.33)
Payments under Voluntary Separation Scheme	(44.39)	—
Leave Encashment Paid	(2.20)	(1.67)
Pension Paid	(1.20)	(0.75)
	<u>(345.12)</u>	<u>(229.68)</u>
Net Cash from Operating Activities	1,247.58	1,116.83
B. Cash Flow from Investing Activities		
Purchase of Fixed Assets	(409.02)	(867.00)
Sale of Fixed Assets	5.33	8.47
Exploration expenditure	(14.54)	(6.03)
Development expenditure	(42.63)	(8.59)
Purchase of Investments	(5,104.72)	(4,466.59)
Sale of Investments	4,957.66	4,513.48
Interest Received	86.05	58.69
Inter-corporate deposits/advances	332.24	(37.77)
Insurance Claims Received	2.54	—
Interest Received on Inter-corporate deposits	—	0.05
Income from Trade Investments	2.63	13.36
Income from Other Investments	10.27	6.00
	<u>(174.19)</u>	<u>(785.93)</u>
Net Cash used in Investing Activities	(174.19)	(785.93)
C. Cash Flow from Financing Activities		
Increase in Capital Contributions	1.29	5.67
Proceeds from share issue by a subsidiary (prior to acquisition by Parent Company)	0.28	—
Proceeds from Capital Grants	4.75	—
Proceeds from Borrowings	155.99	489.35
Repayment of Borrowings (including premium on redemption of debentures Rs. 40.84 crores - Previous Year Rs. Nil)	(841.25)	(582.42)
Guarantee Fees for Loans/Other Finance Charges	(7.82)	(11.19)
Interest Paid	(284.74)	(316.78)
Dividend Paid	(128.17)	(99.07)
Additional Income-tax on Dividend Paid	(16.69)	—
	<u>(1,116.36)</u>	<u>(514.44)</u>
Net Cash used in Financing Activities	(1,116.36)	(514.44)
Net (Decrease)/Increase in Cash and Cash Equivalents	(42.97)	(183.54)
Cash and Cash Equivalents as at 1st April, 2003 (Opening Balance)	152.56	328.02
Cash (Opening Balance) of India Natural Gas Company Private Limited a Joint Venture not considered	(0.22)	—
Cash taken over from a Subsidiary	0.03	—
Cash taken over from a Joint Venture	0.03	8.08
Cash and Cash Equivalents as at 31st March, 2004 (Closing Balance)	109.43	152.56

Notes :

- Cash and Cash Equivalents include :
 Current Accounts with Scheduled Banks Rs. 36.97 crores (Previous Year Rs. 68.06 crores).
 Term/Call Deposits with Scheduled Banks Rs. 10.36 crores (Previous Year Rs. 71.93 crores)
 Cash and Cheques on hand Rs. 22.43 crores (Previous year Rs. 0.20 crore)
 Current Accounts with Non-Scheduled Banks Rs. 0.56 crore (Previous Year Rs. 3.36 crores)
 Share in Joint Venture Rs. 39.11 crores (Previous Year Rs. 9.01 crores)
- The minority interest in the net decrease in Cash & Cash Equivalents is Rs. * (Previous Year share in net decrease in Cash & Cash Equivalents is Rs. *).

As per our report attached to the Balance Sheet.

 For S. B. BILLIMORIA & CO.
 Chartered Accountants,

 UDAYAN SEN
 Partner.

Mumbai, 31st May 2004

 For A. F. FERGUSON & CO.
 Chartered Accountants,

 R. A. BANGA
 Partner.

 B. J. SHROFF
 Secretary.

Mumbai,

For and on behalf of the Board,

 F. A. VANDREVALA
 Managing Director.

 H. S. VACHHA
 Director.

Schedule forming part of the Consolidated Balance Sheet

SCHEDULE "A" : SHARE CAPITAL

	Rupees Crores	Rupees Crores	<i>As at 31-3-2003 Rupees Crores</i>
AUTHORISED CAPITAL –			
3,00,00,000 Cumulative Redeemable Preference Shares of Rs. 100 each	300.00		300.00
22,90,00,000 Equity Shares of Rs. 10 each	229.00		229.00
		529.00	529.00
ISSUED CAPITAL –			
20,35,37,712 Equity Shares of Rs.10 each [including 2,30,308 shares not allotted but held in abeyance, 4,40,270 shares cancelled pursuant to a Court Order and 48,04,040 shares of The Tata Power Company Limited held by the erstwhile The Andhra Valley Power Supply Company Limited cancelled pursuant to the Scheme of Amalgamation sanctioned by the High Court of Judicature, Bombay].		203.54	203.54
SUBSCRIBED CAPITAL –			
19,78,97,864 Equity Shares of Rs.10 each (excluding 2,30,308 shares not allotted but held in abeyance, 4,40,270 shares cancelled pursuant to a Court Order and 48,04,040 shares of The Tata Power Company Limited held by the erstwhile The Andhra Valley Power Supply Company Limited cancelled pursuant to the Scheme of Amalgamation sanctioned by the High Court of Judicature, Bombay).	197.90		197.90
<i>Less – Calls in arrears (including Rs. 0.01 crore (31st March, 2003 – Rs. 0.01 crore) in respect of the erstwhile The Andhra Valley Power Supply Company Limited and the erstwhile The Tata Hydro-Electric Power Supply Company Limited)</i>	0.04		0.05
	197.86		197.85
1,65,230 <i>Add : Equity Shares forfeited - Amount paid (31st March, 2003 - 1,65,230 shares)</i>	0.06		0.06
		197.92	197.91
40,058 <i>Less : Equity shares held by Chemical Terminal Trombay Ltd. which were acquired before it became a Subsidiary</i>		0.04	0.04
		197.88	197.87
Of the above Equity Shares :			
(i) 1,67,500 Shares are allotted at par as fully paid pursuant to contracts without payment being received in cash.			
(ii) 11,33,790 Shares issued as Bonus Shares by capitalisation of General Reserve.			
(iii) 49,63,500 Shares issued on exercise of the options by the financial institutions for the conversion of part of their loans/subsidiary to debentures.			
(iv) 56,81,818 Shares are allotted at premium as fully paid pursuant to contracts without payment being received in cash.			
(v) 5,20,84,832 Shares (excluding 47,560 Shares held in abeyance) have been allotted to the shareholders of erstwhile The Andhra Valley Power Supply Company Limited pursuant to the Scheme of Amalgamation sanctioned by the High Court of Judicature, Bombay).			
(vi) 3,50,97,824 Shares (excluding 45,168 Shares held in abeyance) have been allotted to the shareholders of erstwhile The Tata Hydro-Electric Power Supply Company Limited pursuant to the Scheme of Amalgamation sanctioned by the High Court of Judicature, Bombay).			

Schedules forming part of the Consolidated Balance Sheet

SCHEDULE "B": RESERVES & SURPLUS

	Rupees Crores			
	Opening Balance	Additions	Deductions	Closing Balance
STATUTORY RESERVES :				
[Under the Electricity (Supply) Act, 1948]				
TARIFFS AND DIVIDENDS CONTROL RESERVE	11.75	10.68	—	22.43
CONTINGENCIES RESERVE NO. 1	140.89	18.96	—	159.85
CONTINGENCIES RESERVE NO. 2	13.38	—	—	13.38
DEVELOPMENT RESERVE – (created prior to 1st April, 1976)	5.29	—	—	5.29
DEFERRED TAXATION LIABILITY FUND	419.56	—	—	419.56
INVESTMENT ALLOWANCE RESERVE	121.18	—	—	121.18
(including Development Reserve created after 31st March, 1976)				
DEBT REDEMPTION RESERVE	51.94	—	—	51.94
DEBENTURE REDEMPTION RESERVE	56.63	—	—	56.63
OTHER RESERVES :				
CAPITAL RESERVE	0.67	0.05	0.05	0.67
CAPITAL REDEMPTION RESERVE	1.60	—	—	1.60
CAPITAL RESERVE ON CONSOLIDATION	4.32	0.02	—	4.34
SHARE PREMIUM	1,072.91	—	40.84	1,032.07
Less: Adjustment of Global Depository Shares Issue Expenses (Schedule "I")	5.84	—	0.53	5.31
	1,067.07	—	40.31	1,026.76
DEBENTURE REDEMPTION RESERVE	107.19	—	34.38	72.81
SPECIAL RESERVE FUND	1.72	—	—	1.72
GENERAL RESERVE	1,003.60	184.58	7.60	1,180.58
PROFIT AND LOSS ACCOUNT	695.02	171.39	—	866.41
Total Reserves and Surplus - 2003-2004	3,701.81	385.68	82.34	# 4005.15
2002-2003	3,493.82	344.40	136.41	# 3,701.81

Includes share in Joint Venture Rs. 25.23 crores. (31st March, 2003 – Rs. 10.88 crores)

Schedules forming part of the Consolidated Balance Sheet

SCHEDULE "C": SECURED LOANS

	Rupees Crores	As at 31-3-2003 Rupees Crores
(a) Secured, Redeemable, Non-Convertible Privately Placed Debentures	547.33	962.97
(b) Loans from International Bank for Reconstruction and Development (IBRD) and International Finance Corporation (IFCW)**	71.65	359.28
(c) Loan from a Company* *	61.55	76.65
(d) Loan from Infrastructure Development Finance Company Ltd.	60.00	—
(e) Loan from Banks	11.04	6.40
	751.57	1,405.30
Share in Joint Venture	339.36	286.24
	1,090.93	1,691.54

** in foreign currency

SCHEDULE "D": UNSECURED LOANS

	Rupees Crores	As at 31-3-2003 Rupees Crores
(a) Fixed Deposits	133.66	181.58
(b) Loans from Shareholders	0.17	1.32
(c) Loans from Japanese Leasing Companies * *	—	6.62
(d) Supplier's Credit **	3.05	8.62
(e) Euro Notes* *	822.98	842.29
(f) Loans from Companies	10.02	11.22
(g) Sales Tax Deferral	28.33	7.50
(h) Temporary overdrawn balance in bank accounts	1.77	—
	999.98	1,059.15
Share in Joint Venture	3.38	—
	1,003.36	1,059.15

** repayable in foreign currencies

SCHEDULE "E1": FIXED ASSETS

	Rupees Crores											
	GROSS BLOCK					DEPRECIATION / AMORTISATION					NET BLOCK	
	As at 1-4-2003 (at cost)	Acquired during the year#	Addi- tions	Deduc- tions	As at 31-3-2004 (at cost)	As at 1-4-2003	Acquired during the year#	For the year	Deduc- tions	As at 31-3-2004	As at 01-4-2003	As at 31-3-2004
PURCHASE GOODWILL	7.60	—	—	—	7.60	3.04	—	1.52	—	4.56	4.56	3.04
GOODWILL ON CONSOLIDATION	113.05	—	—	—	113.05	49.75	—	22.61	—	72.36	63.30	40.69
LAND (including land development)	15.46	—	0.01	—	15.47	—	—	—	—	—	15.46	15.47
LEASEHOLD LAND	4.48	—	—	—	4.48	0.15	—	0.05	—	0.20	4.33	4.28
PRODUCING PROPERTIES [CY-OS-90/1 (PY-3)& CB-OS/2]	180.60	—	4.72	2.54	182.78	79.06	—	29.15	—	108.21	101.54	74.57
HYDRAULIC WORKS	281.14	—	50.77	0.35	331.56	45.86	—	8.73	0.31	54.28	235.28	277.28
BUILDINGS	429.01	—	4.73	0.36	433.38	98.40	—	18.13	0.06	116.47	330.61	316.91
RAILWAY SIDINGS, ROADS, CROSSINGS, ETC.	19.74	—	1.84	—	21.58	4.61	—	0.59	—	5.20	15.13	16.38
PLANT AND MACHINERY	3,909.47	0.03	90.89	13.49	3,986.90	1,655.08	0.02	258.78	12.75	1,901.13	2,254.39	2,085.77
TRANSMISSION LINES, CABLE NETWORK, ETC.	653.11	—	18.02	0.99	670.14	198.90	—	34.84	0.47	233.27	454.21	436.87
FURNITURE, FIXTURES AND OFFICE EQUIPMENT	26.97	0.09	3.73	0.34	30.45	15.04	0.03	2.04	0.21	16.90	11.93	13.55
TECHNICAL KNOW-HOW	0.93	—	0.02	—	0.95	0.73	—	0.07	—	0.80	0.20	0.15
MOTOR VEHICLES, LAUNCHES, BARGES, ETC.	27.87	0.09	3.57	0.99	30.54	16.76	0.05	4.89	0.82	20.88	11.11	9.66
HELICOPTERS	24.18	—	—	—	24.18	16.16	—	5.61	—	21.77	8.02	2.41
TOTAL	5,693.61	0.21	178.30	19.06	5,853.06	2,183.54	0.10	387.01	14.62	2,556.03	3,510.07	3,297.03
SHARE IN JOINT VENTURE	591.73	0.12	92.16	21.64	662.37	172.07	—	42.89	8.99	205.97	419.66	456.40
GRAND TOTAL - 2003-2004	6,285.34	0.33	270.46	40.70	6,515.43	2,355.61	0.10	429.90	23.61	2,762.00	3,929.73	3,753.43
- 2002-2003	5,206.22	592.90	501.31	15.09	6,285.34	1,837.20	142.10	387.21	10.90	2,355.61	3,369.02	3,929.73

Note: \$ Including Rs. 0.41 crore (31st March, 2003 - Rs. 0.05 crore) charged to Capital work in progress

Pertains to assets acquired on purchase of Duncans North Hydro Power Company Limited (a subsidiary) and Powerlinks Transmission Limited (a Joint Venture) during the year [31st March, 2003 purchase of North Delhi Power Limited (a Joint Venture)].

Schedules forming part of the Consolidated Balance Sheet

SCHEDULE "E2": FIXED ASSETS

Incidental expenditure incurred during construction period

Particulars

Acquired during the year*			
Payment to and provision for employees- Salaries, Wages and Bonus		50.03	—
Share in Joint Venture	0.49		—
Operations Expenses - Repairs and Maintenance-	0.01	0.49	—
Share in Joint Venture	0.01		—
Administration Expenses - Rent	0.01	0.02	—
Cost of Services Procured	0.33		—
Miscellaneous Expenses	(43.31)		—
Share in Joint Venture	(42.97)		—
Interest & Finance charges- Interest & Finance charges	1.44	(41.53)	—
Share in Joint Venture	—		—
Less : Income earned during construction period	5.28	5.28	—
Share in Joint Venture	—	14.29	—
TOTAL	0.07	0.07	—
		14.22	—

	Rupees Crores	Rupees Crores	As at 31-3-2003 Rupees Crores
Acquired during the year*		50.03	—
Payment to and provision for employees- Salaries, Wages and Bonus		50.03	—
Share in Joint Venture	0.49		—
Operations Expenses - Repairs and Maintenance-	0.01	0.49	—
Share in Joint Venture	0.01		—
Administration Expenses - Rent	0.01	0.02	—
Cost of Services Procured	0.33		—
Miscellaneous Expenses	(43.31)		—
Share in Joint Venture	(42.97)		—
Interest & Finance charges- Interest & Finance charges	1.44	(41.53)	—
Share in Joint Venture	—		—
Less : Income earned during construction period	5.28	5.28	—
Share in Joint Venture	—	14.29	—
TOTAL	0.07	0.07	—
		14.22	—

* pertains to purchase of Duncans North Hydro Power Company Limited (subsidiary) acquired during the year.

SCHEDULE "F": INVESTMENTS

(Long term unless otherwise stated)

1. CONTINGENCIES RESERVE INVESTMENTS – (Quoted)	138.78	136.27
– (Unquoted)	15.50	—
2. DEFERRED TAXATION LIABILITY FUND INVESTMENTS - (Quoted)	404.59	382.43
- (Unquoted)	15.00	15.00
3. TRADE INVESTMENTS		
(a) Ordinary Shares – (Quoted) fully paid up	115.44	122.08
(b) Ordinary Shares – (Unquoted) fully paid up	815.00	752.51
(c) Preference Shares – (Unquoted) fully paid up	3.00	7.77
4. OTHER INVESTMENTS		
(a) Ordinary Shares – (Quoted) fully paid up	43.68	44.62
(b) Ordinary Shares – (Unquoted) fully paid up	408.11	377.80
(c) Preference Shares – (Quoted) fully paid up	—	1.00
(d) Preference Shares – (Unquoted) fully paid up	95.05	90.09
(e) Debentures – (Quoted)	0.02	—
(f) Debentures – (Unquoted)	0.05	—
(g) Other Securities – (Quoted)	38.51	68.85
(h) Other Securities – (Unquoted)	9.13	17.61
(i) Other Securities – (Unquoted) - Current	139.39	90.06

	Rupees Crores	As at 31-3-2003 Rupees Crores
1. CONTINGENCIES RESERVE INVESTMENTS – (Quoted)	138.78	136.27
– (Unquoted)	15.50	—
2. DEFERRED TAXATION LIABILITY FUND INVESTMENTS - (Quoted)	404.59	382.43
- (Unquoted)	15.00	15.00
3. TRADE INVESTMENTS		
(a) Ordinary Shares – (Quoted) fully paid up	115.44	122.08
(b) Ordinary Shares – (Unquoted) fully paid up	815.00	752.51
(c) Preference Shares – (Unquoted) fully paid up	3.00	7.77
4. OTHER INVESTMENTS		
(a) Ordinary Shares – (Quoted) fully paid up	43.68	44.62
(b) Ordinary Shares – (Unquoted) fully paid up	408.11	377.80
(c) Preference Shares – (Quoted) fully paid up	—	1.00
(d) Preference Shares – (Unquoted) fully paid up	95.05	90.09
(e) Debentures – (Quoted)	0.02	—
(f) Debentures – (Unquoted)	0.05	—
(g) Other Securities – (Quoted)	38.51	68.85
(h) Other Securities – (Unquoted)	9.13	17.61
(i) Other Securities – (Unquoted) - Current	139.39	90.06
	2,241.25	2,106.09
Less : Provision for diminution in value of Investments [including in respect of associates Rs. 55.40 crores (31st March, 2003 – Rs. 55.40 crores)]	71.57	81.53
	2,169.68	2,024.56
Share in Joint Venture	2.96	—
	2,172.64	2,024.56
Notes :		
(1) Aggregate of Quoted Investments –		
Cost	743.98	755.25
Market Value	838.78	442.01
(2) Aggregate of Unquoted Investments –		
Cost	1,500.23	1,350.84

Less : Provision for diminution in value of Investments [including in respect of associates Rs. 55.40 crores (31st March, 2003 – Rs. 55.40 crores)]

Share in Joint Venture

Notes :

(1) Aggregate of Quoted Investments –		
Cost	743.98	755.25
Market Value	838.78	442.01
(2) Aggregate of Unquoted Investments –		
Cost	1,500.23	1,350.84

The above includes carrying cost of investments in associates as indicated in note 1(b) (iii) (b) (i).

Schedule forming part of the Consolidated Balance Sheet

SCHEDULE "G" : CURRENT ASSETS, LOANS AND ADVANCES

	Rupees Crores	Rupees Crores	As at 31-3-2003 Rupees Crores
CURRENT ASSETS –			
(a) Interest accrued on Investments	12.89		4.26
(b) Inventories –			
Stores and Spare Parts at or below cost	Rs.275.41 Crores		296.19
Crude Oil	" 5.18 Crores		2.49
Stock of Shares	" 4.74 Crores		9.32
Loose Tools at or below cost	" 0.28 Crore		0.25
Stores, Tools and Equipment in transit at cost	" 26.63 Crores		12.53
Share in Joint Venture	" 15.18 Crores		10.28
	327.42		331.06
(c) Work-in-progress (in respect of electronic products at lower of cost plus attributed profit and net realisable value)	11.95		22.44
(d) Sundry Debtors –			
(i) Debts outstanding for more than six months	Rs.204.88 Crores		415.42
(ii) Other Debts	" 553.62 Crores		530.25
	Rs.758.50 Crores		945.67
Less : Provision for Doubtful Debts	" 30.36 Crores		44.65
	Rs.728.14 Crores		901.02
Share in Joint Venture	" 111.38 Crores		76.45
	839.52		977.47
<i>Notes –</i>			
Sundry Debtors fully secured	Rs. 13.84 Crores		19.99
Sundry Debtors unsecured and considered good	" 714.30 Crores		881.03
Sundry Debtors considered Doubtful	" 30.36 Crores		44.65
	Rs.758.50 Crores		945.67
Share in Joint Venture	" 111.38 Crores		76.45
	Rs.869.88 Crores		1,022.12
(e) Cash and Bank Balances –			
(i) Current Accounts with Scheduled Banks	Rs. 36.97 Crores		68.06
(ii) Fixed Call Deposits with Scheduled Banks	" 10.36 Crores		71.93
(iii) Cash and Cheques on Hand	" 22.43 Crores		0.20
(iv) Current Accounts with Non-Scheduled Banks	" 0.56 Crore		3.36
	Rs. 70.32 Crores		143.55
Share in Joint Venture	" 39.11 Crores		9.01
	109.43		152.56
		1,301.21	1,487.79
LOANS AND ADVANCES – Considered good- unless otherwise stated – (Unsecured)			
(a) Advances with public bodies	7.32		5.95
(b) Loans to and Deposit with Nelco Ltd.	1.65		1.65
(c) Deposits with other Companies	Rs. 92.83 Crores		430.07
Less : Provision for Doubtful deposits	" 1.27 Crores		—
	91.56		430.07
(d) Other Advances (including advances considered doubtful Rs.4.07 crores - 31st March, 2003 - Rs. 4.07 crores)(includes secured Rs.0.25 crore - 31st March, 2003 - Rs.0.28 crore)	Rs.124.11 Crores		153.75
Less : Provision for doubtful advances	" 4.07 Crores		4.07
	120.04		149.68
(e) Payment of Taxes	420.97		334.92
	641.54		922.27
Share in Joint Venture	10.62		6.09
	652.16		928.36
	1,953.37		2,416.15

Schedules forming part of the Consolidated Balance Sheet

SCHEDULE "H": CURRENT LIABILITIES AND PROVISIONS

	Rupees Crores	Rupees Crores	As at 31-3-2003 Rupees Crores
CURRENT LIABILITIES –			
(a) Consumers Benefit Account	21.94		11.25
(b) Sundry Creditors	716.78		914.57
(c) Advance and progress payments	35.23		26.81
(d) Interest accrued but not due on Secured Loans	20.19		34.35
(e) Interest Accrued but not due on Unsecured Loans	11.98		14.16
(f) Investor Education and Protection Fund shall be credited by the following amounts namely : **			
(i) Unpaid dividend	5.12		4.12
(ii) Unpaid application money received by the companies for allotment of securities and due for refund	—		0.06
(iii) Unpaid matured debentures	0.25		0.31
(iv) Interest	0.22		0.28
(g) Other Liabilities	86.40		53.31
(h) Security Deposits from Consumers	23.89		26.14
(i) Sundry Deposits	12.35		7.72
CURRENT LIABILITIES	934.35		1,093.08
Add: Share in Joint Venture	116.46		51.12
		1,050.81	1,144.20
PROVISIONS –			
(a) Provision for Taxation	248.75		221.39
(b) Provision for Additional Income-tax on Dividend	17.77		16.50
(c) Provision for Wealth Tax	0.64		0.67
(d) Provision for Gratuities	58.18		54.53
(e) Provision for Pension Scheme	10.81		9.66
(f) Provision for Leave Encashment	28.06		26.38
(g) Provision for Final Dividend	138.66		128.76
(h) Provision for retiring benefit to Ex ED	0.19		0.21
(i) Provision for Contingency (Service Tax)	0.33		0.33
(j) Provision for Site Restoration Cost	8.75		6.63
Add: Share in Joint Venture		512.14	465.06
		3.73	1.69
Total Provisions		515.87	466.75
Total Liabilities & Provisions		1,566.68	1,610.95

** Includes amounts aggregating Rs. 0.12 crore (31st March, 2003 - Rs. 0.05 crore) outstanding for more than seven years pending legal cases.

SCHEDULE "I": MISCELLANEOUS EXPENDITURE (to the extent not written off)

	Expenditure Incurred		Written off		Closing Balance Rupees Crores	As at 31-3-2003 Rupees Crores
	Till 31-3-2004 Rupees Crores	Till 31-3-2003 Rupees Crores	During the year Rupees Crores			
INTANGIBLE ASSETS –						
"The Bombay (Hydro-Electric) Licence, 1907"	0.13	0.13	—	Nil	Nil	Nil
"The Andhra Valley (Hydro-Electric) Licence, 1919"	0.05	0.05	—	Nil	Nil	Nil
"The Nila Mula Valley (Hydro-Electric) Licence, 1921" ..	0.08	0.08	—	Nil	Nil	Nil
"The Trombay Thermal Power Electric Licence, 1953" ..	*	*	—	*	*	Nil
OTHER EXPENDITURE –						
Expenses re : New Ordinary Shares	0.03	0.03	—	Nil	Nil	Nil
Expenses towards Rights Shares issued in 1993	3.66	1.73	0.18	1.75	1.93	1.93
Global Depository Shares (GDS) issue expenses	11.12	5.28	0.53	5.31	5.84	5.84
Discount on issue of Debentures	0.53	0.53	—	Nil	Nil	Nil
Discount on issue of Euro Notes	5.54	3.93	0.23	1.38	1.61	1.61
Merger expenses- Tata Hydro & Andhra Valley	61.93	37.16	12.39	12.38	24.77	24.77
Merger expenses - Jamshedpur Power Co.Ltd.	0.54	0.33	0.11	0.10	0.21	0.21
Preliminary Expenses	0.01	0.01	—	Nil	Nil	Nil
Deferred Revenue Expenditure	2.85	1.85	0.50	0.50	0.76	0.76
Pre-operative Expenses	—	—	—	—	—	—
Miscellaneous Expenditure	—	—	—	—	—	—
	86.47	51.11	13.94	21.42	35.12	35.12
<i>Less: GDS issue expenses adjusted against Share Premium</i>				5.31	5.84	5.84
Add: Share in Joint Venture	42.28			42.28	7.38	7.38
Total after Joint Venture	128.75			58.39	36.66	36.66

Schedule forming part of the Consolidated Profit and Loss Account

SCHEDULE "1": OTHER INCOME

	Rupees Crores	Rupees Crores	<i>Previous Year</i> Rupees Crores
1. INCOME FROM OTHER OPERATIONS			
(a) Rental of Land, Buildings, Plant and Equipment, etc	3.51		1.11
(b) Income in Respect of Services Rendered	11.72		12.92
(c) Income from Broad Band Services & Sale of Dark Fibre	30.64		1.33
(d) Revenue from contracts-Transmission EPC Business Unit	103.92		25.07
(e) Sale of Crude Oil	113.25		76.35
(f) Income from Services Rendered (Storage & Terminalling Income)	7.81		9.54
(g) Sale of Stock of Shares	10.82		0.58
(h) Licence Fees and Allied Charges	—		0.90
(i) Brokerage	—		0.29
(j) Income from Investments (including profit on sale of investments Rs. 1.80 crores – 31st March, 2003–Rs. 0.92 crores)	3.30		2.47
(k) Income from Shares Treated as Stock in Trade	0.31		0.25
(l) Miscellaneous Revenue and Sundry Credits	22.76		13.32
(m) Provision for Doubtful Debts and Advances Written Back (net)	14.29		6.56
(n) Profit On Sale/ Retirement of Assets (net)	3.47		5.38
	325.80		156.07
Add : Share in Joint Venture	6.94		5.06
		332.74	161.13
2. OTHER INCOME			
(a) Interest on Government and other Securities, Loans, Advances, Deposits etc.	76.11		58.38
(b) Interest on US 64 Tax free Bonds from Unit Trust of India	16.58		—
(c) Income from Trade Investments	2.45		14.59
(d) Income from other Investments	6.92		7.96
(e) Profit on Sale of Investments (Net)	35.12		30.35
(f) Profit on Sale of Assets	—		0.02
(g) Sundry Receipts	2.59		3.05
(h) Leave and Licence Fees	1.09		0.94
(i) Surplus on Buy-back of Euro Notes	—		2.32
(j) Provision for Diminution in value of investments written back	9.01		12.58
	149.87		130.19
Add : Share in Joint Venture	20.12		11.37
		169.99	141.56
		502.73	302.69

Schedule forming part of the Consolidated Profit and Loss Account

SCHEDULE "2" : GENERATION, DISTRIBUTION, ADMINISTRATION AND OTHER EXPENSES

	Rupees Crores	Rupees Crores	Previous Year Rupees Crores
1. PAYMENTS TO AND PROVISIONS FOR EMPLOYEES -			
(a) Salaries, Wages and Bonus	140.41		88.18
(b) Company's contribution to Provident Fund	7.52		7.53
(c) Retiring Gratuities	10.11		8.49
(d) Welfare Expenses	20.29		21.75
(e) Contribution to Superannuation Fund	9.13		8.80
(f) Leave Encashment Scheme	3.90		4.48
(g) Pension Scheme	2.35		4.86
	193.71		144.09
Share in Joint Ventures	50.49		40.04
		244.20	184.13
2. OPERATION EXPENSES-			
(a) Stores, Oil, etc. consumed	23.12		11.01
(b) Production Cost Field Operating Expenses (See Note 18)	19.96		18.64
(c) Rental of Land, Buildings, Plant and Equipment, etc	8.52		8.97
(d) Repairs and Maintenance-			
(i) To Buildings and Civil Works	Rs. 15.37 Crores		16.53
(ii) To Machinery and Hydraulic Works	" 71.96 Crores		91.06
(iii) To Furniture, Vehicles, etc.	" 2.20 Crores		1.71
	89.53		109.30
(e) Rates and Taxes	23.12		(1.00)
(f) Insurance	18.04		17.91
(g) Components consumed relating to manufacturing activities	18.48		12.74
(h) Cost of materials and erection charges - Transmission EPC business unit	97.12		23.07
(i) Other Operation Expenses	18.72		13.89
	316.61		214.53
Share in Joint Ventures	44.64		14.61
		361.25	229.14
3. WHEELING CHARGES PAYABLE		15.07	20.70
4. ADMINISTRATION EXPENSES-			
(a) Rent	0.66		0.97
(b) Rates and Taxes	0.82		0.77
(c) Insurance	3.08		2.75
(d) Other Administration Expenses	11.92		8.81
(e) Directors' Fees	0.05		0.05
(f) Auditors' Fees	1.40		0.98
(g) Government Audit Fees	0.01		0.02
(h) Cost of Services Procured	11.54		12.82
(i) Miscellaneous Expenses	22.73		27.63
(j) Bad Debts	0.01		—
(k) Provision for Doubtful Deposits	1.27		—
(l) Provision for contingency (Service Tax)	—		0.03
	53.49		54.83
Share in Joint Ventures	27.42		22.14
		80.91	76.97
5. (a) DECREASE IN WORK-IN-PROGRESS			
Opening Balance	22.44		34.42
Less : Closing Balance	11.95		22.44
		10.49	11.98
(b) DECREASE/(INCREASE) IN CRUDE OIL STOCK			
Opening Balance	2.49		8.30
Less : Closing Balance	(5.18)		2.49
		(2.69)	5.81
Carried over		709.23	528.73

Schedules forming part of the Consolidated Profit and Loss Account

SCHEDULE "2" : GENERATION, DISTRIBUTION, ADMINISTRATION AND OTHER EXPENSES (Contd.)

	Rupees Crores	Rupees Crores	Previous Year Rupees Crores
Brought Forward		709.23	528.73
(c) DECREASE/(INCREASE) IN STOCK OF SHARES			
Opening Balance	9.32		9.98
Less : Closing Balance	4.74		9.32
6. AMOUNT WRITTEN OFF - MISCELLANEOUS EXPENDITURE (SCHEDULE-"1")		4.58	0.66
7. LOSS ON SALE/RETIREMENT OF ASSETS (NET)	—	13.94	14.60
SHARE IN JOINT VENTURE	12.59		—
		12.59	1.09
8. PURCHASE OF STOCK		1.13	1.80
9. TRANSFER OF REVENUE EXPENSES TO CAPITAL		(4.14)	(4.11)
		737.33	542.77

SCHEDULE "3" : INTEREST AND FINANCE CHARGES

	Rupees Crores	Rupees Crores	Previous Year Rupees Crores
1. INTEREST :			
(a) INTEREST ON DEBENTURE LOANS		89.60	111.89
(b) INTEREST ON FIXED PERIOD LOANS FROM INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT AND INTERNATIONAL FINANCE CORPORATION		17.85	23.88
(c) INTEREST ON FIXED PERIOD EURO NOTES	70.80	88.51	104.96
(d) OTHER INTEREST AND COMMITMENT CHARGES	2.69		77.50
SHARE IN JOINT VENTURE			0.17
		73.49	77.67
Less : INTEREST CAPITALISED	0.87	269.45	318.40
SHARE IN JOINT VENTURE	0.63		7.62
		1.50	—
		267.95	7.62
2. FINANCE CHARGES :			310.78
(a) LOSS ON EXCHANGE (NET)		3.67	14.42
(b) COMMISSION AND BROKERAGE		0.85	1.95
(c) GUARANTEE FEES FOR LOANS		7.45	10.63
(d) DELAYED PAYMENT CHARGES		2.05	4.71
(e) OTHER FINANCE CHARGES		8.55	1.31
		22.57	33.02
		290.52	343.80

SCHEDULE "4" : STATUTORY APPROPRIATIONS

	Rupees Crores	Previous Year Rupees Crores
(a) CONTINGENCIES RESERVE	18.95	18.23
(b) SPECIAL APPROPRIATION TOWARDS PROJECT COST	12.53	28.75
(c) DEFERRED TAXATION LIABILITY FUND	—	22.93
(d) TARIFFS AND DIVIDEND CONTROL RESERVE	10.68	—
	42.16	69.91

Signatures to Notes and Schedules "A" to "1" and "1" to "4"
For and on behalf of the Board,

B. J. SHROFF
Secretary.

F. A. VANDREVALA
Managing Director.

H. S. VACHHA
Director.

Notes forming part of the Consolidated Accounts

1. Major Accounting Policies :

(a) Basis of Accounting :

The financial statements have been prepared under the historical cost convention and on the accrual basis of accounting. The accounts of the Parent Company and the subsidiaries have been prepared in accordance with the Accounting Standards issued by The Institute of Chartered Accountants of India, and generally accepted accounting principles.

(b) Principles of consolidation :

The consolidated financial statements have been prepared in accordance with Accounting Standard 21 (AS-21) - "Consolidated Financial Statements"; Accounting Standard 23 (AS-23) - "Accounting for Investments in Associates in Consolidated Financial Statements" and Accounting Standard 27 (AS-27) - "Financial Reporting of Interests in Joint Ventures" issued by The Institute of Chartered Accountants of India. The consolidated financial statements have been prepared on the following basis :

(i) Investments in Subsidiaries

- The financial statements of The Tata Power Company Limited ('The Parent Company') and its subsidiary companies have been combined on a line-by line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions resulting in unrealised profits or losses.
- The excess of cost to the Parent Company of its investment in the Subsidiary over the Parent Company's portion of equity of the Subsidiary is recognised in the financial statements as Goodwill, which is amortised over a period of five years.
- The excess of Parent Company's portion of equity of the Subsidiary as at the date of its investment is treated as Capital Reserve.
- The financial statements of the subsidiaries used in the consolidation are drawn upto the same reporting date as that of the Parent Company i.e. year ended 31st March, 2004.
- Minority interest in the net assets of consolidated subsidiaries consist of :
 - (1) the amount of equity attributable to minorities at the date on which investment in a subsidiary is made; and
 - (2) the minorities' share of movements in equity since the date the parent subsidiary relationship came into existence.

The subsidiary companies (which along with the Tata Power Company Limited, the parent, constituted the Group) considered in the preparation of these consolidated financial statements are :

Name	Country of Incorporation	% voting power held as at 31st March, 2004
Tata Petrodyne Ltd. (TPL)	India	100
Chemical Terminal Trombay Ltd. (CTTL)	India	72
Af-Taab Investment Co. Ltd. (AICL)	India	100
Tata Power Broadband Co. Ltd.	India	100
Tata Power Trading Co. Ltd.	India	100
Duncans North Hydro Power Co. Ltd. (DNHPCL) [since changed to Alaknanda Hydro Power Company Ltd.]	India	100

(ii) (a) Interest in Joint Ventures :

(i) The Group's interests in jointly controlled entities are :

Name	Country of Incorporation	Percentage of Ownership Interest as at 31st March, 2004
North Delhi Power Ltd. (NDPL)	India	49
Powerlinks Transmission Ltd. (PTL) (also, a Subsidiary)	India	51

(ii) In accordance with Accounting Standard - 27 "Financial Reporting of Interests in Joint Ventures" issued by The Institute of Chartered Accountants of India, the jointly controlled entity "India Natural Gas Company Private Limited" (Indigas) has not been considered for consolidation as the Company is under members voluntary winding up.

(iii) The Financial Statements of the Joint Ventures are drawn upto 31st March, 2004. The Group's interest in these Joint Ventures, have been accounted for using proportionate consolidation method.

(iv) The movement of the aggregate reserves of the Joint Ventures are as under :

	Outstanding for the year ended 31st March, 2004 (Rs. crores)	Outstanding for the year ended 31st March, 2003 (Rs. crores)
Reserves as at the beginning of the year	10.88	Nil
Add : Group's share of profits for the year	14.35	10.88
Less : Group's share of Dividend paid	Nil	Nil
Reserves as at the end of the year	25.23	10.88

- (b) (i) These financial statements also reflect the Group's share of assets, liabilities, income and expenditure of the Joint Venture operations carried out through TPL which are accounted on the basis of available information on line to line basis with similar items in the Group's Accounts to the extent of the participating interest of the Group as per the various joint venture agreements.
- (ii) In respect of two Production Sharing Joint Venture operations i.e. CB-OS/1 and CB-OS/2 carried out through TPL, these financial statements include the Group's share of assets aggregating Rs. 205.59 crores (31st March, 2003 - Rs. 154.16 crores), liabilities aggregating Rs. 14.56 crores (31st March, 2003 - Rs. 16.67 crores), income aggregating Rs. Nil (31st March, 2003 - Rs. *) and expenditure aggregating Rs. 7.32 crores (31st March, 2003 - Rs. 2.57 crores) which are accounted on the basis of information available in the absence of audited accounts.
- (iii) Participating interest in the respective Joint Venture operations entered into by TPL as on 31st March, 2004 are as follows :

Block	Participating Interest (%)
CY-OS/90-1 (PY-3)	21
CB-OS/1	10
CB-OS/2 (Exploration)	15
CB-OS/2 (Development)	10

- (c) In the case of NDPL, financial statements for the previous period were prepared for the period 1st July, 2002 (being the commencement of commercial operations) to 31st March, 2003.
- (iii) (a) Investments in Associates
The Group's Associates are :

Name	Country of Incorporation	Percentage of Ownership Interest as at 31st March, 2004
Nelco Ltd.	India	49.82
Yashmun Engineers Ltd.	India	27.27
Tata Ceramics Ltd.	India	40.00
Tata Teleservices Ltd.	India	20.36
Panatone Finvest Ltd.	India	39.98
Tata BP Solar India Ltd.	India	49.00
Tata Projects Ltd.	India	30.00
Dynamic Advertising and Research Team Ltd. #	India	24.90
Aerospace Systems Pvt. Ltd. #	India	30.00
The Associated Building Co. Ltd. #	India	33.14
Rujuvalika Investments Ltd. #	India	27.59
Vantech Investments Ltd. #	India	50.00

These associates have not been considered for consolidation being not material to the Group.

- (b) (i) The break – up of Investment in Associates is as under :- (Rs. in Crores)

	Panatone Finvest Limited	Tata Tele-Services Limited	Nelco Limited	Yashmun Engineers Limited	Tata BP Solar India Limited	Tata Ceramics Limited	Tata Projects Limited
Refer Schedule "F"	3 (b)	3 (b)	3 (a)	3 (b)	4 (b)	4 (b)	3 (b)
(i) Number of Equity Shares (Nos.)	50,00,00,000 50,00,00,000	60,00,00,000 50,00,00,000	1,13,68,090 1,13,68,090	9,600 9,600	17,82,000 17,82,000	91,10,000 91,10,000	67,500 67,500
(ii) Percentage holding	39.98 39.98	@20.36 35.08	49.82 49.82	27.27 27.27	49.00 49.00	40.00 40.00	30.00 30.00
(iii) Cost of Investment (Equity Shares)	500.00 500.00	600.00 500.00	13.21 13.21	0.01 0.01	24.49 24.49	9.11 9.11	1.54 1.54
(iv) Including Goodwill/ Capital Reserve	0.18 0.18	51.52 88.77	(1.53) (1.53)	(0.24) (0.24)	1.88 1.88	22.29 22.29	(14.39) (14.39)
(v) Share in accumulated profit/(losses) net of dividends received	(1.11) (3.48)	(257.35) (121.76)	(6.57) (7.40)	0.29 0.22	11.84 1.77	0.74 0.33	\$(1.54) 1.93
(vi) Share of (losses)/profits net of dividends received during the year	5.10 2.37	(50.38) (135.59)	\$(6.64) 0.83	(0.02) 0.07	12.09 10.07	(0.10) 0.40	# — # (3.47)

	Panatone Finvest Limited	Tata Tele- Services Limited	Nelco Limited	Yashmun Engineers Limited	Tata BP Solar India Limited	Tata Ceramics Limited	Tata Projects Limited
Refer Schedule "F"	3 (b)	3 (b)	3 (a)	3 (b)	4 (b)	4 (b)	3 (b)
(vii) Provision for diminution in the value of investments (Equity Shares)						\$ (9.11) \$ (9.11)	
(viii) Carrying cost	503.99 <i>498.88</i>	292.27 <i>242.65</i>	Nil <i>6.64</i>	0.28 <i>0.30</i>	48.42 <i>36.33</i>	0.64 <i>0.73</i>	Nil <i>Nil</i>
(ix) Cost of Investment (Preference Shares)						88.04 <i>88.04</i>	
(x) Provision for diminution in the value of investments (Preference Shares)						(46.22) <i>(46.22)</i>	

Previous year's figures are in italics.

@ The Parent Company's percentage holding in Tata Teleservices Ltd. has during the year been reduced from 35.08% to 20.36%. Consequently, adjustment made for share of losses of Tata Teleservices Ltd. upto 31st July, 2003 has been reversed to the extent of Rs. 145.99 crores.

Share of loss restricted to the original cost of investments as per the equity method of accounting for associates under AS-23 'Accounting for Investments in Associates in Consolidated Financial Statements'.

\$ Included in Schedule "F" under Provision for diminution in value of Investments.

The Financial Statements of all associates are drawn upto 31st March, every year except as stated in (ii) below.

(ii) The share of loss in respect of investments in associate companies include loss of Rs. 6.64 crores of Nelco Ltd., an associate company, which is considered on the basis of Unaudited Financial Statements for the twelve months period ended 31st March, 2004, certified by the Management of the said associate Company, as the company has changed its financial year to end on 30th September, 2004.

(iii) The Associates not considered for consolidation being not material to the Group have been stated at cost as under : (Rs. in crores)

	Tata Services Limited	Dynamic Advertising and Research Team Limited	Aerospace Systems Private Limited	The Associated Building Co. Limited	Rujuvalika Investments Limited	Vantech Investments Limited
Refer Schedule " F"	3(b)	4(b)	4(b)	3(b)	4(b)	4(b)
(i) Number of Equity Shares (Nos)	# 2474	996 <i>996</i>	5,55,000 <i>5,55,000</i>	1,825 <i>1,825</i>	3,66,667 <i>3,66,667</i>	9,95,000 —
(ii) Percentage holding	# 27.49	24.90 <i>24.90</i>	30.00 <i>30.00</i>	33.14 <i>33.14</i>	27.59 <i>27.59</i>	50.00 —
(iii) Cost of investment (Equity Shares)	# 0.16	0.01 <i>0.01</i>	0.56 <i>0.56</i>	0.17 <i>0.17</i>	0.60 <i>0.60</i>	2.55 —
(iv) Provision for diminution in the value of investments	— —	— —	— —	\$0.07 <i>\$0.07</i>	— —	— —
(v) Carrying cost	# 0.16	0.01 <i>0.01</i>	0.56 <i>0.56</i>	0.10 <i>0.10</i>	0.60 <i>0.30</i>	2.55 —

Previous year's figures are in italics.

\$ Included in Schedule "F" under Provision for diminution in value of Investments.

Not disclosed since no longer an associate as at 31st March, 2004.

On adoption of AS-23 during the year 2002-03, investments as stated in (iii) (b) (i) above have been accounted for using equity method whereby the investment is initially recorded at cost and adjusted thereafter for post acquisition change in the Group's share of net assets.

(c) Fixed Assets :

(i) All fixed assets are stated at cost less depreciation. Cost comprises the purchase price and any other applicable costs.

(ii) In respect of assets relating to the electricity business as Licensee :

(a) The net increase/decrease in the Parent Company's liability for repayment of loans for suppliers' credit arrangement for purchase of fixed assets, consequent upon realignments in rupee value in terms of foreign currency values and cost of rollover charges on forward contracts, has been recognised in the Profit and Loss Account over the period of repayment of liabilities on the basis of the realised losses or gains on repayment and the amount of increase/decrease remaining to be charged off on the basis of future repayment is shown as an asset in the Balance Sheet.

- (b) Borrowing costs in respect of loans acquired for acquisition and construction of fixed assets are charged to the Profit and Loss Account.
- (iii) In respect of assets relating the business of the Parent Company other than the electricity business as Licensee and of assets relating to subsidiaries :
- (a) The net increase/decrease in the Parent Company's liability for repayment of loans for purchase of fixed assets, consequent upon realignments in rupee value in terms of foreign currency values is adjusted in the carrying amount of the respective fixed assets.
- (b) Borrowing costs in respect of loans acquired for acquisition and construction of fixed assets are capitalised upto the date the assets are ready for use.
- (iv) In the case of NDPL, the assets transferred from erstwhile Delhi Vidyut Board (DVB) are stated at the transaction value as notified by the Government of National Capital Territory of Delhi (GNCTD) under the Transfer Scheme. Values are assigned to different heads of Fixed Assets as per an independent valuer's estimation.
- (d) Depreciation/Amortisation :
- (i) Depreciation for the year in respect of assets relating to the electricity business of the Parent Company as Licensee has been provided on straight line method in terms of the Electricity (Supply) Act, 1948 on the basis of Central Government Notification No. S.O.265(E) dated 27th March, 1994, except that computers acquired on or after 1st April, 1998 are depreciated at the rate of 33.40% p.a. on the basis of approval obtained from the State Government.
- (ii) Depreciation for the year in respect of assets relating to the electricity business of the Parent Company as other than a Licensee has been provided on straight line method in terms of the Electricity (Supply) Act, 1948 on the basis of Central Government Notification No. S.O.266(E) dated 29th March, 1994.
- (iii) In respect of assets relating to the Broadband and Communication Business of the Parent Company, depreciation has been provided for on straight line method basis at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956.
- (iv) In respect of assets relating to other business of the Parent Company, depreciation has been provided for on Written Down Value (WDV) basis at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956, except in the case of the assets of AICL which are depreciated on Straight Line Method (SLM) at the rates prescribed as per Schedule XIV to the Companies Act, 1956.
- (v) Assets costing less than Rs. 5,000/- are written off in the year of purchase.
- (vi) In the case of CTTL, depreciation on leased assets is provided on the straight line basis, writing off 100% of the cost of the assets over the primary life of the lease and is calculated on a pro rata basis with reference to the date from which the lease rentals commence. Depreciation on other fixed assets is provided on the written down value basis at the rates and in the manner prescribed by Schedule XIV of the Companies Act, 1956.
- (vii) Technical know-how is generally written off on a straight line basis over a period of six years.
- (viii) Leasehold Land is amortised over the period of the lease.
- (ix) Goodwill is amortised over a period of five years.
- (e) Investments :
- (i) Long term investments other than in associates considered for consolidation are carried at cost less provision, if any, for permanent diminution in value of such investments. Current investments are carried at lower of cost and fair value. Investments in associates considered for consolidation are accounted for using the equity method.
- (ii) In the case of AICL, purchase of securities of Tata Group Companies and investments in debentures of all the companies are considered as investments. Expenses for dematerialisation of shares have been written off. Investments, other than above, are considered as stock-in-trade.
- (f) Inventories :
- (i) Inventories of stores and spare parts and loose tools are valued at or below cost. Cost is ascertained on weighted average basis. Work-in-progress is valued at lower of cost and net realisable value and in the case of electronic products includes attributed profits. Cost includes material costs, labour and manufacturing overheads on the basis of absorption costing.
- (ii) In the case of TPL, closing stock of crude oil and condensate (by-product) is valued at Net Realisable Value based on the prices expected to be realised and closing inventories of drilling stores and spares are valued at cost including taxes, duties and freight.
- (iii) In the case of AICL, investments considered as stock-in-trade are valued at average cost or market value whichever is lower. Expenses for dematerialisation of shares have been written off.
- (g) Taxes on Income :
- Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred tax is recognised, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods (*See Note 24*). Where there is unabsorbed depreciation or carry forward losses, deferred tax assets are recognised only if there is virtual certainty of realisation of such assets. Other deferred tax assets are recognised only to the extent there is reasonable certainty of realisation in future.
- (h) Research and Development Expenses :
- Research and Development costs of a revenue nature are charged as an expense in the year in which these are incurred.

- (i) **Warranty Expenses :**
Anticipated product warranty costs for the period of warranty are provided for in the year of sale. Other warranty obligations are accounted for as and when claims are admitted.
- (j) **Foreign Exchange Transactions :**
Monetary assets and liabilities related to foreign currency transactions remaining unsettled at the end of the year are translated at the year-end rate and the difference in translation and realised gains and losses on foreign exchange transactions (other than for fixed assets) are recognised in the Profit and Loss Account. In respect of transactions covered by foreign exchange contracts, the difference between the contract rate and the spot rate on the date of the transaction is charged to the Profit and Loss Account over the period of the contract.
- (k) **Retirement Benefits :**
Provisions for accruing liability for gratuity, pension and leave encashment on separation have been made on the basis of the liability as actuarially determined as at the year-end. There are no separate trust funds in respect of these liabilities in the Parent Company.
- (l) **Revenue Recognition :**
- (i) Revenue from Power Supply is accounted for on the basis of billings to consumers and is inclusive of Fuel Adjustment Charges.
 - (ii) Delayed Payment Charges for power supply are recognised, on grounds of prudence, as and when recovered.
 - (iii) Revenue in respect of Broadband and Communication Business is accounted for on the basis of sale of fibre cables and services rendered.
 - (iv) In the case of TPL, Crude Oil is sold to a Refinery nominated under the Production Sharing Contract by the Government of India. The revenue has been recognised on transfer of custody to refinery/others based on the price agreed by the nominee. Sale of gas is recognised on production and transfer of gas from offshore platform to the processing facility onshore, where the buyers metering system accepts the delivery. Condensate, a by-product from the processing of gas at the onshore facility, is sold on transfer from the storage tankers at the onshore facility.
- (m) **Accounting for Petroleum Operations :**
- (i) TPL generally follows the Full Cost method of accounting for oil and gas exploration and development activities whereby all costs associated with exploring for and developing oil and gas reserves are capitalised, irrespective of the success or failure of specific parts of the overall exploration activity. Costs are accumulated in respect of each block in a cost pool, and the costs in each pool are written off against income arising from production of the reserves attributable to that pool.
 - (ii) Exploration and survey costs incurred are held outside the cost pool pending determination of the existence or otherwise of commercial reserves. These costs remain undepleted pending determination, subject to there being no evidence of impairment. In case the Company surrenders a Block, the accumulated exploration expenditure pertaining to such Block is written off in the year in which the Block is surrendered. In the event of assignment/farm out of Participating Interest, the proportionate accumulated exploration expenditure is written off in the same year.
 - (iii) TPL has currently established two cost pools "CB-OS/2" and "CY-OS-90/1" for its production properties in which all capitalised exploration and development expenditure relating to its Lakshmi Gas and PY-3 Oil properties, respectively are recorded.
 - (iv) Producing properties are created in respect of all areas where production commences. Producing properties, includes the cost incurred on exploration and development including costs in respect of dry wells included in the cost pool.
 - (v) Provision for Site Restoration and abandonment costs is also calculated on the "Unit of Production" basis. This represents the Company's estimated liability for costs that may be incurred on removal and abandonment of facilities at the end of the producing life of the field.
 - (vi) Expenditure carried with each cost pool (including future development costs) is depleted on a unit-of-production basis with reference to quantities, with depletion computed on the basis of the ratio that oil and gas production during the year bears to the balance estimated proved and probable reserves at commencement of the year. Future development costs as well as estimates of proved and probable reserves are taken on the basis of approved development plans or as certified by internationally recognised Reservoir Engineering Consultants.
- (n) **Accounting for Contracts :**
In accordance with Accounting Standard AS-7 (Revised) on Construction contracts issued by the Institute of Chartered Accountants of India, income on contracts in respect of the Transmission EPC business unit and manufacture of electronic products are accounted on "Percentage of completion" basis measured by the proportion that cost incurred upto the reporting date bear to the estimated total cost of the contract.
- (o) **Issue Expenses :**
- (i) Expenses incurred in connection with issue of Rights Shares and Global Depository Shares are amortised over the remaining period of the licence for supply of electricity, in accordance with the treatment adopted for the determination of "Clear Profit" under the Electricity (Supply) Act, 1948. However, the closing balance of the expenditure in connection with Global Depository Shares carried forward under 'Miscellaneous Expenditure (to the extent not written off)' has been disclosed as an adjustment against Securities Premium.
 - (ii) Expenses incurred in connection with the issue of Euro Notes are adjusted against Securities Premium.
 - (iii) Discount on issue of Euro Notes are amortised over the tenure of the Notes.

- (iv) In the case of TPL, payment of fees, costs and expenses towards arrangement of loans are amortised over the period of the loans availed prior to 1st April, 2003.
- (p) Expenditure on Amalgamation.
The expenditure incurred is amortised over a period of five years.
- (q) Payments under Voluntary Retirement Schemes :
Liability for Schemes effective from 1st April, 2003 is amortised over a period of thirty six months commencing from the month following the month of separation.
Change in accounting policy – Payments under Voluntary Retirement Schemes (VRS) :
During the year, the Parent Company has changed its accounting policy of charging liability under VRS schemes in the year in which it is incurred to amortising such liability over a period of thirty-six months commencing from the month following the month of separation. As a result of this change, the Group's share of profits for the year is higher by Rs. 42.27 crores.
- (r) Segment Reporting :
The accounting policies adopted for segment reporting are in line with the accounting policy of the Companies. Revenue and expenses have been identified to segments on the basis of their relationship to the operating activities of the segment. Revenue and expenses, which relate to the enterprise as a whole and are not allocable to segments on a reasonable basis have been included under "Unallocated expenses".
2. With the coming into force of the Electricity Act , 2003 (the Act), the Electricity (Supply) Act, 1948 stands repealed on 10th June, 2003. However, in terms of the Act, the terms and conditions for determination of tariff under the Electricity (Supply) Act, 1948 continue to apply as at 31st March, 2004. Accordingly, the financial statements have been prepared after taking into consideration the provisions of the Sixth Schedule to the Electricity (Supply) Act, 1948.
 3. (a) Accounting Standard 16 (AS-16) issued by The Institute of Chartered Accountants of India requires borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying fixed asset to be capitalised upto the date the assets are ready for use. However, in accordance with past practice and consistent with the treatment adopted for determination of "Capital Base" and "Clear Profit" under the Electricity (Supply) Act, 1948, the Company has charged borrowing costs in respect of assets relating to the electricity business of the Company as Licensee to the Profit and Loss Account. The effect on profit for the year and reserves as at the end of the year, if borrowing costs had been capitalised, has not been determined.
 - (b) Accounting Standard 11 (AS-11) issued by The Institute of Chartered Accountants of India requires exchange differences arising on repayment/realignment of liabilities incurred for the purpose of acquiring fixed assets, which are carried in terms of historical cost, to be adjusted in the carrying amount of the respective fixed assets. However, in accordance with past practice and consistent with the treatment adopted for determination of "Capital Base" and "Clear Profit" under the Electricity (Supply) Act, 1948, the Company has dealt with such differences in accordance with the accounting policy enunciated in Note 1(c)(ii) above. The effect on profit for the year and reserves as at the end of the year, if exchange differences had been adjusted in the carrying amount of fixed assets, has not been determined.
 4. (a) The Parent Company together with the erstwhile The Tata Hydro-Electric Power Supply Company Limited (Tata Hydro) and The Andhra Valley Power Supply Company Limited (Andhra Valley) had in 1999-2000 appropriated in advance through Special Appropriation towards Project Cost an amount of Rs.11.77 crores for which approval of the relevant authorities is needed. Out of this appropriation in advance, a sum of Rs. 5.83 crores had been adjusted (against the amount to be appropriated) during the year 2000-2001 and the balance of Rs. 5.94 crores has been adjusted during the year 2001-2002.
 - (b) In terms of an approval from the Government of Maharashtra, the Parent Company was authorised to appropriate a sum of Rs. 153.00 crores over a period of 7 years effective from 1996-97 upto 2003-04 from the income received from investment in units of Unit Trust of India invested out of the Deferred Taxation Liability Fund, towards the cost of the 220 kV South Mumbai Ring System to Special Appropriation towards Project Cost. As there was no income received during 2002-03 on the said units, the Parent Company had appropriated the full income of Rs. 4.37 crores received on other investments of the fund and in addition had appropriated a further amount of Rs. 24.38 crores as Special Appropriation towards Project Cost in respect of which an application has been made to Government of Maharashtra for its approval. During the current year, the Company has further appropriated full income of Rs. 9.90 crores received from tax – free bonds of Unit Trust of India (received in exchange of UTI units of US-64) and Rs. 2.63 crores received on other investments of the Fund which is subject to the approval of the Government of Maharashtra for which an application is to be made.
 5. (a) In terms of an order by Maharashtra Electricity Regulatory Commission (MERC) dated 24th November, 2003, the Parent Company's Wind Farm should be treated as a separate business and not as a part of its licensee business. As the power generated from the Wind Farm during the year has been merged with the power supplied to MSEB and the revenues, therefore, received from MSEB at the same rate as applicable to power generated through its licensee assets, the Parent Company has been legally advised that based on the discussions with MSEB and the arrangements arrived at with it, the Wind Farm can be treated as a separate business, not forming part of the licensed business, from 1st April, 2004. Consequently for the year ended 31st March, 2004 the Wind Farm has been treated as a part of the Parent Company's licensee business.
 - (b) "Reasonable Return" for the purposes of the Sixth Schedule to the Electricity (Supply) Act, 1948 has been computed in accordance with legal advice obtained by the Parent Company regarding the correct interpretation of the Government of India notification dated 5th May, 1999. Any adjustment necessary in this account will be made by adjusting an equivalent amount against the Special Appropriation towards Project Cost after obtaining the approval of the Government of Maharashtra.
 6. Contingency Reserve Investments and Deferred Taxation Liability Fund Investments include 6.75% Unit Trust of India - Tax Free US Bonds 2008 of face value Rs. 87.56 crores and Rs. 176 crores respectively received on conversion of units in Scheme US-64 which are being carried at the cost at which the units were acquired viz. Rs. 126.95 crores and Rs. 292.09 crores

- respectively. No provision has been made for diminution in the value of these investments as the loss on realization of these investments, if any, will be adjusted against the said reserves.
7. (a) Contingencies Reserve No. 1 represents the transfer to such reserves in terms of para IV of the Sixth Schedule to the Electricity (Supply) Act, 1948.
 - (b) Contingencies Reserve No. 2 represents the transfer to such reserves in respect of the "Net surplus on cancellation of foreign exchange forward cover contracts", in accordance with the approval of the State Government.
 8. The Parent Company has been legally advised that the Parent Company is considered to be established with the object of providing infrastructural facilities and accordingly, Section 372A inserted by the Companies (Amendment) Act, 1999 effective 31st October, 1998 is not applicable to the Parent Company.
 9. (a) The Parent Company has in consideration of loan facilities and deferred payment guarantee facilities aggregating to Rs. 1,129.40 crores (31st March, 2003 - Rs. 1,038.10 crores) (amount outstanding as at 31st March, 2004 - Rs. 1,040.21 crores) (31st March, 2003 - Rs. 990.50 crores) and Rs. 520.00 crores (31st March, 2003 - Rs. 520.00 crores) (amount outstanding as at 31st March, 2004 - Rs. 366.34 crores) (31st March, 2003 Rs. 407.20 crores) respectively extended by the Financial Institutions and Banks to Haldia Petrochemicals Limited (HPL), given an undertaking to such Financial Institutions and Banks not to dispose off its investments in HPL without their prior consent so long as any part of the loan/guarantee limits sanctioned by them to HPL remains outstanding.
 - (b) (i) The Parent Company has —
 - (a) an investment in and outstanding deposits with Tata Teleservices Limited (TTSL), an associate, of Rs. 600 crores (31st March, 2003 - Rs. 500 crores) and Rs. Nil (31st March, 2003 - Rs. 275.00 crores) respectively;
 - (b) given guarantees to third parties on behalf of TTSL aggregating to Rs. 721 crores (31st March, 2003 - Rs. 880 crores) and provided letters of awareness to banks and financial institutions in respect of facilities aggregating to Rs. 90 crores (31st March, 2003 Rs. 90 crores);
 - (c) issued a non-disposal undertaking on existing and future shareholding in TTSL in consideration of a grant of a short term loan of Rs. 100 crores (31st March, 2003 - Rs. 100 crores) by the institution to TTSL;
 - (d) given an undertaking in respect of long term borrowings by TTSL for the AP Circle Project to meet jointly with the other promoters (the Company's Share being 20.36%) cost over-runs and provide for shortfall in Cash Flow and contribute additional equity as required; and
 - (e) in terms of the shareholders agreement, an obligation to subscribe for or arrange along with the participants of the Tata Group, for additional capital as per a specified schedule.
 - (ii) TTSL Ltd. has accumulated losses as at 31st March, 2004 which have significantly eroded its net worth. In the opinion of the Management, having regard to the long gestation period inevitable in the nature of its business, there is no permanent diminution in the value of the investment.
 - (c) The Parent Company has an investment in the Equity Shares of Panatone Finvest Limited (PFL), an associate of Rs. 500 crores (31st March, 2003 - Rs. 500 crores) and has provided guarantees to PFL's bankers for an aggregate amount of Rs. 500 crores (31st March, 2003 - Rs. 500 crores).
 - (d) The Parent Company has an investment in the Equity and Preference Shares of Tata Ceramics Limited (TCL), an associate, of Rs. 9.11 crores and Rs. 88.04 crores respectively against which a provision for diminution in value of investments of Rs. 55.33 crores has been made in earlier years. TCL has significant accumulated losses but having regard to long term prospects of the Company, in the opinion of the Management there is no additional permanent diminution in value .
 - (e) The Parent Company has an investment in Tata Teleservices (Maharashtra) Limited (TTML) of Rs. 115.44 crores (31st March, 2003 - Rs. 115.44 crores) and has issued guarantees on behalf of TTML aggregating to Rs 17.86 crores (31st March, 2003 - Rs. 18.72 crores) to TTML 's bankers.
 - (f) The Parent Company has provided Undertaking to certain Financial Institutions for non-disposal of its shareholding in NDPL during the tenor of two loans taken by NDPL from certain Financial Institutions aggregating to Rs. 280.28 crores.
 - (g) The Parent Company has an investment in PTL of Rs. 66.94 crores (31st March, 2003 - Rs. Nil) and has issued a guarantee on behalf of PTL amounting to Rs. 55 crores (31st March, 2003 - Rs. Nil) to Power Grid Corporation of India Limited to secure the performance and obligation of PTL under the Implementation agreement entered between Power Grid and PTL.
10. Capital commitments not provided for are estimated at Rs. 752.51 crores (31st March, 2003 - Rs. 255.53 crores) [including Rs. 498.43 crores (31st March, 2003 - Rs. 60.78 crores) of the Joint Ventures].
 11. (a) The Parent Company had entered into financial lease agreements in earlier years for assets aggregating Rs. Nil (31st March, 2003- Rs. 54.89 crores) taken on lease. Future lease rental obligations on these assets aggregate to Rs. Nil (31st March, 2003 - Rs. 0.70 crore). Lease rentals of Rs. 1.05 crores (2002-2003 - Rs. 2.50 crores) payable for the year have been charged to the Profit and Loss Account.
 - (b) Disclosures as required by Accounting Standard (AS-19) issued by The Institute of Chartered Accountants of India are as follows :
 - (i) 1) The Parent Company's significant leasing arrangements are in respect of residential flats, office premises, plant and machinery and equipments taken on lease. The arrangements range between 11 months and 10 years generally and are usually renewable by mutual consent or mutually agreeable terms. Only in one arrangement there is an escalation clause. Under these arrangements, generally refundable interest-free deposits have been given. Further in case of one arrangement, apart from the deposit, a bank guarantee of Rs. 2 crores has been furnished. In respect of the above arrangements, lease rentals payable are recognised in the Profit and Loss Account for the year and included under Rental of Land, Buildings, Plant and Equipment, etc. (disclosed under Operation Expenses in Schedule "2") and Rent (disclosed under Administration Expenses in Schedule "2").

- 2) In the case of TPL, the company has entered into a leave and license agreement for its corporate office premises. The non-cancellable period in the leave and license contract is 33 months from 1st June, 2003. The total of future minimum non-cancellable leave and license fee payments as of the balance sheet date are as under:
 Not later than one year - Rs. 0.29 crore
 Later than one year but not later than five years - Rs. 0.26 crore
 Leave and license fee payments recognised in the Profit and Loss Account for the year - Rs. 0.24 crore.
- (ii) Commercial/residential premises have been given on operating lease having original cost of Rs. 20.43 crores and accumulated depreciation of Rs. 2.89 crores as at 31st March, 2004. Depreciation on the above assets for the current year is Rs. 0.62 crore. Lease Rental income recognised in the Profit and Loss Account during the year is Rs. 3.34 crores. In case of most of the assets leased, formal agreement is yet to be entered into.
12. 14% Twelfth Debentures of the face value of Rs. 56.44 crores, 10.90% Secured Redeemable Debentures of the face value of Rs. 120.00 crores and 10.20% Secured Redeemable Debentures of the face value of Rs. 169.00 crores redeemed by the Company have been kept alive for reissue.
13. Under an agreement for an aggregate value of Japanese Yen 1440 million made between the Parent Company, the erstwhile Tata Hydro and Andhra Valley and Kanematsu Corporation, Japan, the Parent Company has obtained supplier's credit for part financing the import of equipment for 245 kV Gas Insulated Switchgear for Borivli Receiving Station. The deferred payment obligations [Item (d) - Schedule "D"] under the above arrangements have been guaranteed by State Bank of India.
14. Contingent Liabilities :
- (a) Claims against the Company not acknowledged as debts Rs. 173.54 crores. (31st March, 2003 - Rs. 112.50 crores) [including Rs. 4.09 crores of the Joint Ventures (31st March, 2003 - Rs. 2.28 crores)]
- (b) Other employee matters – amount not ascertainable.
- (c) Taxation matters for which liability is disputed by the Company and provision is not made (computed on the basis of assessments which have been re-opened and assessments remaining to be completed) :

	Rs. crores	
		As at 31st March, 2003
(i) Matters on which there are decisions of the appellate authorities in the Company's favour, not accepted by the tax authorities	43.42	37.95
(ii) Other matters in respect of which the Company is in appeal	2.04	13.48
(iii) Interest and penalty demanded	18.13	27.06
(d) Bonds furnished to Excise authorities	12.00	0.36

- (e) In the case of CTTL, the Company has "Line of Credit (LOC) through" facility with Housing Development Finance Corporation Ltd. (HDFC) for an amount of Rs. 0.30 crore (31st March, 2003 - Rs. 0.30 crore) under the Company's Housing Loan Scheme for its employees. Total amount outstanding with HDFC under the scheme at the end of the year is Rs. 0.25 crore (31st March, 2003 - Rs. 0.28 crore) the repayment of which is guaranteed by the Company.
- (f) In case of DNHPC, as per the agreement entered into by the Company with Synergics Hydro Asia Mauritius and the Parent Company, an amount of Rs. 45 crores is payable to certain parties on happening of certain trigger events as envisaged in the agreement and none of the events have taken place so far.
- (g) In the case of NDPL, the company may be contingently liable for any liabilities which may arise due to the rejection of Local Sales Tax Exemption Certificates by the Sales Tax Authorities issued by the Company to its local suppliers Rs. 4.00 crores (31st March, 2003 - Rs. 1.05 crores) [the Group's share being Rs. 1.96 crores (31st March, 2003 - Rs. 0.51 crore)]
- (h) In the case of NDPL, as per the provisions of the Transfer Scheme pursuant to Delhi Electricity Reforms Act, 2002, the Group is contingently liable for the liabilities arising out of litigation, suits, claims etc. pending on the date of transfer (i.e. 1st July, 2002) and/or arising due to any events prior to that date to the extent of Rs. 0.49 crore p.a.
- (i) In the case of NDPL, Delhi Power Company Limited (DPCL) has deducted Rs. 6.83 crores (the Group's share being Rs. 3.35 crores) on account of alleged short payment and wrong computation of Rebate on payment of Power Purchase bills. The amount has been reflected as recoverable from DPCL in the company's books of account as the company has disputed the computation of Delhi Transco Limited (DTL). The dispute to the extent of rebate calculation has been referred to the Delhi Electricity Regulatory Commission (DERC) and is under its consideration.
- (j) In the case of NDPL, Group share in unexpired letter of credit given is Rs. 45.08 crores (31st March, 2003 - Rs. 45.08 crores), guarantees given by the bankers against company's counter guarantee is Rs. 1.45 crores (31st March, 2003 - Rs. Nil).
- (k) NDPL introduced a Voluntary Separation Scheme (VSS) in December, 2003 in response to which 1,776 employees have separated during the year. Ex-gratia amount under the scheme has been paid by NDPL. In respect of other retirement/terminal benefits like gratuity, leave encashment and pension, the Employees Terminal Benefit Fund Trust (ETB), set up by GNCTD has raised a provisional demand of Rs. 242.98 crores (the Group share being Rs. 119.06 crores) from NDPL as the additional liability caused by the enmass early separation subject to actuarial valuation. NDPL has rejected the demand and the issue is under discussion with the ETB Fund Trust and the Government for the early resolution.

Note : If any liability materialises in respect of Items (a) to (c) above in respect of the Parent Company, the same would have to be considered for the purposes of the computations and appropriations under the Electricity (Supply) Act, 1948, to the extent it pertains to the licensed business.

15. In respect of the share of Standby Charges billed by Maharashtra State Electricity Board (MSEB) and recoverable from Reliance Energy Limited (REL), the Parent Company has taken credit for the amount recoverable in terms of the Common Order dated 3rd June, 2003 passed by Honourable Bombay High Court in Maharashtra Electricity Regulatory Commission (MERC) Appeal No. 1 of 2002 and MERC Appeal No. 2 of 2002. This amount upto 31st March, 2004 aggregates to Rs. 991.00 crores, including Rs. 198.00 crores for the year ended 31st March, 2004. However, these amounts have been disputed by REL and only Rs. 809.90 crores has been paid by REL to MSEB through the Parent Company/MERC till 31st March, 2004. MERC had heard the dispute and issued an Order on 7th December, 2001. This order was challenged by both parties before the Honourable High Court which has by its said order dated 3rd June, 2003 remanded the matter back to MERC. Appeals by both parties to the Supreme Court against the said Order of the Honourable High Court have been dismissed and the matter has been remanded back to MERC. Hearing of the matter on the remand has concluded and MERC's order is awaited. Further, pending MERC's order, no adjustment has been made for the amounts payable as per the MERC Order of Rs. 62.44 crores for 1999-2000 or for the shortfalls (amount not ascertained) for the years 2000-01, 2001-02, 2002-03 and 2003-04.
16. (a) (i) Provision has been made in the accounts for supply of gas upto 29th January, 1987 by Oil and Natural Gas Commission (ONGC) on the basis of their bills. The Parent Company has been advised that the price at which the gas is billed is to be treated as provisional. The Parent Company has not accepted this position.
- (ii) In respect of gas supplied by ONGC from 30th January, 1987 to 15th May, 1992, transportation charges have been billed on a provisional basis. The Parent Company has also been advised that the excise duty and octroi, if levied, on the price of gas, together with the sales tax on the excise duty, transportation charges and octroi would be recovered from the Parent Company.
- (iii) In respect of gas purchased from ONGC and later from GAIL, claims aggregating Rs. 40.09 crores (31st March, 2003 – Rs. 40.09 crores) have been made on the Parent Company towards shortfall in the off take of minimum guaranteed quantities of gas during the period from 1st April, 1992 to 31st March, 2001 which claims have been contested by the Parent Company.
- (iv) In respect of supply of fuel by Hindustan Petroleum Corporation Limited, the Parent Company has not accepted claims for quantities billed which are in excess of the Parent Company's meter readings. The amount of such claims not provided for aggregates Rs. 3.74 crores (31st March, 2003 – Rs. 3.74 crores).
- (b) If any amount is payable by the Parent Company in respect of the items referred to in (a) above, the same would be recoverable as part of fuel surcharge from the consumers. No provision has, therefore, been made in the accounts in respect of these items.
17. The Wage Agreement entered by the Parent Company with the employees, expired on 31st December, 2001 and a fresh Agreement is under negotiation. Pending finalisation of these negotiations, provision on an estimated basis has been made during the year, in addition to provision made last year on this account and is included in Item 1 (a) of Schedule "2" and no separate allocation has been made toward the Company's contribution to Provident and other Funds etc. included therein. Any adjustment necessary consequent on final determination of the liability pertaining to the period from 1st January, 2002 to 31st March, 2004 will be made in the year in which such negotiations are concluded.
18. In the case of TPL, Production Costs Field Operating Expenses of Rs. 19.96 crores (31st March, 2003 - Rs. 18.64 crores) is inclusive of :

		Rs. crores
		<i>As at 31st March, 2003</i>
(i) Hire Charges	12.13	14.70
(ii) Insurance	0.95	0.83
(iii) Fuel, Water and Others	0.73	0.51
(iv) Manpower charges	0.96	1.04
(v) Other expenses	0.08	0.01
(vi) Production expenses for Gas	5.11	1.55
	<u>19.96</u>	<u>18.64</u>

19. In the case of TPL,
- (a) The Company has placed a deposit of Rs. 2.11 crores with Barclays Bank, Plc. (31st March, 2003 - Rs. 2.10 crores) which is under lien for a bank guarantee provided for CB-OS/1 Block.
- (b) The balance with non-scheduled bank represents the balance with Barclays Bank, London. The maximum amount outstanding at any time during the year in respect of this account is Rs. 3.42 crores. (31st March, 2003 – Rs. 3.16 crores).
20. Income in respect of Broadband services rendered [Item (c) – Schedule "1"] includes Rs. 17.78 crores, Rs. 5.36 crores, Rs. 5.23 crores and Rs. 2.27 crores on account of revenue from Infrastructure Provider Category II (IP II), Infrastructure Provider Category I (IP I), Internet Service Provider (ISP) and Sale of dark fibres respectively. Interest on government and other securities, loans, advances, deposits etc. [Item (a) – Other Income - Schedule "1"] includes Rs. 0.30 crore and Rs. 0.19 crore on account of revenue from IP II and IP I.

21. Rates and Taxes [item 2(d) – Schedule “2”] include write back of provision made in the earlier years towards property tax payable aggregating Rs. Nil (31st March, 2003 – Rs.11.33 crores) consequent to finalisation of rateable value.
22. The Parent Company has paid during the year monthly payments aggregating to Rs. 0.51 crore (Previous Year – Rs. 0.33 crore) under post retirement scheme to former Managing/Executive Directors.
23. In respect of the contracts pertaining to the Transmission EPC Business Unit, disclosures required as per AS-7 (Revised) are as follows :
- Contract revenue recognised as revenue during the year Rs.103.92 crores.
 - In respect of contracts in progress :
 - The aggregate amount of costs incurred and recognised profits upto 31st March, 2004 Rs. 106.21 crores.
 - Advances and progress payments received as at 31st March, 2004 Rs. 25.89 crores.
 - Retention money included as at 31st March, 2004 in Sundry Debtors Rs. 6.10 crores.
 - Gross amount due to customers for contract work as a liability Rs. 3.49 crores.
Further cost of materials and erection charges for Transmission EPC business Unit comprises of.

	Rs. crores	
	2003-04	2002-03
Material Cost	65.19	20.75
Sub-Contracting charges	31.93	2.33
	97.12	23.08
	97.12	23.08

24. Consequent on the application of Accounting Standard 22 (AS-22) “Accounting for Taxes on Income” which became effective from 1st April, 2001 :
- In respect of the licensed business there is, on the difference between the written down values of fixed assets (including foreign exchange fluctuations on approved borrowings) as per the Electricity (Supply) Act, 1948 and the Income-tax Act, 1961, a deferred tax liability of Rs. 392.69 crores as at 31st March, 2004 (Rs. 419.56 crores as at 31st March, 2003). In terms of an approval in principle from the Government of Maharashtra, a Special Appropriation (subject to the approval of the Government) of Rs. 22.93 crores in 2002-03 and Rs. 106.63 crores in 2001-02 has been made to the Deferred Taxation Liability Fund. Further, no adjustment has been made to the Deferred Taxation Liability Fund during the year ended 31st March, 2004 on account of reversal of deferred tax liability of Rs. 26.86 crores.
 - In respect of the non-licensed business and other adjustments relating to licensed business of the Parent Company, there is a net deferred tax asset of Rs. 37.24 crores as at 31st March, 2004 (asset of Rs. 20.57 crores as at 31st March, 2003).
 - Consequent on the Accounting Standards Interpretation (ASI) 3 issued by The Institute of Chartered Accountants of India, deferred tax liability created in 2001-02 in respect of undertakings in respect of the Parent Company entitled to deduction under Section 80IA, had been adjusted during the year ended 31st March, 2003. An amount of Rs. 95.93 crores in respect of deferred tax liability applicable to the period prior to 1st April, 2001 was credited to the General Reserve and an amount of Rs. 67.36 crores was credited to the Profit and Loss Account for the year ended 31st March, 2003.
 - Details of Net Deferred Tax Asset is as under :

	Rs. crores	
	2003-04	2002-2003
Deferred Tax Liability :		
Arising on account of timing differences in :		
Depreciation	449.35	467.68
Others	1.53	—
Less : Balance in Deferred Tax Liability Fund	419.56	419.56
Less : Reversal of deferred tax liability, not adjusted	26.87	—
(A)	392.69	—
	58.19	48.12
Deferred Tax Assets :		
Arising on account of timing differences in :		
Provision for doubtful debts and advances	12.50	17.25
Provision for tax, duty, cess, fee	25.20	20.18
Provision for gratuities	20.72	19.32
Provision for leave encashment	4.75	3.35
Others	29.92	16.19
(B)	93.09	76.29
Net Deferred Tax Liability/(Asset) (A) – (B)	(34.90)	(28.17)
Share of Joint Ventures – Liability	17.24	6.95
	(17.66)	(21.22)

		<i>Rs. crores</i>	
		<i>2002-2003</i>	
25.	(a) Managerial Remuneration in respect of the Parent Company		
	(i) Managerial Remuneration for Directors	2.17	2.45
	(ii) The above is inclusive of :		
	(a) Estimated value of benefits in cash or in kind provided to Whole-time Directors	0.34	0.38
	(b) Contribution to Provident & Other Funds	0.08	0.10
	(c) Commission to Directors	1.30	1.02
	(iii) Directors' Sitting Fees	0.05	0.04
	(b) Managerial Remuneration shown above is inclusive of :		
	(i) Rs. 0.03 crore (31st March, 2003 - net of Rs. 0.25 crore being write back of excess provision) being charge due to short provision for commission relating to the previous year;		
	(ii) Rs. 0.03 crore (31st March, 2003 - Rs. Nil) paid to Ex-Managing Director for leave encashment in respect of period of service with the Parent Company.		
26.	In the case of NDPL, for confirmation/ reconciliation of account balances :		
	(a) The amounts payable to / recoverable from:		
	Delhi Transco Limited (DTL) and Delhi Power Supply Company Ltd. (DPCL) are subject to confirmation pending resolution of certain issues concerning valuation of liabilities in respect of capital stores taken over by the company, valuation of loans to personnel and rebate on advance payments of energy bills (see note 14(i) and 27).		
	(b) The billing on customers is done on a standalone computerized billing system. Revenue accounting in the books of account are done on the basis of reports generated from this system. The year end receivables (including classification thereof) amounting to Rs. 227.30 crores (the group's share being Rs. 111.38 crores) in the books of account are under reconciliation with the customers' accounts in the billing system.		
27.	In the case of NDPL, issues relating to opening Balance Sheet under the Transfer Scheme : Part II to Schedule "F" of the Transfer Scheme dated 20th November, 2001 notified by the Government of Delhi, provided an opening Balance Sheet as on 1st July, 2002. The value of stores & spares and loans to personnel were to be adjusted to reflect the actual book value as on the date of transfer and the difference between the actual value to be certified by independent valuers and the amounts appearing in the opening Balance Sheet were to be adjusted against the current liability to Holding Company appearing in the opening Balance Sheet.		
	(a) Loans to Personnel		
	Against Rs. 6.00 crores (the group's share being Rs. 2.94 crores) provided in the opening Balance Sheet towards loans to personnel, the independent valuers have ascertained a sum of Rs. 1.17 crores (the group's share being Rs. 0.57 crore) as loans to personnel outstanding as on 1st July, 2002 as per the revised report submitted in April 2004. Based on the amount of loans to personnel, the current liability payable to DPCL stands reduced by Rs. 4.83 crores (the group's share being Rs. 2.37 crores). The report on the loans to personnel is under consideration by DPCL.		
	(b) Opening Stores		
	The opening stores were valued by the independent valuers on the basis of total stores and spares lying in various stores of erstwhile Delhi Vidyut Board (DVB). The quantity and its corresponding value were to be subsequently divided amongst the three distribution companies and Delhi Transco Limited (DTL).		
	The company has verified the stores and spares allocated and physically received by it out of the total opening stores. The same have been accounted by the company in its books of account and reflected as payable to DPCL at the values ascertained by the independent valuers.		
	DPCL has recently raised a demand for certain stores and spares which have not been allocated or physically received by the company. The company has submitted clarification on inadmissibility of some amounts. DPCL is examining company's submissions and it's invoices.		
	(c) Consumers' Security Deposit		
	The liability stated in the opening Balance Sheet of the company as per the Transfer Scheme as on 1st July, 2002 in respect of consumers' security deposit was Rs. 10.00 crores (the group's share being Rs. 4.90 crores). The actual amount of security deposits received by the erstwhile DVB from its consumers could be higher. The company has been advised that as per the Transfer Scheme the liability in excess of Rs. 10.00 crores towards refund of the opening consumer deposits is not to the account of the company. The matter has been referred to GNCTD and the outcome is awaited.		
28.	In the case of NDPL, Net Adjustments in respect of previous years' of Rs. 22.30 crores (the group's share being Rs. 10.93 crores) represents the revenue gap for the nine months period ended 31st March, 2003 approved by DERC and recovered from the DTL during the current year.		
29.	Disclosure as required by Accounting Standard 18 (AS-18) "Related Party Disclosures" issued by The Institute of Chartered Accountants of India are as follows :		

Names of the related parties and description of relationship :

- (a) Related parties where control exists :
- (i) Associates (where transactions have taken place during the year)
- Aerospace Systems Pvt. Ltd.
Dynamic Advertising & Research Team Ltd.
Nelco Ltd.
Panatone Finvest Ltd.
Rujuvalika Investments Ltd.
Tata Ceramics Ltd.
Tata Projects Ltd.
Tata BP Solar Ltd
Tata Services Ltd. (upto 23.12.03)
Tata Teleservices Ltd.
Yashmun Engineers Ltd.
- (ii) Joint Ventures
- North Delhi Power Ltd.
Powerlinks Transmission Ltd.
- (iii) Promoters holding together with its Subsidiary is more than 20%
- Tata Sons Ltd.
- (b) Key Management Personnel
- Vandrevala F. A.
Kukde P. K.

(c) Details of Transactions: Rs. crores

	Asso- ciates	Joint Venture	Key Management Personnel	Promoters
Purchases of goods.	0.46 0.75	0.56 —		
Sale of goods and scrap		0.70 0.16		
Purchase of fixed assets	3.02 62.94	— 0.04		
Rendering of services	19.78 0.46	6.25 4.19		0.02 0.10
Receiving of services	12.09 12.06	0.05 *		0.71 0.91
Management contracts				10.22 10.44
Guarantee and collaterals	1251.00 1570.00	55.00 —		
Interest received	26.36 27.92		0.01 0.01	0.06 —
Dividend received	4.21 15.01			2.17 3.75
Dividend paid			— *	36.97 28.44
Guarantee commission received	2.59 3.05			
Guarantee commission paid				— 0.16
Deposits given	250.10 308.00	— 1.50		35.00 —
Refunds towards deposits given	500.00 243.00			35.00 —
Refund of advances		— 2.20		
Equity contribution (including advance towards equity contribution)	100.00 237.38	66.94 180.32		

TATA POWER

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The Tata Power Company Limited

	Asso- ciates	Joint Venture	Key Management Personnel	Promoters
Redemption of Preference Shares				—
Remuneration paid			1.53	15.00
Loans repaid			2.50	
Advances received			0.01	
			0.07	
Debit balances outstanding	—			
Deposits given (including interest accrued)	0.01			
	27.48			
Other receivables	275.16			
Loans	4.86	4.15		—
	0.43	3.29		0.02
Credit balances outstanding			0.18	
			0.19	
Guarantees and collaterals outstanding	3.81		0.80	10.22
	1.78		1.05	10.44
	1311.00	55.00		
	1570.00	—		

Note : Previous year's figures are in italics.

(d) Details of material related party transactions [included under (c) above] :

Rs. crores

	Associates			Joint Venture
	Tata Teleservices Ltd.	Panatone Finvest Ltd.	Nelco Ltd.	Powerlinks Transmission Ltd.
Purchase of Fixed Assets			2.65	
Guarantees & Collaterals given	751.00	500.00		
Guarantee Commission received	2.59			
Interest received	25.69			
Deposits given	225.00			
Refunds towards deposits given	500.00			
Equity Contribution(including advance towards equity contribution)	100.00			66.94

30. Segment Information :

(a) Primary Segment Information :

Rs. in crores

	Power	Others	Elimin- ations	Total
REVENUE				
External Revenue	4,681.05	333.73		5,014.78
	4,658.96	160.44		4,819.40
Inter-segment Revenue	1.27	2.13	(3.40)	—
	0.87	0.22	(1.09)	—
Total Revenue	4,682.32	335.86	(3.40)	5,014.78
	4,659.83	160.66	(1.09)	4,819.40
RESULT				
Total Segment Results	866.86	91.56		958.42
	860.72	36.58		897.30
Interest Expense				(267.95)
				(310.78)

	Power	Others	Eliminations	Total
Unallocable Income net of unallocable expense				104.96
Income Tax				93.83
				(252.55)
				(164.37)
Profit after Tax before share of associates				542.88
Share of loss of associates				515.98
				(39.96)
				(125.32)
Profit after Tax after associates before minority interest				502.92
				390.66
OTHER INFORMATION				
Segment Assets	5,006.83	741.41		5,748.24
	5,357.94	594.98		5,952.92
Unallocated Assets				2,823.80
				2,942.03
Total Assets				8,572.04
				8,894.95
Segment Liabilities	1,081.89	113.96		1,195.85
	1,133.68	89.97		1,223.65
Unallocated Liabilities				2,629.45
				3,240.54
Total Liabilities				3,825.30
				4,464.19
Capital Expenditure	378.08	85.35		463.43
	233.26	69.11		302.37
Non-cash Expenses other than Depreciation/Amortisation	128.70	2.43		131.13
	120.12	3.12		123.24
Depreciation/Amortisation (to the extent allocable to segment)	362.08	44.76		406.84
	369.68	17.48		387.16

- (i) Types of products and services in each business segment:
 Power – Generation, Transmission and Distribution of Electricity.
 Others – Electronics, Broadband Services, Project Consultancy, terminalling, Investing, Oil Exploration etc.
- (ii) Segment revenue comprises of :

		Rs. crores
(a) Revenue from Power Supply	4,613.30	2002-2003 4,618.47
(b) Income from Operations :		
(i) Sale of Electronic Products (net of excise)	55.99	39.80
(ii) Other Operations	332.74	161.13
	388.73	200.93
(c) Net adjustment in respect of Previous Years	12.75	-
	5,014.78	4,819.40

- (b) Secondary Segment Information:

The export turnover of the Group being 0.14% of the total turnover, there are no reportable geographical segments.

31. Figures are rounded off to nearest lakh. Figures below Rs. 50,000 are denoted by " * ". Figures for the previous year have been restated wherever necessary to conform to this year's classification.

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Accounts of the Subsidiary Companies

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BOARD OF DIRECTORS
(As on 23rd April, 2004)

MR. P. D. KARKARIA
DR. H. S. VACHHA
MR. F. A. VANDREVALA
MR. A. CHARAN
MR. R. K. KANGA
MR. S. M. GURUNATH

COMPANY SECRETARY

MS. M.H. PURANDARE

REGISTERED OFFICE

Bombay House
24, Homi Mody Street,
Mumbai 400 001.

AUDITORS

N. M. Rajji & Co.
Chartered Accountants

BANKERS

State Bank of India
ABN Amro Bank N.V.

Directors' Report

TO THE MEMBERS OF
AF-TAAB INVESTMENT COMPANY LTD.

The Directors hereby present their Twenty Fifth Annual Report on the business and operations of the Company and the statement of accounts for the year ended 31st March, 2004.

1. FINANCIAL RESULTS

The summarised financial results are:

	2003-04 Rupees in lakhs	2002-03 Rupees in lakhs
Profit/(Loss) before tax.....	6.11	(1146.43)
Income Tax adjustment for earlier years	22.55	
Add/Less : Provision for taxation : Deferred Tax	(233.79)	402.44
Profit/(Loss) after tax	(205.13)	(743.99)
Balance brought forward from the previous year	(1012.52)	(268.53)
Amount available for appropriation	(1217.65)	(1012.52)
Appropriations	Nil	Nil
Balance to be carried forward	(1217.65)	(1012.52)

2. OPERATIONS

The Company made a profit before tax of Rs. 6.11 lakhs as against a loss of Rs. 1146.43 Lakhs during the previous year. The turnaround has been as a result of a substantial increase in sales over the previous year. This, in turn, was the outcome of the decisions taken by the Investment Committee to sell quoted shares at highly remunerative levels taking advantage of increase in the Sensex.

3. DIVIDEND

The Directors do not recommend payment of Dividend.

4. INCREASE IN AUTHORISED CAPITAL

During the year under review the Company increased its authorised share capital from Rs. 10 Crores to Rs. 15 Crores.

5. RIGHTS ISSUE

During the year the Company made a rights issue of 4,46,400 equity shares in the ratio 1:2 at a premium of Rs. 565/- per share (Face value Rs. 100/-) aggregating to Rs. 2968.56 Lakhs. The proceeds of the same were utilised to bring the Debt Equity Ratio in line with RBI requirements.

6. DIRECTORS

In accordance with the Companies Act, 1956 and the Articles of Association of the Company, Mr. P. D. Karkaria and Mr. R. K. Kanga retire by rotation and are eligible for re-appointment.

The Company has an Audit Committee comprising of three Directors viz. Dr. H.S. Vachha, Mr. P.D. Karkaria and Mr. R.K. Kanga. Dr. H.S. Vachha is the Chairman of the Audit Committee.

7. AUDITORS

Members are requested to appoint Auditors for the current year and to fix their remuneration. M/s. N.M. Rajji & Co., the existing Auditors, have under Section 224 (1) of the Companies Act, 1956, indicated their eligibility for re-appointment.

8. PARTICULARS OF EMPLOYEES

The Company had no employees of the category specified under Section 217(2A) of the Companies Act, 1956.

9. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The provisions of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 pertaining to conservation of energy, technology absorption and foreign exchange earnings and outgo are not applicable to the Company.

10. 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 :-

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;
- (ii) they have, in the selection of the accounting policies consulted the Statutory Auditors and have applied them consistently and made judgements 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 loss of the Company for that period;
- (iii) they have taken proper and sufficient care, to the best of their knowledge and ability for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for 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.

On behalf of the Board of Directors,

F. A. VANDREVALA
Director.

R. K. KANGA
Director.

Auditors' Report

To the Members of AF-TAAB INVESTMENT COMPANY LIMITED

We have audited the attached Balance Sheet of Af-Taab Investment Company Limited as at 31st March, 2004, and also the Profit and Loss Account 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.

We conducted our audit in accordance with 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 disclosure 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.

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 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

1. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
2. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of such books;
3. The Balance Sheet, Profit and Loss Account dealt with by this report are in agreement with the books of account;
4. In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the requirements of Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
5. On the basis of written representations received from the Directors, as on 31st March, 2004 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2004 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
6. In our opinion, and to the best of our information and according to the explanations given to us, the said Balance Sheet and the Profit and Loss Account read together with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required and also give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2004;
 - (b) in case of the Profit and Loss Account, of the Loss for the year ended on that date.

For N. M. RAJI & CO.
Chartered Accountants,

Y. N. THAKKAR
Partner.
Membership No. 33329

Place : Mumbai,
Dated : 23rd April, 2004.

Annexure to the Auditors' Report

(Annexure to the Auditor's report of even date)

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets;
- (b) Physical verification of major assets was conducted by the management during the year, which in our opinion is reasonable having regard to the size of the Company and nature of its assets. No material discrepancies were noticed on such verification compared with the book records and were duly confirmed by the third parties;
- (c) During the year, the Company has not disposed off any fixed assets;
- (ii) (a) The stock of Inventories has been physically verified at reasonable intervals by the management;
- (b) In our opinion and according to the information and explanations given to us, the procedures for physical verification of inventories followed by the management is reasonable and adequate in relation to the size of the Company and the nature of its business;
- (c) The Company has maintained proper records of inventories and no discrepancies were noticed on physical verification as compared with the book records;
- (iii) (a) During the year the Company has not granted any loans Secured or Unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. During the year the Company has taken Unsecured loans from a party listed in the register maintained under section 301 of the Companies Act, 1956. It is from one party. The amount taken during the year is Rs. 100,93,00,000 and amount repaid during the year is - Rs. 115,70,50,000.
- (b) In our opinion, the rate of interest and other terms and conditions of Unsecured loans taken by the company are prima facie not prejudicial to the interest of the Company.
- (c) The Company is regular in payment of principal amount and interest;
- (iv) In our opinion, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and for the sale of shares. During the course of our audit, no major weakness has been noticed in the internal controls;
- (v) (a) Based on the audit procedures applied by us and according to the information and explanations given to us, the transactions which need to be entered into the register in pursuance of section 301 of the Companies Act, 1956 during the year are entered;
- (b) The transactions entered into the register in pursuance of Section 301 of the Act have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from the public;
- (vii) The Company has an adequate internal audit system, which is conducted by an independent firm of Chartered Accountants, which in our opinion is commensurate with the size and nature of its business;
- (viii) According to the information and explanation given to us, maintenance of cost records have not been prescribed by the Central Government under section 209(1) (d) of the Act.
- (ix) (a) According to the records of the Company, the company is regular in depositing with appropriate authorities undisputed statutory dues in respect of income-tax, and wealth-tax. The provisions of Provident Fund, Investor Education and Protection Fund, The Employees State Insurance Act, Sales Tax, Customs Duty, Excise Duty and Cess are not applicable to the company;
- (b) There are no dues of income tax and wealth tax that have not been deposited on account of any dispute.
- (x) The accumulated losses of the Company at the end of the financial year are less than fifty percent of its net worth. The Company has not incurred cash losses in the current financial year but has incurred cash losses in the financial year immediately preceding such financial year;
- (xi) During the year the company had no dues to a financial institution or bank or debenture holders.
- (xii) Based on our examination and according to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities;
- (xiii) The Company is not a chit/nidhi/mutual benefit fund/society;
- (xiv) Based on our examination of the records and evaluation of the related internal controls, we are of the opinion that proper records have been maintained of the transactions and contracts and timely entries have been made in those records. We also report that the company has held the investments in its own name;
- (xv) On the basis of the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions;
- (xvi) The Company has not obtained any term loans.
- (xvii) The funds raised on short term basis have been used for long term investments and vice versa, the details of which are:
Short term borrowing of Rs. 2,55,00,000 invested in shares of Vantech Investments Ltd.
Long term Funds raised by Right Issue of Shares of Rs. 29,68,56,000 are utilised for repayment of short-term intercorporate deposits.
- (xviii) The company has made preferential/right allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956, based on Valuation of shares done by the management, which in our opinion is prima facie not prejudicial to the interest of the Company;
- (xix) During the year the company has not issued any debentures;
- (xx) The company has not raised any money by public issues during the year;
- (xxi) Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the company has been noticed or reported during the course of our audit.

For N. M. RAIJI & CO.
Chartered Accountants,

Y. N. THAKKAR
Partner.

Place : Mumbai,
Dated : 23rd April, 2004.

Membership No. 33329

Balance Sheet as at 31st March, 2004

	Schedule	As at 31st March, 2004 Rupees	As at 31st March, 2003 Rupees
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	133,920,000	89,280,000
Reserves and Surplus	2	695,926,000	443,710,000
LOAN FUNDS			
Unsecured Loans	3	1,468,638,000	1,616,388,000
		2,298,484,000	2,149,378,000
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	4	31,695,243	27,956,271
Less : Depreciation		5,772,552	4,995,415
Net Block		25,922,691	22,960,856
INVESTMENTS	5	2,135,265,431	2,084,011,301
DEFERRED TAX ASSET (NET)	6	38,968,292	62,347,327
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	7	47,397,173	93,228,066
Cash and Bank Balances	8	1,319,430	318,348
Loans and Advances	9	12,666,492	19,832,848
		61,383,094	113,379,262
Less :			
CURRENT LIABILITIES AND PROVISIONS			
Current Liabilities	10	84,820,469	234,572,606
		84,820,469	234,572,606
NET CURRENT ASSETS		(23,437,374)	(121,193,344)
PROFIT AND LOSS ACCOUNT		121,764,961	101,251,860
		2,298,484,000	2,149,378,000

As per our report annexed
For N. M. RAIJI & CO.
Chartered Accountants,

Y. N. THAKKAR
Partner.

Mumbai, 23rd April, 2004.

For and on behalf of the Board

H. S. VACHHA
P. D. KARKARIA
F. A. VANDREVALA

Mumbai, 23rd April, 2004.

A. CHARAN
M. GURUNATH
R. K. KANGA

M. H. PURANDARE

Directors.

Company Secretary.

Profit and Loss Account for the year ended 31st March, 2004

	Schedule	2003-04 Rupees	2002-03 Rupees
INCOME			
Income from Operations	11	36,158,708	30,001,256
Sales		108,224,058	5,806,161
Other Income	12	10,724,020	10,802,532
		155,106,786	46,609,949
EXPENDITURE			
Establishment & Other Expenses	13	2,656,447	2,479,425
Purchases		11,284,800	17,981,064
Interest on Inter Corporate Deposits		93,946,476	133,004,575
Depreciation		777,134	545,155
Provision for Permanent Diminution in Value of Investments		—	535,300
		108,664,857	154,545,519
Add/(Less):Decrease/(Increase) in Stock	14	45,830,893	6,707,484
		154,495,750	161,253,003
PROFIT/(LOSS) FOR THE YEAR BEFORE TAX		611,036	(114,643,054)
Income tax adjustment for earlier years		2,254,899	—
Provision for Deferred Tax		(23,379,035)	40,243,938
PROFIT/(LOSS) FOR THE YEAR AFTER TAX		(20,513,100)	(74,399,116)
Add: Transfer from General Reserve		—	—
Balance brought forward from Previous Year		(101,251,860)	(26,852,744)
Balance carried to Balance Sheet		(121,764,960)	(101,251,860)

As per our report annexed
For N. M. RAIJI & CO.
Chartered Accountants,

Y. N. THAKKAR
Partner.

Mumbai, 23rd April, 2004.

For and on behalf of the Board

H. S. VACHHA
P. D. KARKARIA
F. A. VANDREVALA

Mumbai, 23rd April, 2004.

A. CHARAN
M. GURUNATH
R. K. KANGA

} Directors.

M. H. PURANDARE

Company Secretary.

Schedules annexed to and forming part of the Accounts

SCHEDULE "1": SHARE CAPITAL

	As at 31st March, 2004 Rupees	As at 31st March, 2003 Rupees
Authorised :		
15,00,000 (Previous Year 10,00,000) Equity Shares of Rs. 100 each	150,000,000	100,000,000
Issued, Subscribed and Paid up :		
13,39,200 (Previous Year 8,92,800) Equity Shares of Rs. 100 each	133,920,000	89,280,000
Of the above shares :		
1. 74,400 Equity Shares are allotted as fully paid Bonus Shares by capitalising Rs. 74,40,000 out of General Reserve.		
2. 13,39,200 (Previous Year 8,92,800) Equity Shares are held by The Tata Power Company Limited, the Holding Company.		

SCHEDULE "2": RESERVES AND SURPLUS

	As at 31st March, 2004 Rupees	As at 31st March, 2003 Rupees
Share Premium Account		
Balance brought forward	426,560,000	426,560,000
Add : Received during the year	<u>252,216,000</u>	
	678,776,000	
Special Reserve Fund		
Balance brought forward	17,150,000	17,150,000
	<u>695,926,000</u>	<u>443,710,000</u>

SCHEDULE "3": UNSECURED LOANS

	As at 31st March, 2004 Rupees	As at 31st March, 2003 Rupees
Inter Corporate Deposits	1,468,638,000	1,616,388,000
	<u>1,468,638,000</u>	<u>1,616,388,000</u>

Schedules annexed to and forming part of the Accounts

SCHEDULE "4" : FIXED ASSETS

ASSETS	COST				DEPRECIATION				NET VALUE	
	As at 1.4.2003 Rupees	Additions Rupees	Deductions Rupees	As at 31.03.2004 Rupees	As at 1.4.2003 Rupees	On Deductions Rupees	For the year Rupees	As at 31.03.2004 Rupees	As at 31.03.2004 Rupees	
Owned Assets (Not Leased Out)										
Building	25,532,071 (25,532,071)	— (—)	— (—)	25,532,071 (25,532,071)	4,533,741 (4,117,568)	— (—)	416,173 (416,173)	4,949,914 (4,533,741)	20,582,157 (20,998,330)	
Computers	156,230 (156,230)	— (—)	— (—)	156,230 (156,230)	52,087 (26,763)	— (—)	25,324 (25,324)	77,411 (52,087)	78,819 (104,143)	
(A)	25,688,301 (25,688,301)	— (—)	— (—)	25,688,301 (25,688,301)	4,585,828 (4,144,331)	— (—)	441,497 (441,497)	5,027,325 (4,585,828)	20,660,976 (21,102,473)	
Owned Assets (Leased out)										
Transformers	2,266,970 (2,297,032)	3,551,608 (—)	— (30,062)	5,818,578 (2,266,970)	408,587 (308,813)	— (3,885)	220,492 (103,659)	629,079 (408,587)	5,189,499 (1,858,383)	
Office Equipment	— (—)	39,986 (—)	— (—)	39,986 (—)	— (—)	— (—)	33,863 (—)	33,863 (—)	6,123 (—)	
Computer	1,000 (1,000)	147,378 (—)	— (—)	148,378 (1,000)	1,000 (1,000)	— (—)	81,285 (—)	82,285 (1,000)	66,093 (—)	
(B)	2,267,970 (2,298,032)	3,738,972 (—)	— (30,062)	6,006,942 (2,267,970)	409,587 (309,813)	— (3,885)	335,640 (103,659)	745,227 (409,587)	5,261,715 (1,858,383)	
Total (A)+(B)	27,956,271 (27,986,333)	3,738,972 (—)	— (30,062)	31,695,243 (27,956,271)	4,995,415 (4,454,144)	— (3,885)	777,137 (545,156)	5,772,552 (4,995,415)	25,922,691 (22,960,856)	

Figures in brackets pertain to previous year.

SCHEDULE "5" : INVESTMENTS (AT COST)

	Face Value per unit Rupees	As at March 31, 2004		As at March 31, 2003	
		Holding	Book Value Rupees	Holding	Book Value Rupees
LONG TERM NON-TRADE INVESTMENTS					
QUOTED EQUITY SHARES FULLY PAID-UP					
1) Trent Ltd	10	451,268	52,830,186	451,268	52,830,186
2) The Indian Hotels Co. Ltd	10	—	—	2,544	53,869
3) The Tata Iron and Steel Co. Ltd	10	—	—	12,145	971,600
4) Tata Finance Ltd	10	722,222	50,313,750	500,000	40,313,750
5) Tata Elxsi Ltd	5	30,000	2,367,608	30,000	2,367,608
6) Tata Motors Ltd	10	256	30,720	1,250	80,581
(Formerly Telco Ltd)					
7) Tata Investment Corporation Ltd	10	988,976	59,691,553	1,063,531	64,191,693
8) Nelco Ltd	10	268,460	21,424,923	268,460	21,424,923
DEBENTURES					
9) J. K. Synthetics Ltd -12.5% Secured					
Redeemable Partly Convertible Debentures					
(Non Convertible Part) (Refer Note 1)	155	200	30,941	200	36,000
10) Hindustan Lever Ltd - 9% Secured					
Fully paid Redeemable Non-Convertible					
Bonus Debentures	6	21,000	126,000	—	—
PREFERENCE SHARES					
11) Tata Finance Ltd - 9% Cumulative					
Convertible Preference Shares (CCP)	100	—	—	100,000	10,000,000
TOTAL OF QUOTED INVESTMENTS			186,815,681		192,270,210

Schedules annexed to and forming part of the Accounts

SCHEDULE "5" : INVESTMENTS (AT COST) (Contd..)

	Face Value per unit Rupees	As at March 31, 2004		As at March 31, 2003	
		Holding	Book Value Rupees	Holding	Book Value Rupees
LONG TERM NON-TRADE INVESTMENTS					
UNQUOTED EQUITY SHARES FULLY PAID-UP					
12) Aerospace Systems Pvt Ltd	10	180,000	1,800,000	180,000	1,800,000
13) Dynamic Advertising Research Team. Pvt Ltd	100	996	99,600	996	99,600
14) Rujuvalika Investments Ltd	10	183,333	3,000,000	183,333	3,000,000
15) Tata International Ltd	1000	12,000	69,948,002	12,000	69,948,002
16) Tata Industries Ltd	100	882,943	105,705,500	567,606	74,171,800
17) Tata Projects Ltd	100	22,500	10,166,270	22,500	10,166,270
18) TBW Publishing Pvt Ltd	10	100	1,000	100	1,000
19) Tata Services Ltd	1000	552	554,739	912	916,539
20) The Associated Building Co. Ltd	900	425	384,415	425	384,415
21) Taj Air Ltd	10	4,200,000	42,000,000	4,200,000	42,000,000
(Formerly Megapode Airlines Ltd)					
22) Tata Sons Ltd	1000	2,100	1,688,349,000	2,100	1,688,349,000
23) Tata Consultancy Services Ltd	10	60,159	932,465	60,159	932,465
(Formerly Orchid Print (India) Ltd)					
24) Vantech Investments Ltd	10	995,000	25,531,700	—	—
DEBENTURES					
25) Gujarat Narmada Valley Fertilizers Co. Ltd -					
15.5% Secured Redeemable Non-Convertible Debentures (Rs. 8 paid up)	40	1,000	8,000	1,000	8,000
PREFERENCE SHARES					
26) Natural Plants Products India Ltd - 7% Non Cumulative Redeemable Preference Shares	100	4,993	499,300	4,993	499,300
TOTAL OF UNQUOTED INVESTMENTS			1,948,979,991		1,892,276,391
.....			2,135,795,672		2,084,546,601
LESS:					
Provision for Permanent Diminution In Value of Investments (Refer Note 2)			530,241		535,300
TOTAL			2,135,265,431		2,084,011,301
Cost			186,815,681		192,270,210
Market Value			311,815,384		178,018,588
Aggregate Value of Unquoted Investments: Cost			1,948,979,991		1,892,276,391

Note:

1. These Debentures were to be redeemed in full by December 14,1997, but amount is yet to be received.
2. The Provision for Permanent Diminution in Value of Investments is been made for 200, 12.5%, Secured Redeemable Partly Convertible Debentures of J. K. Synthetics Ltd and 4993, 7% Non Cumulative Redeemable Preference Shares of Natural Plant Products India Ltd.

SCHEDULE "6" : DEFERRED TAX

	Deferred Tax asset/(liability) as at April 1, 2003 Rs.	Current year credit/(charge) Rs.	Deferred Tax asset/(liability) as at March 31, 2004 Rs.
Deferred Tax Asset			
Carried forward tax losses			
- Unabsorbed Depreciation	1,112,676	(7,753)	1,104,923
- Business/ Short Term Capital Loss	47,831,500	(20,226,654)	27,604,846
	48,944,176	(20,234,407)	28,709,769
Long Term Capital Loss	8,108,094	(3,170,007)	4,938,087
Expenses incurred on increase in Authorised Capital	58,212	72,373	130,585
Provision for Doubtful Advances and Deposits	10,043,321	239,456	10,282,777
	67,153,803	(23,092,585)	44,061,218
Deferred Tax Liability			
Difference between book and tax depreciation	(4,806,476)	(286,450)	(5,092,926)
	(4,806,476)	(286,450)	(5,092,926)
Net Deferred Tax Asset	62,347,327	(23,379,035)	38,968,292

SCHEDULE "7" : STOCK-IN-TRADE

	Face Value per unit Rupees	As at March 31, 2004		As at March 31, 2003	
		Holding	Amount Rupees	Holding	Amount Rupees
1) ACC Ltd	10	—	—	34,670	4,791,394
2) Ahmedabad Electricity Co. Ltd	10	65,862	3,102,100	564,292	26,578,153
3) Bharat Earth Movers Ltd	10	—	—	20,000	381,793
4) Ballarpur Industries Ltd	10	22,600	815,860	42,600	1,537,860
5) Bharat Petroleum Corporation Ltd	10	8,000	1,782,000	8,000	1,782,000
6) Britannia Industries Ltd	10	8,500	4,250,000	8,500	4,250,000
7) Cipla Ltd	10	—	—	11,000	7,865,000
8) Corporation Bank Ltd	10	—	—	2,400	177,600
9) Cummins India Ltd	2	—	—	10,000	520,000
10) Dr Reddy's Laboratories Ltd	5	—	—	2,500	2,236,750
11) Elcot Power Controls Ltd	10	1,000	1	1,000	1
12) GTL Ltd	10	42,200	2,247,150	42,200	2,247,150
13) Gujarat Ambuja Cements Ltd	10	—	—	3,000	479,250
14) Housing Development Finance Corp Ltd	10	—	—	3,728	427,471
15) Hindustan Lever Ltd	1	21,000	3,087,000	21,000	3,087,000
16) Hindustan Petroleum Corporation Ltd	10	10,000	2,012,932	10,000	2,012,932
17) Indian Petrochemicals Ltd	10	—	—	2,159	117,126

SCHEDULE "7" : STOCK-IN-TRADE (Contd..)

	Face Value per unit Rupees	As at March 31, 2004		As at March 31, 2003	
		Holding	Amount Rupees	Holding	Amount Rupees
18) Indian Oil Corporation Ltd (Bonus Shares)	10	1,500	181,125	3,000	543,383
19) Infosys Technologies Ltd	5	2,212	8,155,755	2,350	8,664,568
20) ITC Ltd	10	—	—	8,500	5,346,500
21) India Cements Ltd	10	13,500	175,500	13,500	175,500
22) J.K. Synthetics Ltd	10	1,700	1	1,700	1
23) Larsen & Toubro Ltd	10	—	—	7,340	565,263
24) Madras Cement Ltd	100	—	—	1,675	5,778,750
25) ONGC Ltd	10	17,000	2,894,384	17,000	2,894,384
26) Pfizer Ltd	10	10,000	3,100,000	10,000	3,100,000
27) Power Trading Corporation of India Ltd	10	705,300	11,284,800		
28) Ranbaxy Laboratories Ltd	10	11,907	4,308,565	11,907	4,308,565
29) Reliance Industries Ltd	10	—	—	10,909	3,005,430
30) Surat Electricity Co. Ltd	10	—	—	4,798	225,178
31) TVS-Suzuki Ltd	10	—	—	4,800	81,269
32) Wimco Ltd	10	—	—	7,900	47,795
			47,397,173		93,228,066

SCHEDULE "8" : CASH AND BANK BALANCE

	At at March 31, 2004 Rupees	As at March 31, 2003 Rupees
With Scheduled Banks :		
In Current Accounts	1,319,430	318,348
	1,319,430	318,348

Schedules annexed to and forming part of the Accounts

SCHEDULE "9": LOANS & ADVANCES

(Unsecured – considered good unless otherwise stated)

	At at March 31, 2004 Rupees		As at March 31, 2003 Rupees
Interest Receivable on Debentures			
Considered good	—		—
Considered doubtful	5,710		5,710
	5,710		5,710
<i>Less: Provision for Doubtful Interest</i>			
Receivable on Debentures	5,710	—	5,710
	—		—
Interest Receivable on Deposit			
Considered good	—	—	
Considered doubtful	427,415		427,415
	427,415		427,415
<i>Less: Provision for Doubtful</i>			
Interest Receivable on Deposit	427,415	—	427,415
	—		—
Share Application Money			
Loan			
Natural Plant Products India Ltd.	26,109,027		26,109,027
(Considered doubtful)			
<i>Less: Provision for Doubtful</i>			
Loan	26,109,027	—	26,109,027
	—		—
Other Deposit			
Considered Good	—	—	
Considered Doubtful	288,034		288,035
	288,034		288,035
<i>Less: Provision for Doubtful Deposit</i>	288,034	—	288,035
	—		—
Advances recoverable in Cash or in kind or for value to be received			
Considered good	1,520,149		1,506,865
Considered doubtful	1,302,366		1,302,366
	2,822,515		2,809,231
<i>Less: Provision for Doubtful Advances</i>	1,302,366	1,520,149	1,302,366
	—		1,506,865
Advance Tax (Net of Provision)		11,146,343	18,325,983
	12,666,492		19,832,848

SCHEDULE "10": CURRENT LIABILITIES

	As at March 31, 2004 Rupees	As at March 31, 2003 Rupees
Other Liabilities	20,040,978	39,991,948
Interest accrued but not due on ICDS	64,779,494	194,580,658
	84,820,472	234,572,606

Schedules annexed to and forming part of the Accounts

SCHEDULE "11" : INCOME FROM OPERATIONS

Dividend on Shares (TDS Rs. Nil; <i>Previous year 18,89,546</i>)	
- From Investments	15,119,111
- From Securities treated as Stock	3,123,610
Profit on Sale of Investment	17,915,987
Brokerage (Gross)	—
(Tax Deducted at Source Nil <i>Previous Year Rs.1,71,495</i>)	

**For the period
2003-04
Rupees**

15,119,111
3,123,610
17,915,987
—
36,158,708

**For the period
2002-03
Rupees**

15,493,882
2,473,235
9,159,665
2,874,474
30,001,256

SCHEDULE "12" : OTHER INCOME

Leave and Licence Fees (Gross)	9,367,200
(Tax Deducted at Source Rs. 19,20,276 <i>Previous Year Rs.19,67,112</i>)	
Interest received on ICD (Gross)	—
(Tax Deducted at Source Rs. Nil <i>Previous Year Rs.1,09,197</i>)	
Profit on Sale of Asset	—
Advance Written off Recovered	—
Provision in Permanent Diminution Written back	5,059
Interest on Income Tax refund (A.Y.2001-02)	570,500
Interest on Income Tax refund (A.Y.2002-03)	739,352
Lease Rental	41,909

**For the period
2003-04
Rupees**

9,367,200
—
—
—
5,059
570,500
739,352
41,909
10,724,020

**For the period
2002-03
Rupees**

9,367,200
421,613
273,823
499,300
213,092
—
—
27,504
10,802,532

SCHEDULE "13" : ESTABLISHMENT & OTHER EXPENSES

Staff Welfare Expenses	—
Rates and Taxes	1,111,380
Miscellaneous Expenses	12,279
Profession Tax	1,920
Legal Expenses	303,410
Professional Fees	621,269
Directors' Sitting Fees	98,000
Internal Audit Fees	10,800
Auditors' Remuneration :	
Audit Fees	25,000
Tax Audit Fees and Taxation Matters	10,000
Certification Work	24,840
Out of Pocket Expenses	6,560
	66,400
Insurance Premium	35,423
Dematerialisation Charges	45,566
Share Issue Expenses	350,000
Brokerage paid on ICD	—

**For the period
2003-04
Rupees**

—
1,111,380
12,279
1,920
303,410
621,269
98,000
10,800
25,000
10,000
24,840
6,560
66,400
35,423
45,566
350,000
—
2,656,447

**For the period
2002-03
Rupees**

16,750
1,111,380
57,923
1,920
5,500
638,163
80,000
13,500
25,000
10,500
18,050
5,000
58,550
37,313
4,892
453,534
2,479,425

Schedules annexed to and forming part of the Accounts

SCHEDULE "14" : DECREASE / (INCREASE) IN STOCK

	For the period 2003-04 Rupees	For the period 2002-03 Rupees
Stock - 1st April, 2003	93,228,066	99,935,550
Stock - 31st March, 2004	47,397,173	93,228,066
DECREASE / (INCREASE) IN STOCK	45,830,893	6,707,484

SCHEDULE "15" : NOTES FORMING PART OF THE ACCOUNTS

1. Accounting Policies :

(a) Basis of Accounting :

The accounts have been prepared on the basis of historical cost convention on an accrual basis.

(b) Fixed Assets :

Fixed Assets are stated at cost less depreciation. Cost comprises the purchase price and any attributable cost of bringing the asset to working condition for its intended use.

(c) Depreciation :

Depreciation is charged as per Schedule XIV of the Companies Act, 1956, on Straight Line Method.

(d) Revenue Recognition :

Dividend income from Investments and Securities treated as stock is accounted on an accrual basis.

(e) Investments :

Purchases of securities of Companies with the Tata group are considered as investments. Investments in debentures of all the Companies are considered as Investments. Investments are valued at purchase price including related expenses. Expenses for dematerialisation of shares have been written off. Provision for diminution in value of long term investments is made to the extent that such decline in the opinion of the Board of Directors is considered to be other than temporary taking into account relevant factors affecting the investments.

(f) Inventories :

Closing inventory, is valued at Average Cost or Market value, whichever is lower. Expenses for dematerialisation of shares have been written off.

(g) Share Issue Expenses

Share Issue Expenses incurred has been charged to Profit and Loss Account in the year in which it is incurred.

(h) Taxes on Income :

(a) Current Tax :

Provision for Income Tax is determined in accordance with the provisions of the Income Tax Act, 1961.

(b) Deferred Tax Provision :

Deferred Tax is recognised on timing differences being the difference between taxable income and Accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

2. Contingent Liability :

Income-tax Appeals pending Rs. 4,200,000/-.

Schedules annexed to and forming part of the Accounts

3. Details of Shares treated as Stock :

(Quantity in Nos.)

Name of the Company	Opening Stock	Purchases		Sales		Closing Stock		
	Qty.	Value (Rs.)	Qty.	Value (Rs.)	Qty.	Value (Rs.)	Qty.	Value (Rs.)
1. ACC Ltd.	34670	4791394	—	—	34670	7575338	—	—
2. Ahmedabad Electricity Co. Ltd.	564292	26578153	—	—	498430	40416231	65862	3102100
3. Bharat Earth Movers Co. Ltd.	20000	381793	—	—	20000	4228312	—	—
4. Ballarpur Industries Ltd.	42600	1537860	—	—	20000	1547831	22600	815860
5. Bharat Petroleum Corp. Ltd.	8000	1782000	—	—	0	0	8000	1782000
6. Britannia Industries Ltd.	8500	4250000	—	—	0	—	8500	4250000
7. Cipla Limited	11000	7865000	—	—	11000	14024910	—	—
8. Corporation Bank Ltd.	2400	177600	—	—	2400	393488	—	—
9. Cummins India Ltd.	10000	520000	—	—	10000	871210	—	—
10. Dr.Reddys Laboratories Ltd.	2500	2236750	—	—	2500	3473909	—	—
11. Elcot Power Control Ltd.	1000	1	—	—	—	—	1000	1
12. GTL Ltd.	42200	2247150	—	—	—	—	42200	2247150
13. Gujarat Ambuja Cement Ltd.	3000	479250	—	—	3000	638530	—	—
14. Housing Development Finance Corporation Ltd.	3728	427471	—	—	3728	2178471	—	—
15. Hindustan Lever Ltd.	21000	3087000	—	—	—	—	21000	3087000
16. Hindustan Petroleum Corporation Ltd.	10000	2012932	—	—	—	—	10000	2012932
17. Indian Petrochemicals Ltd.	2159	117126	—	—	2159	435725	—	—
18. Indian Oil Corporation Ltd.	3000	543383	1500	—	3000	1174784	1500	181125
19. Infosys Technologies Ltd.	2350	8664568	—	—	138	597976	2212	8155755
20. ITC Ltd.	8500	5346500	—	—	8500	7125560	—	—
21. India Cements Ltd.	13500	175500	—	—	—	—	13500	175500
22. J.K.Synthetics Ltd.	1700	1	—	—	—	—	1700	1
23. Larsen & Toubro Ltd.	7340	565263	—	—	7340	2479226	—	—
24. Madras Cements Ltd.	16750	5778750	—	—	16750	11440517	—	—
25. ONGC Ltd.	17000	2894384	—	—	—	—	17000	2894384
26. Pfizer Ltd.	10000	3100000	—	—	—	—	10000	3100000
27. Power Trading Corporation of India Ltd.	—	—	705300	11284800	—	—	705300	11284800
28. Ranbaxy Laboratories Ltd.	11907	4308565	—	—	—	—	11907	4308565
29. Reliance Industries Ltd	10909	3005430	—	—	10909	5248206	—	—
30. Surat Electricity Co. Ltd.	4798	225178	—	—	4798	892195	—	—
31. TVS Suzuki Ltd.	4800	81269	—	—	4800	3250704	—	—
32. Wimco Ltd.	7900	47795	—	—	7900	230934	—	—
Total		93228066		11284800		108224057		47397173

4. Additional information pursuant to Schedule VI, Part II to the Companies Act, 1956, has not been furnished to the extent not applicable.

5. Previous year's figures have been regrouped wherever necessary to conform to the classification adopted for the current year.

6. Balance Sheet Abstract and Company's General Business Profile is annexed herewith.

 As per our report annexed
 For N. M. RAJI & CO.
Chartered Accountants,

For and on behalf of the Board

 H. S. VACHHA
 P. D. KARKARIA
 F. A. VANDREVALA
 A. CHARAN
 M. GURUNATH
 R. K. KANGA
Directors.

 Y. N. THAKKAR
Partner.

 M. H. PURANDARE
Company Secretary.

Mumbai, 23rd April, 2004.

Mumbai, 23rd April, 2004

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No.

			2	1	0	3	7
--	--	--	---	---	---	---	---

 State Code

1	1
---	---

Balance Sheet Date

				3	1
--	--	--	--	---	---

0	3
---	---

						2	0	0	4
--	--	--	--	--	--	---	---	---	---

Date Month Year

II. Capital raised during the year

(Amount in Rupees Thousands)

Public Issue

							N	I	L
--	--	--	--	--	--	--	---	---	---

Bonus Shares

							N	I	L
--	--	--	--	--	--	--	---	---	---

Rights Issue

				2	9	6	8	5	6
--	--	--	--	---	---	---	---	---	---

Private Placement

								N	I	L
--	--	--	--	--	--	--	--	---	---	---

III. Position of Mobilisation and Deployment of Funds

(Amount in Rupees Thousands)

Total Liabilities

			2	2	9	8	4	8	4
--	--	--	---	---	---	---	---	---	---

Sources of Funds :

Paid-up Capital

				1	3	3	9	2	0
--	--	--	--	---	---	---	---	---	---

Secured Loans

							N	I	L
--	--	--	--	--	--	--	---	---	---

Application of Funds :

Net Fixed Assets

					2	5	9	2	3
--	--	--	--	--	---	---	---	---	---

Net Current Assets

					-	2	3	4	3	7
--	--	--	--	--	---	---	---	---	---	---

Accumulated Losses

					1	2	1	7	6	5
--	--	--	--	--	---	---	---	---	---	---

Total Assets

			2	2	9	8	4	8	4
--	--	--	---	---	---	---	---	---	---

Reserves & Surplus

				6	9	5	9	2	6
--	--	--	--	---	---	---	---	---	---

Unsecured Loans

				1	4	6	8	6	3	8
--	--	--	--	---	---	---	---	---	---	---

Investments

				2	1	3	5	2	6	5
--	--	--	--	---	---	---	---	---	---	---

Miscellaneous Expenditure

										-
--	--	--	--	--	--	--	--	--	--	---

Deferred Tax (Net)

						3	8	9	6	8
--	--	--	--	--	--	---	---	---	---	---

IV. Performance of the Company

(Amount in Rupees Thousands)

Turnover (Gross Revenue)

				1	5	5	1	0	7
--	--	--	--	---	---	---	---	---	---

(+ / -) Profit/Loss before Tax

						+	6	1	1
--	--	--	--	--	--	---	---	---	---

Earnings per Shares (Weighted Average)

						-	1	5	.	3	2
--	--	--	--	--	--	---	---	---	---	---	---

Total Expenditure

				1	5	4	4	9	6
--	--	--	--	---	---	---	---	---	---

(+ / -) Profit/Loss after Tax

						-	2	0	5	1	3
--	--	--	--	--	--	---	---	---	---	---	---

Dividend Rate %

											-
--	--	--	--	--	--	--	--	--	--	--	---

V. Generic Names of Three Principal Products/Services of Company (as per Monetary terms)

Not Applicable.

BOARD OF DIRECTORS (As on 30th April, 2004)

A. J. Engineer, *Chairman*

F. N. Subedar

F. A. Vandrevala

P. R. Menon

D. M. Narvekar, *Executive Director*

GENERAL MANAGER (FINANCE) & COMPANY SECRETARY

V. R. Kudtarkar

AUDITORS

S. B. Billimoria & Co.
Chartered Accountants

BANKERS

American Express Bank Ltd., Mumbai

Union Bank of India, Mumbai

State Bank of India, Mumbai

Punjab National Bank, Mumbai

Standard Chartered Grindlays Bank Ltd., Mumbai

Central Bank of India, Mumbai

REGISTERED OFFICE

Pir Pau Installation,
Near MbPT Pump House,
Behind Tata Power Company's Unit V
Power Station,
Trombay, Chembur,
Mumbai 400 074.

Directors' Report

TO
THE MEMBERS,

The Directors have pleasure in submitting the Thirty-fourth Annual Report along with the Audited Statement of Accounts for the year ended 31st March, 2004.

2. FINANCIAL RESULTS :

(Figures rounded off to the nearest '00)

	Rupees	Previous Year Rupees
Profit after providing for Depreciation and Exceptional Items	5,87,90,800	3,90,57,100
Provision for Taxation	60,00,000	1,40,00,000
	<u>5,27,90,800</u>	<u>2,50,57,100</u>
Add/(Less) : Deferred Tax	(3,25,99,000)	53,45,000
Profit after Tax	2,01,91,800	3,04,02,100
Balance brought forward	6,04,16,500	4,78,39,400
Surplus available for appropriations	<u>8,06,08,300</u>	<u>7,82,41,500</u>
Appropriations :		
Dividend		
Interim	1,47,84,000	1,47,84,000
Tax on Dividend	18,94,200	—
	<u>1,66,78,200</u>	<u>1,47,84,000</u>
Transfer to General Reserve	20,20,000	30,41,000
Balance to be carried forward	<u><u>6,19,10,100</u></u>	<u><u>6,04,16,500</u></u>

3. DIVIDEND :

An Interim Dividend of Rs.70 per share on 2,11,200 equity shares for the period under review amounting to Rs.147.84 lakhs, exclusive of Dividend Tax (*Previous Year : Dividend - Rs.70.00 per share*) was declared by the Board of Directors on 17th July, 2003 and paid subsequently.

The Directors do not recommend a Final Dividend for the year ended 31st March, 2004.

4. OPERATIONS :

The Company provides terminalling services mainly to the importers and exporters of bulk liquid chemicals located in the hinterland, comprising of the Thane-Belapur Road, Raigad, Patalganga and Nagothane belt.

The petroleum and commodity chemical prices remained highly volatile due to war conditions prevailing in Iraq which affected the volumes handled by Chemical and Petrochemical Industries. The situation coupled with the Octroi problem faced at the beginning of the year resulted in keen competition amongst established terminalling players, bringing the terminalling service charges under considerable pressure. However, these conditions appear to be slowly coming under control of late.

After providing Rs.77.20 lakhs towards depreciation and Rs.16.95 lakhs towards loss on sale of long term investment, Rs.60 lakhs towards tax and after deducting Rs.325.99 lakhs towards deferred tax, the profit after tax works out to Rs. 201.92 lakhs as against Rs. 304.02 lakhs during the previous year. Under the circumstances, Company's performance is satisfactory.

With a view to increase the customer base as also to enhance the product handling profile, the Company is augmenting the storage capacity by adding 5 nos. tanks which would increase the capacity by 8,834 kls. which works out to 26% increase over the present capacity of 33,400 kls. The expansion is scheduled to be completed by the end of the current financial year 2004-2005 together with Fire Water Storage Augmentation Project in conformity with the latest (12th – 1998) version of the Tariff Advisory Committee Regulations.

The Company is exploring the possibility of acquiring tankfarm facilities at the other ports. The multi-location capability would enable the Company to service more customers and handle wider range of liquid products. The Company is also exploring business opportunities that are necessarily synergic and add value to the core activities.

The performance of the Company during the current year would depend upon the progress of the petrochemical commodity chemicals industry.

Environment, Health and Safety

The Company has always considered effective management of the natural and work place environment to be one of its highest priorities. The Company reaffirms that commitment and pledge continued efforts to improve its environment and work place.

The Company shall :

- (i) Seek continuous improvement in environment, health and safety performance.
- (ii) Maintain safe and environmentally sound operations.
- (iii) Contribute to the common effort to protect the natural and work place environment.
- (iv) Communicate with employees on environmental, health and safety issues.

5. 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 :

- (i) in the preparation of the Annual Accounts, the applicable accounting standards have been followed alongwith proper explanations relating to all material departures;
- (ii) they have, in the selection of the accounting policies consulted the Statutory Auditors and have applied them consistently and made judgement 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 or of the profit of the Company for that period;
- (iii) they have taken proper and sufficient care to the best of their knowledge and ability for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for 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.

6. PARTICULARS OF EMPLOYEES :

None of the employees of the Company were in receipt of remuneration in the aggregate equivalent to the sum prescribed, as would attract disclosure requirements under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

7. DIRECTORS :

- (i) The Central Government in exercise of the powers conferred on it under Sub Section (5B) of Section 309 of the Companies Act, 1956 permitted the waiver of recovery of net excess managerial remuneration amounting to Rs. 21,209/- paid to late Ram Gidwaney, the then Managing Director of the Company, during the years 1975-76 and 1976-77.
- (ii) In accordance with the requirements of the Companies Act, 1956 and the Articles of Association of the Company, Mr. A. J. Engineer and Mr. F. N. Subedar retire by rotation and are eligible for re-appointment.

8. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGOINGS :

As the Company is engaged only in distribution and servicing activities of bulk liquid chemicals and has no activity pertaining to manufacturing, furnishing of details pertaining to conservation of energy and technology absorption are not applicable.

Foreign Exchange earnings were Rs. Nil and total expenditure incurred in foreign exchange was Rs. 20,900/- during the year.

9. PUBLIC DEPOSITS :

The Company has not accepted any public deposits during the period under review.

10. INDUSTRIAL RELATIONS :

Industrial relations continue to be cordial both at the Company's office and Trombay Terminal. The Management continued its drive towards healthy environment and safe operating practices at the Trombay Terminal by conducting regular training programmes for safety and environment protection awareness amongst the employees including mock fire drills. Lectures by outside faculty members on safety and fire fighting operations were arranged with audio-visual aids for the benefit of the operating staff.

The Directors wish to record their appreciation for the contribution made by all employees in the organisation.

11. AUDITORS :

- (i) Members are requested to appoint Auditors for the current year and to fix their remuneration.
- (ii) M/s. S. B. Billimoria & Co., the Company's Auditors are eligible for re-appointment. A certificate under Section 224(1B) of the Companies Act, 1956, has been obtained from them.

On behalf of the Board of Directors
For CHEMICAL TERMINAL TROMBAY LIMITED

A. J. ENGINEER

Chairman.

Mumbai, 30th April, 2004

Auditors' Report

TO THE MEMBERS OF

Chemical Terminal Trombay Limited

1. We have audited the attached Balance Sheet of CHEMICAL TERMINAL TROMBAY LIMITED as at 31st March, 2004 and the Profit and Loss Account of the Company 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. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 the Management, as well as evaluating the overall financial 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 in terms of Section 227(4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above :
 - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose 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 and the Profit and Loss Account dealt with by this report are in agreement with the books of account;
 - (d) in our opinion, the Balance Sheet and the Profit and Loss Account dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
 - (e) in our opinion and to the best of our information and according to 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 :
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2004; and
 - (ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date.
5. On the basis of the written representations from the directors, taken on record by the Board of Directors, none of the directors is disqualified as at 31st March, 2004 from being appointed as a director under Section 274(1)(g) of the Companies Act, 1956.

For S. B. BILLIMORIA & CO.
Chartered Accountants,

NALIN M. SHAH
Partner.

(Membership No. 15860)

Mumbai, 30th April, 2004

Annexure to the Auditors' Report

(Referred to in paragraph 3 of our report of even date)

- (i) The nature of the Company's business/activities during the year is such that clauses (ix), (xi), (xii), (xiv), (xviii), (xix) and (xx) of Companies (Auditor's Report) Order, 2003 are not applicable.
- (ii) In respect of its fixed assets :
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) As per the information and explanations given to us, fixed assets other than those leased, have been physically verified during the year by the Management in accordance with the established system of verification once in a year. In our opinion, the frequency of verification is reasonable. In respect of leased fixed assets, the Company has obtained letters from the respective lessees confirming the existence and condition of the assets.
 - (c) Although a substantial/major part of the leased fixed assets have been disposed off during the year, in our opinion and according to the information and explanations given to us, the ability of the Company to continue as a going concern is not affected.
- (iii) The nature of the Company's operations is such that stocking of stores purchased for any appreciable length of time is not involved.
- (iv) In respect of loans, secured or unsecured, granted by the Company to companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956, according to information and explanations given to us :
 - (a) The Company has granted during the year loans aggregating Rs. 125 lakhs to two parties. At the year-end, the outstanding balance of such loans granted aggregated Rs. 75 lakhs from one party.
 - (b) In our opinion, the rate of interest and other terms and conditions of such loans are *prima facie* not prejudicial to the interests of the Company.
 - (c) The recoveries of principal amounts and interest have been regular/as per stipulations during the year.
 - (d) As explained to us, there were no overdue amounts of over Rs. 1 lakh that remained outstanding at the year-end.
- (v) In respect of loans, secured or unsecured, taken by the Company from companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956, according to information and explanations given to us :
 - (a) The Company has taken loans aggregating Rs. 1,000 lakhs from one party, the outstanding balance of which at the year-end was Nil.
 - (b) In our opinion, the rate of interest and other terms and conditions of such loans are *prima facie* not prejudicial to the interests of the Company.
 - (c) The payments of principal amounts and interest have been regular/as per stipulations during the year.
- (vi) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for purchases of stores and fixed assets.
- (vii) In respect of transactions entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956 :
 - (a) To the best of our knowledge and belief and according to the information and explanations given to us, transactions that needed to be entered into the register have been so entered.
 - (b) According to the information and explanations given to us, in case of transactions in excess of Rs.5 lakhs in respect of any party, the transactions have been made at prices which are *prima facie* reasonable having regard to the prevailing market prices at the relevant time.
- (viii) The Company has not accepted any fixed deposit from the public.
- (ix) In our opinion, the internal audit functions 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 the nature of its business.
- (x) According to the information and explanations given to us in respect of statutory and other dues :
 - (a) The Company has been regular in depositing undisputed statutory dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth tax and other statutory dues with the appropriate authorities during the year.
 - (b) There were no disputed dues outstanding as at 31st March, 2004.
- (xi) As per the information and explanations given to us, the Company has not granted 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 terms and conditions of the guarantees given by the Company for loans taken by others from banks and financial institutions, are not *prima facie* prejudicial to the interest of the Company.
- (xiii) To the best of our knowledge and belief and according to the information and explanations given to us, the Company has not availed of any term loans during the year.
- (xiv) According to the cash flow statement and other records examined by us and the information and explanations given to us, on an overall basis, funds raised on the short term basis have, *prima facie*, not been used during the year for long term investment.
- (xv) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

For S. B. BILLIMORIA & CO.
Chartered Accountants,

NALIN M. SHAH
Partner.
(Membership No. 15860)

Balance Sheet as at 31st March, 2004

	Schedule No./Page	Rupees	As at 31.3.2003 Rupees
SOURCES OF FUNDS :			
(1) SHAREHOLDERS' FUNDS			
(a) Capital	A/152	2,11,20,000	2,11,20,000
(b) Reserves and Surplus	B/152	33,96,74,100	33,61,60,500
		<u>36,07,94,100</u>	<u>35,72,80,500</u>
(2) LOAN FUNDS :			
Unsecured Loans	C/152	27,37,500	31,13,600
(3) DEFERRED TAX LIABILITY			
		1,90,12,000	—
TOTAL		<u>38,25,43,600</u>	<u>36,03,94,100</u>
APPLICATION OF FUNDS :			
(1) FIXED ASSETS :			
(a) Gross Block	D/153	15,67,54,900	25,66,10,000
(b) Less : Depreciation to date		9,84,42,600	19,21,17,100
(c) Net Block		5,83,12,300	6,44,92,900
(d) Capital Work-in-Progress (including advances)		29,93,800	5,25,500
(2) INVESTMENTS			
	E/154	30,69,99,300	25,91,27,000
(3) DEFERRED TAX ASSET			
		—	1,35,87,000
(4) CURRENT ASSETS, LOANS AND ADVANCES			
(a) Income Accrued on Investments	F/156	26,85,100	—
(b) Sundry Debtors		31,71,700	48,13,200
(c) Cash and Bank Balances		8,32,000	6,06,100
(d) Loans and Advances		3,07,19,200	4,67,22,400
		<u>3,74,08,000</u>	<u>5,21,41,700</u>
Less : CURRENT LIABILITIES AND PROVISIONS			
(a) Current Liabilities	G/156	1,66,59,100	2,33,85,700
(b) Provisions		65,10,700	60,94,300
		<u>2,31,69,800</u>	<u>2,94,80,000</u>
NET CURRENT ASSETS		<u>1,42,38,200</u>	<u>2,26,61,700</u>
TOTAL		<u>38,25,43,600</u>	<u>36,03,94,100</u>
Notes forming part of the Accounts	I/157		

As per our report of even date attached

For S. B. BILLIMORIA & CO.
Chartered Accountants,

NALIN M. SHAH
Partner.

Mumbai, 30th April, 2004

V. R. KUDTARKAR
General Manager (Finance)
& Company Secretary.

For and on behalf of the Board

A. J. ENGINEER
Chairman.

D. M. NARVEKAR
Executive Director.

Mumbai, 30th April, 2004

Profit & Loss Account for the year ended 31st March, 2004

	Schedule No./Page	Rupees	Previous Year Rupees
INCOME :			
A) INCOME FROM OPERATIONS			
(i) Storage (TDS Rs.13,74,400/- , Previous Year Rs.17,01,400/-)		7,75,34,100	9,36,58,200
(ii) Other Terminalling Income		5,50,400	17,11,600
(TDS Rs.1,800/-, Previous Year Rs. 5,900/-)			
(iii) Lease Rentals from Equipment Leasing		40,500	1,19,600
(iv) Licence Fees and Allied charges		15,12,800	90,76,500
(TDS Rs.1,55,100/-, Previous Year Rs. 19,06,100/-)			
B) OTHER INCOME			
(i) Income from Investments			
(a) Current		9,55,200	—
(b) Long Term		1,18,20,300	1,41,12,100
(Including on Trade Investments Rs. 93,81,000/- Previous Year Rs.1,23,45,300/-) (TDS - Rs. Nil Previous Year Rs.11,10,400/-)			
(ii) Profit on Sale of Fixed Assets		8,40,300	—
(iii) Miscellaneous Income		25,100	4,91,600
	I	9,32,78,700	11,91,69,600
EXPENDITURE :			
(a) Payments to and provisions for employees	1/159	1,91,31,100	1,85,06,000
(b) Operating Expenses	2/159	2,84,84,700	3,06,33,000
(c) Establishment Expenses	3/159	63,62,400	91,28,900
(d) Loss on sale of Fixed Assets		—	12,100
(e) Provision for Contingency		—	3,07,100
	II	5,39,78,200	5,85,87,100
	I - II	3,93,00,500	6,05,82,500
Add: Net Interest Earned			
(i) Interest earned on Loans/Bank Deposit		20,53,200	61,54,600
(TDS Rs. 4,82,200/- Previous Year Rs.13,10,000/-)			
(ii) Less : Interest Paid (including Fixed Loans Rs.3,03,900/- Previous Year Rs.4,42,300/-)		(6,40,000)	(16,30,200)
		(77,19,600)	(77,36,500)
Less: Depreciation			
PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS		3,29,94,100	5,73,70,400
Exceptional Items :			
Add/(Less): Loss on Sale of Long Term Investment		(16,94,700)	(1,83,600)
Add/(Less): Provision for diminution in value of Investments no longer required written back/(made)		2,74,91,400	(1,81,29,700)
PROFIT BEFORE TAX		5,87,90,800	3,90,57,100
Less: Tax :			
Add/(Less): Current (including provision for Wealth Tax Rs. 5,000/- Previous Year Rs.50,000/-)		(60,00,000)	(1,40,00,000)
Add/(Less): Deferred Tax (including adjustment on account of previous year - Rs.82,42,000/-)		(3,25,99,000)	53,45,000
PROFIT AFTER TAX		2,01,91,800	3,04,02,100
Balance of Profit & Loss Account brought forward		6,04,16,500	4,78,39,400
		8,06,08,300	7,82,41,500
Interim Dividend		(1,47,84,000)	(1,47,84,000)
Tax on Dividend		(18,94,200)	—
Transfer to General Reserve		(20,20,000)	(30,41,000)
Balance carried to Balance Sheet		6,19,10,100	6,04,16,500
Notes forming part of the Accounts	I/157		

As per our report of even date attached

For S. B. BILLIMORIA & CO.
Chartered Accountants,

NALIN M. SHAH
Partner.

Mumbai, 30th April, 2004

V. R. KUDTARKAR
General Manager (Finance)
& Company Secretary.

For and on behalf of the Board

A. J. ENGINEER
Chairman.

D. M. NARVEKAR
Executive Director.

Mumbai, 30th April, 2004

Schedules forming part of the Balance Sheet

**SCHEDULE 'A'
SHARE CAPITAL**

Authorised :

10,00,000 Equity Shares of Rs.100/- each

Issued, Subscribed & Paid-up :

2,11,200 Equity Shares of Rs.100/- each, fully paid

(of the above 1,99,200 shares have been issued as fully paid Bonus Shares by capitalisation of General Reserve – The Company is a subsidiary of The Tata Power Co. Ltd. which is holding 1,52,064 Shares)

Rupees	<i>As at 31.3.2003 Rupees</i>
10,00,00,000	10,00,00,000
2,11,20,000	2,11,20,000
2,11,20,000	2,11,20,000

SCHEDULE 'B'

RESERVES & SURPLUS

General Reserve :

Balance as per last Balance Sheet

Less : Amount appropriated towards issue of Bonus Shares

Add : Transferred from Profit & Loss Account

Profit & Loss Account

Rupees	<i>As at 31.3.2003 Rupees</i>
27,57,44,000	27,46,23,000
—	19,20,000
27,57,44,000	27,27,03,000
20,20,000	30,41,000
27,77,64,000	27,57,44,000
6,19,10,100	6,04,16,500
33,96,74,100	33,61,60,500

SCHEDULE 'C'

UNSECURED LOANS

Loan from HDFC (Long Term)

Rupees	<i>As at 31.3.2003 Rupees</i>
27,37,500	31,13,600
27,37,500	31,13,600

Schedule forming part of the Balance Sheet

SCHEDULE 'D' FIXED ASSETS

	Gross Block	Additions	Deductions	Gross Block	Total	Depreciation	Deductions	Total	Net Block	Net Block
	as at			as at	Depreciation	for the year		Depreciation	as at	as at
	1.4.2003			31.3.2004	upto			upto	31.3.2004	31.3.2003
	(at cost)			(at cost)	31.3.2003			31.3.2004		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Buildings	3,59,52,800	—	—	3,59,52,800	1,45,34,300	11,62,300	—	1,56,96,600	2,02,56,200	2,14,18,500
Plant & Machinery :										
a) Terminal	9,87,19,600	9,52,400	16,81,100	9,79,90,900	5,99,21,800	54,12,900	16,20,900	6,37,13,800	3,42,77,100	3,87,97,800
b) Equipment Leased out	11,13,05,800	—	9,90,09,700	1,22,96,100	11,13,05,800	—	9,90,09,700	1,22,96,100	—	—
c) Others	37,10,500	13,600	3,89,100	33,35,000	26,82,800	3,92,400	3,45,600	27,29,600	6,05,400	10,27,700
Furniture & Fittings	25,24,100	1,60,400	92,500	25,92,000	14,65,600	2,19,100	89,100	15,95,600	9,96,400	10,58,500
Office Equipment	7,64,700	3,800	32,800	7,35,700	1,82,400	84,500	18,300	2,48,600	4,87,100	5,82,300
Motor Vehicles	36,32,500	5,69,700	3,49,800	38,52,400	20,24,400	4,48,400	3,10,500	21,62,300	16,90,100	16,08,100
TOTAL	25,66,10,000	16,99,900	10,15,55,000	15,67,54,900	19,21,17,100	77,19,600	10,13,94,100	9,84,42,600	5,83,12,300	6,44,92,900
<i>Previous Year</i>	<i>24,71,59,400</i>	<i>1,03,94,500</i>	<i>9,43,900</i>	<i>25,66,10,000</i>	<i>18,52,05,900</i>	<i>77,36,500</i>	<i>8,25,300</i>	<i>19,21,17,100</i>	<i>6,44,92,900</i>	<i>6,19,53,500</i>

Schedule forming part of the Balance Sheet

**SCHEDULE 'E'
INVESTMENTS**

	No. of Shares / Units	Face Value 31.3.2004 Rs.	Cost as at 31.3.2004 Rs.	Cost as at 31.3.2003 Rs.
1. TRADE INVESTMENTS - Long Term				
A. Equity Shares (Quoted) fully paid up :				
The Tata Power Co. Ltd.	40,058	4,00,580.00	14,29,700	14,29,700
B. Equity Shares (Unquoted) fully paid up :				
Aerospace Systems Pvt. Ltd.	3,75,000	37,50,000.00	37,50,000	37,50,000
Power Trading Corporation of India Limited	77,000	7,70,000.00	12,32,000	—
C. Preference Shares (Unquoted) fully paid up :				
Tata Sons Ltd.				
7% Cumulative Redeemable	30,000	3,00,00,000.00	3,00,00,000	5,76,50,000
(27,650 shares redeemed during the year)				
Tata Finance Ltd.				
10% Cumulative Redeemable	—	—	—	2,00,00,000
(redeemed during the year)				
2. OTHER INVESTMENTS (Unquoted)- Long Term				
A. 6.75% Tax Free Bonds-US'64- UTI	2,29,906	2,29,90,600.00	2,29,90,600	3,47,76,300
(22,94,200 units of US'64 converted into Bonds				
eff. 1st June, 2003)				
B. Units of Mutual Funds				
a) Tata Income Fund (Appreciation)	—	—	—	1,25,00,000
(Sold during the year)				
b) Tata Balanced Fund (Growth)	—	—	—	4,75,45,200
(Sold during the year)				
c) Tata - Select Sector Fund	—	—	—	30,00,000
(Sold during the year)				
d) Birla Balanced Fund (Growth)	—	—	—	99,55,000
(Sold during the year)				
e) Tata Liquid Fund (Appreciation)	7,07,723.684	70,77,236.84	89,97,500	89,97,500

Schedule forming part of the Balance Sheet

SCHEDULE 'E' (Contd.) INVESTMENTS

	No. of Shares / Units	Face Value 31.3.2004 Rs.	Cost as at 31.3.2004 Rs.	Cost as at 31.3.2003 Rs.
3. OTHER INVESTMENTS (Unquoted)- Current				
Units of Mutual Funds				
a) HDFC High Interest (Growth) (Formerly known as Zurich India)	21,46,980.017	2,14,69,800.17	2,30,00,000	2,30,00,000
b) Grindlays Supersaver - Income Fund - Short Term (Growth)	13,84,059.099	1,38,40,590.99	1,60,00,000	1,60,00,000
c) Tata Short Term Bond Fund (Growth)	11,85,899.653	1,18,58,996.53	1,20,00,000	1,20,00,000
d) Prudential ICICI - Short Term Plan (Cumulative)	19,16,332.405	1,91,63,324.05	2,10,00,000	2,10,00,000
e) HDFC Short Term Plan	11,83,632.060	1,18,36,320.60	1,26,00,000	1,26,00,000
f) Tata Income Plus - (Growth)	14,22,400.000	1,42,24,000.00	1,42,24,000	1,42,24,000
g) Tata Income Plus - (Growth)	11,68,912.537	1,16,89,125.37	1,25,00,000	—
h) Tata Liquid Fund -Fortnightly Dividend (RIP)	5,84,729.494	58,47,294.94	65,00,000	—
i) Tata Liquid High Investment Fund-Div.Mthly.(HIP)	19,89,554.837	1,98,95,548.37	2,00,00,000	—
j) Tata Liquid High Investment Fund-(Growth)(HIP)	45,30,918.306	4,53,09,183.06	4,72,99,000	—
k) Tata Dynamic Bond Fund-Option B - (Growth)	11,48,513.274	1,14,85,132.74	1,15,00,000	—
l) Birla Income Plus (Growth)	3,71,173.200	37,11,732.00	1,00,00,000	—
m) HDFC Income Fund (Growth)	9,89,738.232	98,97,382.32	1,50,00,000	—
n) HDFC Cash Mgmt. Fund Saving Plan (Growth)	5,72,130.385	57,21,303.85	75,00,000	—
o) Franklin Templeton India -IBA Plan A (Growth)	4,09,048.281	40,90,482.81	95,00,000	—
			30,70,22,800	29,84,27,700
Less : Provision for diminution in value of Investments			23,500	3,93,00,700
			30,69,99,300	25,91,27,000
QUOTED INVESTMENTS :				
Aggregate Cost			14,29,700	14,29,700
Aggregate Market Value			1,50,99,900	45,30,600
UNQUOTED INVESTMENTS :				
Aggregate Cost			30,55,93,100	29,69,98,000

Schedules forming part of the Balance Sheet

SCHEDULE 'H'

ACCOUNTING POLICIES OF THE COMPANY

I. FIXED ASSETS :

- (a) Fixed Assets including improvements which significantly extend the useful life of plant and equipment are carried at purchase price and any attributable costs of bringing the asset to its working condition for its intended use less accumulated depreciation. Items no longer in service are removed both from Fixed Assets and accumulated depreciation account.
- (b) Fixed Assets are capitalised at cost plus freight, insurance, excise duty, sales tax, customs duty, erection/installation charges and consultancy fees.
- (c) Depreciation on additions during the year is provided from the date of capitalisation. In the same way, depreciation on assets sold is provided upto the date of disposal.
- (d) Lease Rentals are accounted on accrual basis.
- (e) Depreciation on leased fixed assets is provided on the straight line basis, writing off 100% of the cost of the assets over the primary life of the lease and is calculated on a pro-rata basis with reference to the date from which the lease rentals commence. Depreciation on other fixed assets is provided on the written down value basis at the rates and in the manner prescribed by Schedule XIV of the Companies Act, 1956.

II. INVESTMENTS:

Investments classified as 'Long Term Investments' are stated at cost plus brokerage and transfer cost less provision if any, for permanent diminution in value of such investments. 'Current Investments' are valued at the lower of cost and fair value.

III. REVENUE RECOGNITION:

Terminalling Charges and Lease Rentals for Equipment Leasing are recognised for the period to which they relate as and when they are accrued and invoiced.

IV. INVENTORIES:

The nature of the Company's business does not involve stocking of inventories. Stores consumed are shown at cost consisting of purchase price, taxes, duties and other incidental expenses, if any.

V. RETIREMENT BENEFITS:

- (a) The Company contributes to the employees' Provident Fund maintained under The Employees' Provident Fund Scheme by the Maharashtra State Government, which is debited to Profit and Loss Account.
- (b) The liabilities in respect of superannuation and gratuity are covered under Life Insurance Corporation's approved scheme. The difference between the amounts received from LIC towards gratuities of retiring employees and actual amount of gratuities paid is debited to Profit & Loss Account.
- (c) Provision is made for leave encashment on accrual basis.

VI. TAXES ON INCOME:

Income-taxes are maintained in accordance with AS 22, namely, Accounting for Taxes on Income, whereby deferred income-tax assets and liabilities result from temporary differences. Temporary differences are differences between the tax basis of assets and liabilities and their reported amounts in the financial statements that would result in taxable or deductible amounts in future years. Provision for deferred tax liability is made subject to the caveat of reasonable certainty of recovery in respect of deferred tax assets.

SCHEDULE 'I'

NOTES FORMING PART OF THE ACCOUNTS

- (a) CIF Value of Imports :
Stores Nil (Previous Year Rs. 1,68,700/-)
- (b) Value of Stores and Spare Parts Consumed :

- (i) Imported
- (ii) Indigenous

	2003-2004		2002-2003	
	Rs.	%	Rs.	%
(i) Imported	—	—	2,94,700/-	14.57%
(ii) Indigenous	11,09,500/-	100.00%	17,27,800/-	85.43%
	11,09,500/-	100.00%	20,22,500/-	100.00%

Schedules forming part of the Balance Sheet

2. Expenditure in foreign currency for various matters –
Rs. 20,900/- (Previous Year Rs. 2,67,300/-).
3. Contingent Liabilities not provided for :
 - (a) The Company has "Line of Credit (LOC) Through" facility with Housing Development Finance Corporation Ltd. (HDFC) for an amount of Rs. 30.00 lakhs under the Company's Housing Loan Scheme for its employees. Total amount outstanding with HDFC under the scheme at the end of the year is Rs. 24,94,600/- the repayment of which is guaranteed by the Company.
 - (b) Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 4,84,23,000/- (Previous Year Rs. 9,05,000/-).
 - (c) Claims raised by Mumbai Port Trust towards Penal Way Leave Fees, protested by the Company and not acknowledged as debts Rs. 2,84,72,700/- (Previous Year Rs. 2,84,72,700/-).
4. Previous year's figures have been re-grouped, wherever necessary, to conform to this year's classification.

5. Managerial Remuneration :

	2003-2004 Rs.	2002-2003 Rs.
(a) Salaries and Allowances	7,99,800/-	7,06,800/-
(b) Perquisites	2,07,800/-	2,54,100/-
(c) Contribution to Provident and Superannuation Fund	1,39,300/-	1,23,100/-
(d) Commission (net of Rs. 2,34,000/- written back)	5,40,000/-	4,90,000/-
	16,86,900/-	15,74,000/-

The above excludes contributions towards Gratuity Fund, for which separate amount is not available and use of Company car.

6. Deferred Income-taxes provided for timing differences :

	2003-2004 Rs.	2002-2003 Rs.
(a) Differences between depreciation for the purpose of tax and financial statements	(51,83,400/-)	(35,17,200/-)
(b) Provident Fund Contributions paid before the due date	33,400/-	24,900/-
(c) Provision for Diminution in Value of Investments	(1,40,90,700/-)	65,04,000/-
(d) Provision for Contingency	2,29,600/-	1,10,100/-
(e) Carried Over Capital Losses	—	22,22,400/-
(f) Others - (Rounding Off)	(900/-)	800/-
	(1,90,12,000/-)	53,45,000/-

7. Related Party Disclosures :

- (a) Names of Related parties and description of relationships
 1. Holding Company : The Tata Power Company Limited
 2. Fellow Subsidiary Company : Af-Taab Investment Company Limited
 3. Associate : Aerospace Systems Pvt. Limited
 4. Key Management Personnel : Mr. D. M. Narvekar
- (b) Related Party Transactions

	Holding Company Rs.	Fellow Subsidiaries Rs.	Associates Rs.	Key Management Personnel Rs.
Sale of Equipment Leased Assets	—	9,90,999		
Sundry Debtors	—	(Nil)		
Land Lease Rent 59,36,300	20,000/-			
	(Nil)			
Equipment Lease Rentals earned	(58,04,100)			
	20,000			
	(99,000)			
Electricity Supply Security Deposit Held	50,000			
	(50,000)			
Equity Shares Held	14,29,700		37,50,000	
	(14,29,700)		(37,50,000)	
Dividend Received	2,60,400		37,50,000	
	(2,00,300)		(30,00,000)	
Remuneration				16,86,900
				(15,74,000)

Figures in brackets indicate previous year's figures.

Schedules forming part of the Profit and Loss Account

SCHEDULE '1'

PAYMENTS TO AND PROVISIONS FOR EMPLOYEES

	Rupees	<i>Previous Year</i> Rupees
(i) Salaries, Wages and Bonus including Performance related award	1,52,23,800	1,49,54,900
(ii) Contribution to Provident & Other Funds	16,84,600	16,41,000
(iii) Workmen & Staff Welfare Expenses	22,87,100	19,10,100
(iv) Provision for Ex-MD written off	(64,400)	—
	1,91,31,100	1,85,06,000

SCHEDULE '2'

OPERATING EXPENSES

	Rupees	<i>Previous Year</i> Rupees
1. Consumption of Stores	11,09,500	20,22,500
2. Electricity Charges	11,17,300	10,93,200
3. Way Leave Fee to MbPT	90,37,800	95,66,300
4. Repairs & Maintenance of		
(a) Buildings	3,46,200	6,51,100
(b) Plant & Machinery	35,85,000	36,15,000
5. Other Operating Expenses	10,90,700	11,78,200
6. Rent	69,48,700	76,91,900
7. Repairs & Maintenance of Other Assets	16,92,900	11,35,200
8. Insurance	20,95,800	21,91,200
9. Rates and taxes	14,60,800	14,88,400
	2,84,84,700	3,06,33,000

SCHEDULE '3'

ESTABLISHMENT EXPENSES

	Rupees	<i>Previous Year</i> Rupees
1. Commission to Directors (Net of Rs.1,88,500/- written back)	1,60,200	5,92,000
2. Directors' Sitting Fees	37,500	47,500
3. Auditors' Remuneration :		
(a) As Auditors	1,50,000	1,10,000
(b) For taxation matters	60,000	90,000
(c) For Certification	20,000	23,000
(d) Service Tax	21,800	8,600
4. Donations	5,000	2,500
5. Miscellaneous Expenses	36,28,200	42,27,700
6. Legal & Professional Charges	21,18,800	38,48,900
7. Pension & Medical Benefits to Ex-ED	1,60,900	1,78,700
	63,62,400	91,28,900

Schedule forming part of the Profit and Loss Account**SCHEDULE '4'**

Statement showing computation of Net Profit in accordance with Section 349 of the Companies Act, 1956, with details of Commission payable by way of percentage of such profit to the Directors for the F.Y. 2003-2004

	Rupees	Rupees
Profit before taxation as per Profit & Loss Account		5,87,90,800
Add:		
Managerial Remuneration (Net of Rs.2,34,000/- written back)	16,86,900	
Non- whole-time Directors' Commission (Net of Rs.1,88,500/- written back) ...	1,60,200	
Directors' Sitting Fees	37,500	
Loss on Sale of Long Term Investments	16,94,700	35,79,300
		6,23,70,100
Less:		
Provision for diminution in value of Investments no longer required written back		2,74,91,400
Net Profit in accordance with Section 349 of the Companies Act, 1956		3,48,78,700
COMMISSION		
Commission payable to the Non-whole-time Directors at 1% of Net Profit		3,48,787
Rounded Off to		3,48,700
Commission to Executive Director at 18 months' salary		7,74,000

For and on behalf of the Board

A. J. ENGINEER
Chairman.

D. M. NARVEKAR
Executive Director.

V. R. KUDTARKAR
General Manager (Finance)
& Company Secretary.

Mumbai, 30th April, 2004

BOARD OF DIRECTORS

(As on 18th May, 2004)

MR. AMULYA CHARAN

MR. S. MOHAN GURUNATH

MR. A. K. SARDANA

MR. BOMI J. SHROFF

COMPANY SECRETARY

MR. BRAJESH R. DAGA

REGISTERED OFFICE

Shri Aurobindo Marg,
Dehradun

AUDITORS

Nath & Mahesh Associates
Chartered Accountants

BANKERS

Punjab National Bank
State Bank of India

Directors' Report

TO THE MEMBERS,

The Directors hereby present their Eighth annual report on the business and operations of the Company and the statement of accounts for the year ended 31st March, 2004.

The Tata Power Company Limited (TPC) completed all formalities related to the acquisition of the Duncans North Hydro Power Company Limited (DNHPC) from the Synergics Hydro Asia (SHA) Mauritius on the 15th December, 2003 and DNHPC became a 100% subsidiary of TPC from that date. There has been no change in the subscribed share capital of the Company because of this acquisition.

Reconstitution of the Board

Consequent upon the acquisition of the Company, Mr. Wayne Rogers, Mr. Furqan Siddiqi, Mr. Phil Hoover and Mr. Ravi Ranjan Prasad resigned as Directors on 15th December, 2003. Mr. S. Mohan Gurunath, Mr. Amulya Charan, Mr. Anil Kumar Sardana and Mr. Bomi J. Shroff were appointed as Directors from that date.

Reappointment of Directors

Mr. Anil Kumar Sardana was appointed on 15th December, 2003 in accordance with Section 260 of the Companies Act, 1956. Mr. Sardana holds office only upto the date of the forthcoming Annual General Meeting and a notice under Section 257 of the Companies Act, 1956 has been received from a member signifying his intention to propose Mr. Anil Kumar Sardana's reappointment as a Director.

Mr. Bomi J. Shroff was appointed on 15th December, 2003 in accordance with Section 260 of the Companies Act, 1956. Mr. Shroff holds office only upto the date of the forthcoming Annual General Meeting and a notice under Section 257 of the Companies Act, 1956 has been received from a member signifying his intention to propose Mr. Bomi J. Shroff's reappointment as a Director.

Auditors

Members will be requested to appoint Auditors and to authorize the Board of Directors to fix their remuneration.

Members will also be requested to pass a resolution authorising the Board of Directors to appoint Auditors/Branch Auditors/Accountants for the purpose of auditing the accounts maintained at the Branch Offices of the Company in India.

Fixed Assets

The existing fixed assets of the Company were not part of transaction in the agreement between TPC and SHA for the acquisition of the Company and hence the value of the same, as existing in the Company's books of accounts has been charged off. There has been a reduction of Rs. 9,15,477/- in the Capital Reserves of the Company on account of the same.

Change in Name

The name of the Company has been changed to Alaknanda Hydro Power Company Limited (AHPC) with effect from 26th April, 2004. For facilitating better and more direct control, the Company is also in the process of shifting its Registered Office from Uttaranchal to Maharashtra. The process of seeking necessary approvals for this is on.

Development Activities

The TPC/AHPC team commenced with the balance development activities so as to be able to commence construction at the site by June 2004. Development activities include the acquisition of the balance private land required for the Project, the execution of the restated implementation agreement with the State Governments of Uttaranchal and Uttar Pradesh, the finalization of the Construction Contracts (including the selection of the Contractors) etc.

Director's Responsibility Statement

The Directors hereby confirm :

- i) that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- ii) that the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- iii) that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) that the Directors had prepared the annual accounts on a going concern basis.

For and on behalf of the Board of Directors

MR. S. MOHAN GURUNATH
Director

Mumbai, 18th May, 2004

Auditors' Report

TO THE MEMBERS OF DUNCANS NORTH HYDRO POWER COMPANY LIMITED

We have audited the attached balance sheet of DUNCANS NORTH HYDRO POWER COMPANY LIMITED, as at 31st March, 2004, 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.

We conducted our audit in accordance with 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.

Subject to the foregoing remark, we report that :

1. 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 the said Order.
2. Further to our comments in the Annexure referred to above, 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, along with annexures dealt with by this report are in agreement with the books of account;
 - (d) In our opinion the Balance Sheet complies with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956;
 - (e) On the basis of written representations received from the directors, as on 31st March, 2004 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2004 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the balance sheet, of the state of affairs of the Company as at 31st March, 2004 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.

For NATH & MAHESH ASSOCIATES
Chartered Accountants,

Mahesh Gupta
Partner.

Membership No. 87104

Place : New Delhi
Date : 19th May, 2004.

Annexure to the Auditors' Report

(Referred to in paragraph (1) of our report of even date)

- (i) The nature of the Company's business/activities during the year is such that clauses (ii), (vi), (viii), (x), (xi), (xii), (xiii), (xiv), (xv), (xvi), (xvii), (xviii), (xix) and (xx) of CARO, 2003 are not applicable.
- (ii) In respects of its fixed assets :
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) As per the information and explanations given to us, fixed assets have been physically verified during the year by the Management in accordance with the established system of verification once in a year. In our opinion, the frequency of verification is reasonable.
- (iii) An amount of Rs. 4,26,12,089/- is payable to The Tata Power Company Limited (TPCL) on account of expenses incurred by TPCL on behalf of the Company. The facility so granted to the Company is interest free, hence sub-clause (b), (c) and (d) are not applicable.
- (iv) There is an adequate internal control procedure commensurate with the size of the Company and nature of its business for the purchase of Fixed Assets.
- (v) (a) The Company has not entered into any transaction except mentioned under clause III, which needs to be entered into a register in pursuance of Section 301 of the Act.
(b) As the Company has not entered into any transaction vis-a-vis sale or purchase hence not applicable.
- (vi) There are no disputed or undisputed amount of any statutory dues pending as at the last day of the financial year concerned or for a period of more than 6 months from the date they become payable.
- (vii) The Company has not commenced revenue generation and all the expenses are debited to Capital work-in-progress pending capitalisation, therefore question of erosion of net worth does not arise.
- (viii) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

For NATH & MAHESH ASSOCIATES
Chartered Accountants,

Maresh Gupta
Partner.

Membership No. 87104

Place : New Delhi

Date : 19th May, 2004.

Balance Sheet as at 31st March, 2004

	Schedule No.	Rupees	As at 31st March, 2004 Rupees	As at 31st March, 2003 Rupees
FUNDS EMPLOYED :				
(1) SHARE CAPITAL	"A"		3,10,00,000	2,82,07,021
(2) RESERVES AND SURPLUS	"B"		4,51,308	13,66,785
(3) TOTAL FUNDS EMPLOYED			3,14,51,308	2,95,73,806
APPLICATION OF FUNDS :				
(4) FIXED ASSETS	"C"			
Gross Block		4,09,947		21,00,302
Less : Depreciation to date		5,267		10,19,243
			4,04,680	10,81,059
Capital Work-in-Progress (including advances against capital expenditure)	"D"		7,06,87,254	2,81,47,333
			7,10,91,934	2,92,28,392
(5) CURRENT ASSETS, LOANS AND ADVANCES	"E"			
Current Assets		9,96,128		3,41,530
Loans and Advances		20,14,775		2,53,008
			30,10,903	5,94,538
Less :				
(6) CURRENT LIABILITIES AND PROVISIONS	"F"			
Current Liabilities		4,27,78,974		3,76,569
Provisions		—		—
			4,27,78,974	3,76,569
(7) NET CURRENT ASSETS			(3,97,68,071)	2,17,969
(8) MISCELLANEOUS EXPENDITURE (to the extent not written off)			1,27,445	1,27,445
(9) TOTAL APPLICATION OF FUNDS			3,14,51,308	2,95,73,806
Accounting Policies and Notes to the Accounts	"G"			

The Schedules referred to above form an intergral part of the Balance Sheet.

As per our report of even date attached.

For Duncans North Hydro Power Company Limited

For Nath & Mahesh Associates

Chartered Accountants,

Mahesh K Gupta

Partner.

Membership No. 87104

Place : New Delhi

Date : 19th May, 2004

BRAJESH R. DAGA

Secretary.

Place : Mumbai

Date : 18th May, 2004

S. MOHAN GURUNATH

Director.

AMULYA CHARAN

Director.

Schedules forming part of the Balance Sheet

SCHEDULE – A SHARE CAPITAL

	Rupees	As at 31st March, 2004 Rupees	As at 31st March, 2003 Rupees
AUTHORISED CAPITAL			
40,00,000 Equity Shares of Rs. 10 each	4,00,00,000		4,00,00,000
		4,00,00,000	4,00,00,000
ISSUED CAPITAL			
31,00,000 Equity Shares of Rs.10 each		3,10,00,000	2,47,40,960
SUBSCRIBED & PAIDUP CAPITAL			
31,00,000 Equity Shares of Rs.10 each	3,10,00,000		2,47,40,960
<i>Add: Share Application Money (Pending Allotment of Equity Shares)</i>	—	3,10,00,000	34,66,061
		3,10,00,000	2,82,07,021

Note: During the year consequent to an agreement entered into, The Tata Power Company Limited has acquired the entire shareholding of the earlier promoters and hence the Company has become a wholly owned subsidiary of The Tata Power Company Limited.

SCHEDULE – B RESERVES & SURPLUS

	Opening Balance As on 1-4-2003 Rupees	Additions Rupees	Deductions Rupees	Closing Balance As on 31-3-2004 Rupees
Capital Reserve	13,66,785	—	9,15,477	4,51,308
Total Reserves and Surplus – 2003-2004	13,66,785	—	9,15,477	4,51,308
– 2002-2003				13,66,785

SCHEDULE – C FIXED ASSETS

Amounts in Rupees

Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 1.4.2003 (at cost)	Additions	Deductions	As at 31.3.2004 (at cost)	As at 1.4.2003	Additions	Deductions	As at 31.3.2004	As at 1.4.2003	As at 31.03.2004
1. Plant and Machinery	3,14,820	9,360	3,14,820	9,360	2,21,313	26,652	2,47,341	624	93,507	8,736
2. Furniture, fixtures and office equipment	9,01,263	4,00,587	9,01,263	4,00,587	2,61,380	77,628	3,34,365	4,643	6,39,883	3,95,944
3. Motor vehicles, launches, barges, etc.	8,84,219	—	8,84,219	—	5,36,550	62,638	5,99,188	—	3,47,669	—
TOTAL - 2003-2004	21,00,302	4,09,947	21,00,302	4,09,947	10,19,243	1,66,918	11,80,894	5,267	10,81,059	4,04,680
– 2002-2003	20,86,202	14,100	—	21,00,302	7,10,289	3,08,954	—	10,19,243	13,75,913	10,81,059

Schedules forming part of the Balance Sheet

SCHEDULE – D

DETAILS OF CAPITAL WORK-IN-PROGRESS

A/c. No.	Particulars	As at 31st March, 2004 Rupees	As at 31st March, 2003 Rupees
	Balance b/f	2,81,47,333	2,22,21,476
4110384050	DEPRECIATION - P & M.	26,652	3,08,954
4110384070	DEP-FURNITURE & FIXTURES	77,628	—
4110384080	DEP-MOTOR VEHICLE	62,638	—
4111087100	STATUTORY AUDIT FEES	9,180	9,180
4111288200	LEGAL CHARGES	65,25,456	5,39,542
4111288700	CONSULTANT'S FEES	2,71,52,868	10,40,000
4111289100	PUBLICITY - OTHERS. 7310	16,362	—
4111988500	COST OF SERVICES	32,82,350	1,71,578
4120190200	STAFF SALARY & D.A	11,58,926	19,65,920
4120291100	MEDICAL EXPENSES	8,750	29,000
4120292000	SUNDRY WELFARE EXPENSES	—	3,500
4130496000	SMALL ASSETS - W/OFF	185,164	—
4130595800	REPAIRS & MAINTENANCE	94,396	1,18,720
4130595910	REPAIRS TO FURNITURE-Services	59,529	79,932
4130796200	RENT	4,06,000	6,12,000
4130997500	INSURANCE PREMIUM	8,776	13,472
4131097600	ELECTRICITY CONSUMED	33,842	46,395
4131097900	TELEPHONE EXPENSES	1,18,847	2,21,083
4131098000	STAMPS & TELEGRAMS	12,061	16,309
4131098100	PRINTING & STATIONERY	34,131	35,419
4131098200	BOOKS & PERIODICALS	2,612	3,225
4131098300	SUBSCRIPTION	21,387	29,331
4131098500	ADVERTISEMENT CHARGES	2,150	1,125
4131098600	MISCELLANEOUS EXPENDITURE	1,11,078	1,54,856
4131098620	FOOD & LODGING	3,38,579	—
4131098700	BANK CHARGES	14,06,009	1,736
4131099100	TRAVELLING EXPENSES	12,18,676	5,19,502
4131099300	CONVEYANCE EXPENSES	1,65,874	5,078
	TOTAL	7,06,87,254	2,81,47,333

SCHEDULE – E

CURRENT ASSETS, LOANS AND ADVANCES

	Rupees	As at 31st March, 2004 Rupees	As at 31st March, 2003 Rupees
CURRENT ASSETS			
Cash and Bank Balances			
(i) Current Accounts with Scheduled Banks	9,46,128		3,39,711
(ii) Cash and Cheques on Hand	—		1,819
(iii) Deposit with Bank - PNB Dehradun	50,000		—
		9,96,128	3,41,530
LOANS AND ADVANCES			
Considered good- unless otherwise stated (Unsecured)			
Other Advances	20,14,775		2,53,008
		20,14,775	2,53,008
		30,10,903	5,94,538

Schedules annexed to and forming part of the Accounts

SCHEDULE – F CURRENT LIABILITIES AND PROVISIONS

CURRENT LIABILITIES

- (a) Sundry Creditors
Provision for expenses
- (b) Other Liabilities
- (c) The Tata Power Company Limited (Holding Company)

As at 31st March, 2004 Rupees	As at 31st March, 2003 Rupees
1,63,053	3,76,569
3,832	—
4,26,12,089	—
4,27,78,974	3,76,569

SCHEDULE – G

A. Background of the Company:

Duncans North Hydro Power Company Limited has been incorporated to implement 330 MW Hydro Power Project at Shrinagar in the state of Uttaranchal by Synergies Hydro Asia Mauritius and Duncans Industries Ltd. During the year, consequent to an agreement entered into by the earlier promoters with The Tata Power Company Limited (TPCL), the entire shareholding of the promoters has been acquired by TPCL making it a 100% subsidiary of TPCL. The Hydro Power Project would now be implemented by TPCL through the Company. During the year the Company has commenced feasibility studies in respect of the Hydro Power Project.

B. Accounting Policies:

1. General

These Accounts have been prepared on historical cost basis and in accordance with generally accepted accounting principles.

2. Revenue Recognition

Pre-operative Expenses have been recognised on accrual basis and all expenses have been booked under Capital work-in-progress as the Company has yet to commence commercial operations.

3. Preliminary Expenses

Preliminary Expenses will be amortised over a period of 5 years from the date of commercial operations.

4. Fixed Assets

Fixed assets are capitalised at cost plus freight, insurance, excise duty, sales tax, customs duty, erection/installation charges and consultancy fees.

5. Depreciation

Depreciation has been provided on written down value basis at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956.

C. Claims against the Company not acknowledged as debts – Rs. Nil.

D. Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 2,00,30,311/-.

E. Contingent Liability:

As per the agreement entered into by the Company with Synergies Hydro Asia Mauritius and The Tata Power Co. Ltd., an amount of Rs. 45 crores is payable to the parties mentioned below on happening of certain trigger events as envisaged in the agreement and none of the events have taken place so far.

Particulars

Amount Rs. in crores

Synergies Hydro Asia Mauritius	38.20
ANZ Capital Private Limited	3.80
Duncans Industries Ltd.	3.00
Total	45.00

F. Related Party Balances:

Amount payable to The Tata Power Company Limited (Holding Company) Rs. 4,26,12,089/- (for expenses incurred by The Tata Power Company Limited on behalf of the Company)

G. Figures have been rounded off to the nearest Rupee. Previous year's figures have been regrouped / rearranged / recast, wherever necessary.

For Nath & Mahesh Associates
Chartered Accountants,
Mahesh K Gupta
Partner.
Membership No. 87104
Place : New Delhi
Date : 19th May, 2004

For Duncans North Hydro Power Company Limited
BRAJESH R. DAGA
Secretary.

S. MOHAN GURUNATH
Director.

AMULYA CHARAN
Director.

Place : Mumbai
Date : 18th May, 2004

Tata Petrodyne Limited**BOARD OF DIRECTORS
(As on 7th May, 2004)**

MR. A. J. ENGINEER

Chairman

MR. SUJIT GUPTA

MR. S. RAMAKRISHNAN

MR. S. C. MITTAL

MR. M. A. PATHAN

MR. AMULYA CHARAN

COMPANY SECRETARY

MR. DERICK P. PINTO

REGISTERED OFFICEBombay House,
24, Homi Mody Street,
Mumbai - 400 001**SOLICITORS**J. Sagar & Associates
Amarchand & Mangaldas & Suresh A Shroff & Co.**AUDITORS**S. B. Billimoria & Co.
*Chartered Accountants***BANKERS**

Barclays Bank plc.

ABN Amro Bank NV

Canara Bank

Credit Agricole Indosuez

Directors' Report

Dear Members,

The Directors have pleasure in presenting the Twelfth Annual Report of the Company along with the audited statement of Accounts for the year ended March 31, 2004.

1. FINANCIAL RESULTS

	2003-2004 (Rupees in crores)	2002-2003 (Rupees in crores)
a) Sale of Crude Oil (net of stock and Govt. shares)	40.17	44.42
b) Sale of Gas	74.13	21.42
c) Sale of Condensate (net of stock)	0.38	0.19
d) Other Income	2.40	1.34
e) Total Income	117.08	67.37
f) Total expenses excluding Depreciation & Depletion	29.98	28.08
g) Profit before Depreciation & Depletion	87.10	39.29
h) Less : Depreciation & Depletion	30.50	14.00
i) Profit before tax and Prior Period Items	56.60	25.29
j) Prior Period Items	—	2.57
k) Profit before tax	56.60	22.72
l) Provision for tax	8.86	2.05
m) Profit after tax (including provision for Deferred Tax)	47.74	20.67
n) Profit / (Loss) brought forward from previous year	(14.95)	(35.62)
o) Profit / (Loss) carried to Balance Sheet	32.79	(14.95)

The Company earned a profit for the third year in succession. The profit after tax for the year was Rs. 47.74 crores as against Rs. 20.67 crores in the previous year. The total income for the year was Rs. 117.08 crores (Rs. 67.37 crores in the previous year) of which income from Crude Oil sales was Rs. 40.17 crores (Rs. 44.42 crores in the previous year). Income from Gas and Condensate sales was Rs. 74.51 crores during the year (Rs. 21.61 crores in the previous year). Quantity of Crude Oil sold during the year was 0.30 MMBO as against 0.40 MMBO in the previous year. Sales realization rate was lower at Rs. 1288 per barrel as against Rs. 1318 per barrel in the previous year mainly due to exchange rate difference.

The total operating expenses for the year were Rs. 29.98 crores as against Rs. 28.08 crores in the previous year. The increase was mainly due to expenses of Lakshmi Gas which commenced last year, higher finance costs, exchange loss and provision for site restoration. The higher depletion cost was mainly on account of the Lakshmi gas project.

The Auditor's Report states that in respect of two Production Sharing joint ventures, the accounts have been incorporated on the basis of the information available, in the absence of audited accounts. The joint ventures referred to are those in the CB-OS/1 and CB-OS/2 Blocks. The time allowed by the Production Sharing Contracts for submitting audited accounts together with the auditors' report thereon, is 30th June and 30th September of the following financial year, for Blocks CB-OS/1 and CB-OS/2, respectively. The Operators are submitting audited financial statements each year within the stipulated period. The statutory auditors also examine such audited financial statements subsequently and incorporate changes, if any, in the Company's accounts.

2. HIGHLIGHTS :**2.1 Cauvery Offshore Block CY-OS-90/1 (PY-3 Field)**

The average oil production from the field was 4109 BOPD. During the year, 1.433 MMBO of PY-3 crude oil was delivered to Chennai Petroleum Corporation Limited, of which the Company's share was 0.301 million barrels.

In the first half of the year, three wells PY-3-2, PY-3-3 and PY-3-PD4 were on production and in the second half only PY-3-3 & PY-3-PD4 were on production as PY-3-2 well was converted into an injector, for maintenance of reservoir pressure and improvement in oil recovery.

The water injection facility was installed on Floating Production Unit Tahara and water injection was started on 26th September, 2003. Currently, about 7500 bbls of water is being injected into the reservoir, which has a positive impact on the production.

The PD-3S well, a substitute for PD-3 lateral well, was spudded on 17th February, 2004 with Drillship Energy Searcher. As of 31st March, 2004, the well was being drilled at 3463.5m depth.

2.2 Northern Cambay Offshore Block CB-OS-1

The 62.64% of the participating interest of the British Gas Exploration and Production India Ltd. (BGEPIIL), who wished to exit from the Block, was proportionately assigned to Hindustan Oil and Exploration Company (HOEC) and Oil & Natural Gas Corporation Ltd. (ONGC). Present holdings are HOEC - 57.11%, ONGC - 32.89% and TPL - 10.00%.

Further ONGC has been elected as the successor operator. Though Operating and Management Committee have approved the above resolution, the consortium is waiting for Government of India's approval of Participating interest assignment and successor operatorship. Meanwhile on partner's request, ONGC has drawn up a tentative work programme for 2004-05 and submitted to directorate General of Hydrocarbons.

2.3 Southern Cambay Offshore Block CB-OS-2

During the year, Gas was produced from Lakshmi Gas Field through six wells at a daily average rate of 115.8 MMSCF. The cumulative gas production during 2003-04 was 42.40 BCF and the gas sales were 41.69 BCF. The Company's share of gas was 4.37 BCF. Alongwith gas, cumulatively 36370 bbls of Condensate was produced and 30745 bbls were sold. The nominated quantity by the buyers from October 2003 to March 2004 were higher than the average daily contracted quantities.

Hydrocarbon Dew Point Project (HCDP) and Booster Compressor installation which are part of Lakshmi phase II programme are at various stages of implementation. While HCDP project is likely to be completed by October 2004, Booster Compressor is likely to be installed in January 2005.

Gauri Development drilling activities commenced on 8th May, 2003. Four gas development wells were drilled between May and October 2003. The oil well GA-3 tested 5000 bbls per day of oil through 1" choke on Drill stem testing. The topsides for GA Jacket fabrication and installation of the intra-field pipeline laying and commissioning & field-testing were completed by 17th March, 2004, ahead of schedule. Gauri field was brought on commercial gas production from 2nd April, 2004. The oil well is likely to be put on production and flow through the existing pipeline in the post monsoon period of 2004.

An exploratory well CB-X-1 drilled in the Transition Zone to a depth of 1112m tested gas, on DST, @ 3.3 MMSCFD through 1/2" choke from a Babaguru sand in the interval 598-561 m MD. A discovery report was submitted to DGH on this find.

Lakshmi oil appraisal wells CB-A-6 and CB-A-6Z were drilled during April 2003. The wells penetrated new oil and gas sands within lower Tarkeshwar.

Relinquished 1658.4 sq. km. of block as part of phase I & II relinquishment and retained 1656.7 sq. km. for the phase III programme.

3. DIVIDEND

The Directors recommend a dividend of Re. 1.00 per share, if approved by the shareholders at the Annual General Meeting (2002-03 - total dividend nil per share).

4. DIRECTORS

The Board of Directors appointed Mr. A. Charan as an Additional Director of the Company with effect from 29th March, 2004. A Notice from a member has been received to propose Mr. Charan's appointment as a Director.

In accordance with the requirements of the Companies Act, 1956 and the Articles of Association of the Company, Mr. A. J. Engineer and Mr. Sujit Gupta retire by rotation and are eligible for re-appointment.

The Company has an Audit Committee comprising of three Directors viz. Mr. Sujit Gupta, Mr. S. Ramakrishnan and Mr. S.C. Mittal. Mr. Sujit Gupta is the Chairman of the Audit Committee.

5. PARTICULARS OF EMPLOYEES

None of the employees of the Company is covered under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

6. AUDITORS

The Members are requested to appoint auditors and to fix their remuneration. Messrs S. B. Billimoria & Co., Chartered Accountants, who retire at the conclusion of the forthcoming Annual General Meeting, are eligible for re-appointment and have expressed their willingness to be re-appointed and have given a certificate to the effect that the re-appointment, if made, would be within the limits prescribed under Section 224 (1-B) of the Companies Act, 1956.

7. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The Company is engaged in the business of exploration and extraction of crude oil and does not carry on any activity pertaining to manufacturing. Hence the requirement to furnish details pertaining to Conservation of Energy and Absorption of Technology is not applicable.

During the period under review, the Company received from Cairn Energy, Rs. 1.96 crores in foreign exchange towards Production Payment Bonus. Foreign Exchange outflow was Rs. 1.26 crores in total on travel, insurance premium, legal and professional fees and books and periodicals.

8. 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 :

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (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 a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- (iii) they have taken proper and sufficient care, to the best of their knowledge and ability, for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company, and for preventing and detecting fraud and other irregularities;
- (iv) they have prepared annual accounts on a going concern basis.

9. ACKNOWLEDGEMENTS

The Directors place on record their appreciation for the support and co-operation extended by all the Government Authorities, Consortium Members, Bankers, Consultants, Shareholders and Employees of the Company and look forward to their continued support and co-operation in future.

On behalf of the Board of Directors,

A. J. ENGINEER
Chairman

Mumbai, 7th May, 2004.

Auditors' Report

To the members of TATA PETRODYNE LIMITED

1. We have audited the attached Balance Sheet of **Tata Petrodyne Limited** as at 31st March, 2004, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, both 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. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 the Management, as well as evaluating the overall financial statement presentation. We believe that our audit, read with our comments in paragraphs 4(b) and 5(b) below, provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order. Our comments exclude matters relating to the Company's joint ventures, which are not subject to audit under the Companies Act, 1956.
4. (a) The Accounts have been drawn up in accordance with the Significant Accounting Policies (Schedule R). Accounting Policies 2 and 3 relating to the "Full Cost Method" and treatment of exploration, development costs and estimated capital costs with respect to proved reserves are significant to the oil and gas exploration and production industry.
(b) Categorisation of wells as exploratory and producing and the depletion of producing wells on the basis of hydrocarbon reserves are made according to technical evaluation by the Management, on which we have placed reliance.
5. (a) The accounts include assets aggregating Rs. 1,087,106,066, liabilities aggregating Rs. 75,304,305, income aggregating Rs. 13,280 and expenditure aggregating Rs. 144,193,767 relating to the Company's share in one Production Sharing joint venture, which has been incorporated on the basis of accounts audited by another firm of Chartered Accountants.
(b) *In respect of two Production Sharing joint ventures, the accounts include assets aggregating Rs. 2,055,900,897, liabilities aggregating Rs. 145,613,133 and expenditure aggregating Rs. 73,187,911 which have been incorporated on the basis of the information available, in the absence of audited accounts.*
6. Further to our comments in the Annexure referred to in paragraph 3 above :
 - (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, *except to the extent of the amounts relating to two Production Sharing joint ventures referred to in paragraph 5(b) above in respect of which audited accounts for the year ended 31st March, 2004 have not been received;*
 - (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 and the Profit and Loss Account dealt with by this report are in agreement with the books of account;
 - (d) in our opinion, the Balance Sheet, the Profit Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
 - (e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts, subject to non-disclosure of the amounts payable to Small Scale Industrial undertakings as stated in Note 20 and particulars of stores consumption as stated in Note 12(iv) and details of production expenses for gas as stated in Note 21, give the information required by the Companies Act, 1956, in the manner so required and, *subject to our comments in paragraph 5(b) to the extent of the unaudited amounts relating to two joint ventures, give a true and fair view in conformity with the accounting principles generally accepted in India :*
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2004;
 - (ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
7. According to the information and explanations given to us and on the basis of the written representations from the directors, taken on record by the Board of Directors, none of the Directors is disqualified as at 31st March, 2004 from being appointed as a Director under Section 274(1)(g) of the Companies Act, 1956.

For S. B. Billimoria & Co.
Chartered Accountants,

NALIN M. SHAH
Partner.
(Membership No. 15860)

Mumbai, 7th May, 2004.

Annexure to the Auditors' Report

(Referred to in paragraph 3 of our report of even date)

- (i) The nature of the Company's business/activities during the year is such that clauses (viii), (x), (xii), (xiii), (xiv), (xv), (xviii) and (xx) are not applicable.
- (ii) In respect of its fixed assets :
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) Some of the fixed assets were physically verified during the year by the Management in accordance with a programme of verification, the frequency of which is reasonable. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
- (iii) The Company carries out its business activity through Production Sharing joint ventures, whose accounts are not subject to audit under the Companies Act, 1956. Under the circumstances, we are unable to comment on the procedures relating to physical verification of stock and proper maintenance of inventory records.
- (iv) In respect of loans, secured or unsecured, taken by the Company from companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956, according to the information and explanations given to us :
 - (a) The Company has taken during the year loans aggregating Rs. 185,000,000 from one party. At the year-end, the outstanding balances of such loans taken aggregated, Rs. 428,000,000 from the same party.
 - (b) The rate of interest and other terms and conditions of such loans are, in our opinion, *prima facie* not prejudicial to the interests of the Company.
 - (c) The payment of principal amounts and interest have generally been as per stipulations during the year.
- (v) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of fixed assets.
- (vi) To the best of our knowledge and belief and according to the information and explanations given to us, there were no transactions that needed to be entered in the Register maintained under Section 301 of the Companies Act, 1956.
- (vii) The Company has not accepted any deposit from the public.
- (viii) In our opinion, the internal audit functions 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 the nature of its business.
- (ix) According to the information and explanations given to us in respect of statutory dues :
 - (a) The Company has generally been regular in depositing undisputed statutory dues, including Provident Fund, Income-tax, Sales-tax, Customs Duty, cess and other statutory dues with the appropriate authorities during the year. There were no undisputed amounts payable on account of the above dues, outstanding as at 31st March, 2004 for a period of more than six months from the date they became payable.
 - (b) Disputed income-tax dues aggregating Rs. 1,752,223 and Rs. 18,696,623, have not been deposited since the matters are pending with the Income-tax Appellate Tribunal and Commissioner of Income Tax (Appeals) respectively.
- (x) Based on our audit procedures and on the information and explanations given to us by the Management, the Company has not defaulted in the payment of dues to the debentureholders.
- (xi) To the best of our knowledge and belief and according to the information and explanations given to us, no term loans were availed by the Company during the year.
- (xii) According to the cash flow statement and other records examined by us and the information and explanations given to us, on an overall basis, funds raised on short term basis have *prima facie*, been used for long-term investments.
- (xiii) According to the information and explanations given to us and the records examined by us, securities have been created in respect of the debentures issued.
- (xiv) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For S. B. Billimoria & Co.
Chartered Accountants,

NALIN M. SHAH
Partner.

(Membership No. 15860)

Mumbai, 7th May, 2004.

Balance Sheet as at 31st March, 2004

	Schedule	Rupees	As at 31st March, 2004 Rupees	As at 31st March, 2003 Rupees
I. SOURCES OF FUNDS				
Shareholders' Funds :				
Share Capital	A		980,004,250	980,004,250
Reserves & Surplus	B		217,296,939	—
Loan Funds :				
Secured Loans	C		298,386,693	649,318,702
Unsecured Loans	D		435,886,202	303,809,804
Deferred Tax Liability :				
Deferred Tax Liability (net) (Refer Note 19)			43,400,000	—
TOTAL			1,974,974,084	1,933,132,756
II. APPLICATION OF FUNDS				
Fixed Assets :				
Gross Block	E		1,939,178,217	1,886,977,212
Less : Depreciation/Depletion			1,106,209,636	797,524,806
Net Block			832,968,581	1,089,452,406
Capital Work-in-Progress	F		1,136,184,085	551,234,650
			1,969,152,666	1,640,687,056
Current Assets, Loans and Advances :				
Inventories	G		62,245,744	29,219,110
Sundry Debtors	H		96,643,726	115,325,771
Cash and Bank Balances	I		154,556,859	170,482,036
Loans and Advances	J		180,395,584	159,164,800
			493,841,913	474,191,717
Less : Current Liabilities and Provisions	K		491,398,620	338,785,861
Net Current Assets			2,443,293	135,405,856
Miscellaneous Expenditure (to the extent not written off or adjusted)				
Deferred Revenue Expenditure			3,378,125	7,557,269
Profit and Loss Account			—	149,482,575
TOTAL			1,974,974,084	1,933,132,756
Accounting Policies	R			
Notes forming part of the Accounts	S			

Schedules A to S annexed hereto form part of the Accounts.
In terms of our report of even date attached.

For S. B. BILLIMORIA & CO.
Chartered Accountants,

NALIN M. SHAH
Partner.

Mumbai, 7th May, 2004.

For and on behalf of the Company

AMULYA CHARAN
Director

SUJIT GUPTA
Director.

S. C. MITTAL
Director.

A. J. ENGINEER
Chairman.

Profit and Loss Account for the year ended 31st March, 2004

	Schedule	Year ended 31st March, 2004 Rupees	Year ended 31st March, 2003 Rupees
INCOME			
Sales (Refer Note 8(i))		1,132,518,479	763,521,852
Increase / (Decrease) in Crude Oil Stock		27,469,605	(57,788,415)
Other Income	L	24,001,053	13,427,876
		1,183,989,137	719,161,313
EXPENDITURE			
Production Costs	M	199,595,737	186,373,685
Exploration Expenses written off		—	22,144,949
Staff Expenses	N	1,584,689	2,074,580
Establishment expenses	O	3,753,452	4,781,945
Finance Charges	P	45,915,028	36,639,681
Allowance under sales contract		—	20,375,805
Share of Profit of Government of India under Producton			
Sharing Contracts		13,243,719	25,001,212
Depletion of Producing Properties		304,551,282	139,282,593
Depreciation		459,582	705,170
Site Restoration Costs		22,096,256	10,243,014
Amortisation of Deferred Revenue Expenditure		4,998,836	4,315,660
Provisions for Doubtful Debts & Advances		2,852,808	6,185,324
Other expenses	Q	18,944,196	8,107,860
		617,995,585	466,231,478
Profit for the year before tax and prior period items		565,993,552	252,929,835
Prior period expenditure		—	25,745,128
Profit for the year before tax		565,993,552	227,184,707
Provision for Current Tax (Includes interest amounting to Rs.1,845,573; Previous Year: Rs.1,610,000) (Net of Excess provision for current tax of earlier year Rs. 242,691(Previous Year Nil))		45,257,309	20,500,000
Provision for Deferred Tax Liability (Refer Note 19)		43,400,000	—
Profit for the year after tax		477,336,243	206,684,707
Loss brought forward		(149,482,575)	(356,167,282)
		327,853,668	(149,482,575)
Less : Proposed Dividend		98,000,425	—
Less : Corporate Tax on Dividend		12,556,304	—
Profit/(Loss) carried forward to Balance Sheet		217,296,939	(149,482,575)

Accounting Policies R
Notes forming part of the Accounts S

Schedules A to S annexed hereto form part of the Accounts.
In terms of our report of even date attached.

For S. B. BILLIMORIA & CO.
Chartered Accountants,

NALIN M. SHAH
Partner.

Mumbai, 7th May, 2004.

For and on behalf of the Company

AMULYA CHARAN
Director

SUJIT GUPTA
Director.

S. C. MITTAL
Director.

A. J. ENGINEER
Chairman.

Cash Flow Statement for the Year Ended 31st March, 2004

	Amount 2004 Rupees	Amount 2003 Rupees
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the year before tax	565,993,552	227,184,707
Adjustments for :		
Provision for :		
Site Restoration Costs	21,227,314	10,243,014
Doubtful Advances	2,852,808	6,185,324
Leave Encashment	(6,470)	28,492
Exploration Expenses written off	—	22,144,949
Prior period expenditure	—	25,745,128
Depreciation & Depletion	305,010,864	139,987,763
Finance Charges	45,915,028	36,639,681
Interest Income	(5,918,379)	(7,015,274)
Amortisation of Deferred Revenue Expenditure	4,998,836	4,315,660
Loss on sale of Assets	20,475	34,455
Operating Profit Before Working Capital Changes	940,094,028	465,493,899
Adjustment for		
Sundry creditors	(26,201,388)	(27,022,174)
Other liabilities	643,395	(131,878,970)
Leave encashment paid	(25,530)	(240,471)
Sundry debtors	15,829,237	(107,929,995)
Inventories	(33,026,634)	56,397,647
Other loans and advances	10,348,707	12,095,434
Cash From Operations	907,661,815	266,915,370
Taxes Paid (Net of refund received)	(33,711,118)	(9,076,383)
Deferred Revenue Expenditure paid	(819,692)	(9,669,457)
Net Cash Flow from Operating Activities	873,131,005	248,169,530
B. CASH FLOW FROM INVESTING ACTIVITIES		
Exploration Expenditure	(192,864,328)	(60,313,315)
Development Expenditure	(426,268,845)	(85,876,412)
Producing Property	(9,147,603)	(330,394,739)
Interest Income	4,792,697	7,015,274
Purchase of Fixed Assets	(30,880,374)	(3,843,620)
Proceeds from Sale of Fixed Assets	272,950	576,237
Insurance Claims received	25,391,251	—
Fixed Deposits encashed	15,292,671	898,146
Net Cash Flow used in Investing Activities	(613,411,581)	(471,938,429)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Finance charges	(42,695,458)	(30,186,021)
Repayment of Foreign Currency loan	—	(97,610,000)
Repayment of zero percent redeemable Non Convertible Debentures	(350,932,009)	633,181,445
Inter Corporate Deposits Received (net)	133,000,000	(318,200,000)
Bank Overdraft	275,537	—
Net Cash Flow from Financing Activities	(260,351,930)	187,185,424
Net Decrease in Cash and Cash Equivalents	(632,506)	(36,583,475)

Cash Flow Statement for the Year Ended 31st March, 2004

		Amount (Rs) 2004 Rupees		Amount (Rs) 2003 Rupees
Cash and Cash Equivalents (Opening)				
Cash on Hand	39,815		23,385	
With Scheduled Banks :				
In Current Accounts	18,010,982		21,524,156	
With Non Scheduled Banks :				
In Current Accounts	33,573,666	51,624,463	66,660,397	88,207,938
Cash and Cash Equivalents (Closing)				
Cash on Hand	44,942		39,815	
With Scheduled Banks :				
In Current Accounts	45,376,555		18,010,982	
With Non Scheduled Banks :				
In Current Accounts	5,570,460	50,991,957	33,573,666	51,624,463

In terms of our report of even date attached.

For S. B. BILLIMORIA & CO.
Chartered Accountants,

NALIN M. SHAH
Partner.

Mumbai, 7th May, 2004.

For and on behalf of the Company

AMULYA CHARAN
Director.

SUJIT GUPTA
Director.

S. C. MITTAL
Director.

A. J. ENGINEER
Chairman.

Schedules annexed to and forming part of the Accounts

SCHEDULE – A SHARE CAPITAL

Authorised : 150,000,000 Equity Shares of Rs. 10 each
Issued, Subscribed and Paid up : 98,000,425 Equity Shares of Rs. 10 each fully paid-up
<i>(All the above shares are held by The Tata Power Company Ltd., the Holding Company.)</i>

As at 31st March, 2004 Rupees	As at 31st March, 2003 Rupees
1,500,000,000	1,500,000,000
980,004,250	980,004,250
<u>980,004,250</u>	<u>980,004,250</u>

SCHEDULE – B GENERAL RESERVE

Opening Balance
Add : Transfer from Profit & Loss Account
Profit & Loss Account Balance

As at 31st March, 2004 Rupees	As at 31st March, 2003 Rupees
217,296,939	—
<u>217,296,939</u>	<u>—</u>

SCHEDULE – C SECURED LOANS

Redeemable Non-Convertible Debentures (NCD)

(Secured by way of first charge on piece of non-agricultural freehold land situated at Gujarat, whole of the fixed assets, both present and future pertaining to CB-OS-2 block and PY-3 block to the extent of Company's participating interest therein).

0% Secured NCD Lakshmi Gas Series 1

(50 NCD's of Rs. 1crore each issued at discount redeemable in 8 equal quarterly instalments of Rs. 6.25 crores each starting from 13th July, 2003. NCDs aggregating to Rs. 16 crores are guaranteed by Bank)

(Amount payable within a year : Rs. 250,000,000)

0% Secured NCD PY-3 Oil Series 1

(27 NCD's of Rs. 1crore each issued at discount, redeemable in 4 equal quarterly instalments of Rs. 6.75 crores each starting from 7th February, 2003)

As at 31st March, 2004 Rupees	As at 31st March, 2003 Rupees
298,386,693	452,550,855
—	196,767,847
<u>298,386,693</u>	<u>649,318,702</u>

SCHEDULE – D UNSECURED LOANS

SHORT TERM LOANS FROM OTHERS

Inter Corporate Deposits
Interest accrued and due
Bank Overdraft

As at 31st March, 2004 Rupees	As at 31st March, 2003 Rupees
428,000,000	295,000,000
7,610,665	8,809,804
275,537	—
<u>435,886,202</u>	<u>303,809,804</u>

Schedules annexed to and forming part of the Accounts
**SCHEDULE – E
FIXED ASSETS**

Rupees

Particulars	GROSS BLOCK				DEPLETION / DEPRECIATION				NET BLOCK	
	Cost As At 01/04/2003	Additions during the year	Deductions during the year	Cost As At 31/03/2004	Accumulated As At 01/04/2003	For the year	On Disposals during the year	Accumulated As At 31/03/2004	As At 31/03/2004	As At 31/03/2003
CY-OS-90/1(PY-3)	949,402,268	33,850,902	25,391,251	957,861,919	712,113,833	67,079,562	—	779,193,395	178,668,524	237,288,435
Lakshmi Gas - CB-OS-2	930,495,451	13,357,998	—	943,853,449	82,707,250	237,471,720	—	320,178,970	623,674,479	847,788,201
Producing Properties A	1,879,897,719	47,208,900	25,391,251	1,901,715,368	794,821,083	304,551,282	—	1,099,372,365	802,343,003	1,085,076,636
Freehold Land	961,860	—	—	961,860	—	—	—	—	961,860	961,860
Building	—	1,352,096	—	1,352,096	—	131,830	—	131,830	1,220,266	—
Furniture & Fittings	1,218,260	2,007,092	112,500	3,112,852	321,356	818,386	46,542	1,093,200	2,019,652	896,904
Motor Vehicles	1,388,131	7,524	374,679	1,020,976	515,222	171,990	154,516	532,696	488,280	872,909
Equipment & Appliances	1,116,175	2,452,275	9,839	3,558,611	251,130	745,985	2,535	994,580	2,564,031	865,045
Data Processing Systems	2,279,190	767,585	—	3,046,775	1,599,897	719,275	—	2,319,172	727,603	679,293
Air Conditioners	115,877	—	—	115,877	16,118	13,876	—	29,994	85,883	99,759
Plant & Machinery	—	24,293,802	—	24,293,802	—	1,735,799	—	1,735,799	22,558,003	—
Total B	7,079,493	30,880,374	497,018	37,462,849	2,703,723	4,337,141 *	203,593	6,837,271	30,625,578 @	4,375,770
Total A+B	1,886,977,212	78,089,274	25,888,269	1,939,178,217	797,524,806	305,010,863	203,593	1,106,209,636	832,968,581	1,089,452,406
Previous Year	897,096,168	991,484,818	1,603,775	1,886,977,212	658,013,484	139,987,763 #	139,987,763	797,524,806	1,089,452,406	239,082,684
The above include the Company's share in Joint Venture Assets	3,450,759	30,631,780	—	34,082,539	1,114,782	3,886,166	—	5,000,948	29,081,591	2,335,977

* Includes Rs. 148,254 (Previous year Rs. 199,433) charged to Producing Properties, Rs. 135,115 (Previous year NIL) charged to Exploration Expenses & Rs. 3,594,190 charged to Development Expenses. (Previous year 317,209)

@ Includes Rs. 28,319,585 (Previous year Rs. 2,312,226) considered for depletion of Producing Properties

SCHEDULE – F
CAPITAL WORK IN PROGRESS

Rupees

Particulars	GROSS BLOCK			
	Cost As At 01/04/2003	Additions during the Year	Deductions during the Year	Cost As At 31/03/2004
Development Expenses	85,687,873	452,191,020	36,375,842	501,503,051
Exploration Expenses	465,546,777	193,188,169	24,053,912	634,681,034
Total	551,234,650	645,379,189	60,429,754	1,136,184,085

**SCHEDULE – G
INVENTORIES**

Crude Oil	
Condensate	
Stores and Spares	

As at 31st March, 2004 Rupees	As at 31st March, 2003 Rupees
51,778,623	24,863,758
871,165	316,425
9,595,956	4,038,927
62,245,744	29,219,110

Schedules annexed to and forming part of the Accounts

SCHEDULE – H SUNDRY DEBTORS

	As at 31st March, 2004 Rupees	As at 31st March, 2003 Rupees
Outstanding for more than six months		
Unsecured considered good	16,420,705	—
Unsecured considered doubtful	2,852,808	
Less : Provision for Doubtful Debts	<u>2,852,808</u>	—
Others		
Unsecured considered good	80,223,021	115,325,771
	<u>96,643,726</u>	<u>115,325,771</u>

SCHEDULE – I CASH AND BANK BALANCES

	As at 31st March, 2004 Rupees	As at 31st March, 2003 Rupees
Cash on Hand	44,942	39,815
With Scheduled Banks :		
In Current Accounts	45,376,555	18,010,982
In Deposit Accounts	103,564,902	118,857,573
With Non Scheduled Banks :		
In Current Accounts (Refer Note 2)	5,570,460	33,573,666
	<u>154,556,859</u>	<u>170,482,036</u>

SCHEDULE – J LOANS AND ADVANCES

	As at 31st March, 2004 Rupees	As at 31st March, 2003 Rupees
Unsecured Considered Good		
Interest accrued on Deposits	1,460,075	334,393
Security Deposits	1,587,556	201,232
Advances recoverable in cash or in kind or for value to be received	121,894,727	133,629,758
Advance Taxes	55,453,226	24,999,417
Unsecured considered doubtful		
Advances recoverable in cash or in kind or for value to be received	6,185,324	6,185,324
Less : Provision for doubtful advances	<u>(6,185,324)</u>	<u>(6,185,324)</u>
	<u>180,395,584</u>	<u>159,164,800</u>

Schedules annexed to and forming part of the Accounts

SCHEDULE – K

CURRENT LIABILITIES & PROVISIONS

Current Liabilities

Interest accrued but not due on loans	4,418,709	—
Sundry Creditors (Refer Note 15)	219,711,666	245,913,054
Other Liabilities	3,139,849	2,496,454

Provisions

Proposed Dividend	98,000,425	—
Corporate Dividend Tax	12,556,304	—
Provision for Leave Encashment	47,000	79,000
Provision for Taxation	66,000,000	24,000,000
Provision for Site Restoration Costs	87,524,667	66,297,353

As at 31st March, 2004 Rupees	As at 31st March, 2003 Rupees
4,418,709	—
219,711,666	245,913,054
3,139,849	2,496,454
98,000,425	—
12,556,304	—
47,000	79,000
66,000,000	24,000,000
87,524,667	66,297,353
491,398,620	338,785,861

SCHEDULE – L

OTHER INCOME

Interest Income (Refer Note 3)	5,918,379	7,015,274
<i>(Tax Deducted at Source Rs. 1,045,988; Previous Year: 1,326,383)</i>		
Production Bonus	17,880,788	6,371,152
Miscellaneous Income	201,886	41,450

Year ended 31st March, 2004 Rupees	Year ended 31st March, 2003 Rupees
5,918,379	7,015,274
17,880,788	6,371,152
201,886	41,450
24,001,053	13,427,876

SCHEDULE – M

PRODUCTION COSTS

Hire Charges	121,346,817	146,968,342
Insurance (Refer Note 14)	9,528,618	8,289,746
Fuel, Water and Others	7,347,367	5,102,380
Manpower charges	9,611,450	10,407,348
Other expenses	669,830	123,955
Production expenses for Gas (Refer Note 16)	51,091,655	15,481,914

Year ended 31st March, 2004 Rupees	Year ended 31st March, 2003 Rupees
121,346,817	146,968,342
9,528,618	8,289,746
7,347,367	5,102,380
9,611,450	10,407,348
669,830	123,955
51,091,655	15,481,914
199,595,737	186,373,685

SCHEDULE – N

STAFF EXPENSES

Salaries, Allowances and Bonus	1,163,141	1,622,212
Contribution to Provident and Other Funds	151,538	247,239
Staff Welfare	270,010	205,129

Year ended 31st March, 2004 Rupees	Year ended 31st March, 2003 Rupees
1,163,141	1,622,212
151,538	247,239
270,010	205,129
1,584,689	2,074,580

Schedules annexed to and forming part of the Accounts

SCHEDULE – O ESTABLISHMENT EXPENSES

	Year ended 31st March, 2004 Rupees	Year ended 31st March, 2003 Rupees
Rent	3,032,272	3,102,375
Electricity	143,987	90,149
Rates and Taxes	4,000	5,050
Repairs & Maintenance	573,193	1,584,371
	3,753,452	4,781,945

SCHEDULE – P FINANCE CHARGES

	Year ended 31st March, 2004 Rupees	Year ended 31st March, 2003 Rupees
Interest on Fixed Loans (Refer Note 12)	6,644,397	20,336,992
Discount charges on debentures	39,067,990	16,137,257
Other Financial charges	202,641	165,432
	45,915,028	36,639,681

SCHEDULE – Q OTHER EXPENSES

	Year ended 31st March, 2004 Rupees	Year ended 31st March, 2003 Rupees
Travelling and Conveyance	1,710,984	2,402,015
Consultancy & Professional Charges	6,940,634	3,177,260
Communication Expenses	238,663	344,694
Loss on Foreign Exchange Fluctuation	7,338,101	324,933
Insurance	26,160	28,814
Auditors' Remuneration : (Refer Note 18)		
- Audit Fees	400,000	400,000
- Other Matters	200,000	—
- Service Tax	48,000	32,000
- Out of Pocket Expenses	1,735	—
Directors' Fees	125,000	115,000
Directors' Commission	1,235,000	—
Loss on Sale of Assets	20,475	34,455
Lease Rentals	18,104	405,965
Miscellaneous Expenses	641,340	842,724
	18,944,196	8,107,860

SCHEDULE – R SIGNIFICANT ACCOUNTING POLICIES

1. System of Accounting

The Accounts of the Company are prepared under the historical cost convention using the accrual method of accounting.

2. Accounting for Petroleum Operations

The Company generally follows the Full Cost method of accounting for oil and gas exploration and development activities whereby all costs associated with exploring for and developing oil and gas reserves are capitalised, irrespective of the success or failure of specific parts of the overall exploration activity. Costs are accumulated in respect of each block in a cost pool, and the costs in each pool are written off against income arising from production of the reserves attributable to that pool.

Exploration and survey costs incurred are held outside the cost pool pending determination of the existence or otherwise of commercial reserves. These costs remain undepleted pending determination, subject to there being no evidence of impairment. In case the Company

Schedules annexed to and forming part of the Accounts

surrenders a Block, the accumulated exploration expenditure pertaining to such Block is written off in the year in which the Block is surrendered. In the event of assignment / farm out of Participating Interest, the proportionate accumulated exploration expenditure is written off in the same year.

The Company has currently established two cost pools "CB-OS/2 " and "CY-OS-90/1" for its producing properties in which all capitalised exploration and development expenditure relating to its Lakshmi Gas and PY-3 Oil properties, respectively are recorded.

Producing Properties

Producing properties are created in respect of all areas where production commences. Producing properties, include the cost incurred on exploration and development including costs in respect of dry wells included in the cost pool.

3. Depletion

Expenditure carried within each cost pool (including future development costs) is depleted on a unit-of-production basis with reference to quantities, with depletion computed on the basis of the ratio that oil and gas production during the year bears to the balance estimated proved and probable reserves at commencement of the year. Future development costs as well as estimates of proved and probable reserves are taken on the basis of approved development plans or as certified by internationally recognised Reservoir Engineering Consultants.

4. Site Restoration Cost

Provision for Site Restoration and abandonment cost is calculated on the "unit-of-production" basis. This represents the Company's estimated liability for costs that may be incurred on removal and abandonment of facilities at the end of the producing life of the Field.

5. Joint Ventures

The financial statements of the Company reflect its share of assets, liabilities, income and expenditure of the Joint Venture operations which are accounted on the basis of available information on line to line basis with similar items in the Company's accounts to the extent of the participating interest of the Company as per the various joint venture agreements.

6. Valuation of Stock

- a) Closing stock of Crude Oil and Condensate (by-product) is valued at Net Realisable Value based on the prices expected to be realised.
- b) Closing inventories of drilling stores and spares are valued at cost including taxes, duties and freight.

7. Revenue Recognition

Crude Oil is sold to a refinery nominated under the Production Sharing Contract by the Government of India. The revenue has been recognised on transfer of custody to refinery/others based on the price agreed by the nominee.

Sale of Gas is recognised on production and transfer of gas from offshore platform to the processing facility onshore, where the buyers metering system accepts the delivery.

Condensate, a by-product from the processing of gas at the onshore facility, is sold on transfer from the storage tankers at the onshore facility.

8. Deferred Revenue Expenditure

Payment of fees, costs and expenses towards arrangement of loans are amortised over the period of the loans availed prior to April 1, 2003.

9. Fixed Assets

- a) Fixed Assets are stated at cost. Cost comprises the purchase price and all attributable costs incurred in bringing the asset to working condition for its intended use.
- b) Depreciation on Fixed Assets is provided on written down value basis at the rates specified in Schedule XIV to the Companies Act, 1956.

10. Foreign Exchange Transactions

- a) Transactions in foreign currency are recorded by applying the exchange rate applicable on the date of transaction.
- b) Transactions remaining unsettled on the Balance Sheet date are translated at the exchange rate applicable on the Balance Sheet date.
- c) Value of fixed assets is adjusted to account for any increase or decrease in the liability in foreign currency, for making payment towards whole or part of the cost of assets.
- d) Any exchange rate difference arising on foreign exchange transactions, other than those relating to fixed assets, are recognised as income or expense in the period in which they arise, and taken to the Profit and Loss Account.

11. Retirement Benefits

The Company has defined contribution plan for Provident Fund and defined benefit Superannuation Fund and the Company's contributions thereto, are charged to the Profit and Loss Account.

The Company has participated in Group Gratuity cum Life Assurance Scheme of Life Insurance Corporation of India for gratuity payable to the employees and contribution thereto is charged to the Profit and Loss Account. Provision for leave encashment is made as per actuarial valuation basis as at the end of the financial year.

A. CHARAN
Director.

A. J. ENGINEER
Chairman.
SUJIT GUPTA
Director.
S. C. MITTAL
Director.

Mumbai, 7th May, 2004.

Schedules annexed to and forming part of the Accounts

SCHEDULE – S

NOTES FORMING PART OF THE ACCOUNTS

1. The Company's share of its assets and liabilities, costs pertaining to the Exploration, Development and Production Operations for the year ended 31st March, 2004 for the unincorporated joint ventures CB-OS/1 and CB-OS/2 have been accounted for on the basis of unaudited statements. However, the Company's share of its assets and liabilities, costs pertaining to the Exploration, Development and Production Operations for the year ended 31st March, 2004 for the unincorporated joint venture CY-OS-90/1(PY-3) has been accounted for on the basis of audited statements.
2. The balance with non-scheduled bank represents the balance with Barclays Bank, London. The maximum amount outstanding at any time during the year in respect of this account is Rs.34,187,941 (*Previous year: Rs. 31,613,423*).

3. Interest Income includes interest on:

	Current Year Rupees	Previous Year Rupees
Deposits	5,068,986	6,466,069
Others	849,393	549,205
Total	5,918,379	7,015,274

4. Remuneration to the Manager under Section 269 of the Companies Act, 1956 :

	Current Year Rupees	Previous Year Rupees
Salary (including Bonus)	436,978	503,200
Contribution to Provident, Superannuation and Gratuity Funds	78,837	108,864
Perquisites	387,495	375,861
Total	903,310	987,925

5. Computation of Net Profit in accordance with Section 309 of the Companies Act, 1956 and commission payable to Directors :

Particular	For the year ended March 31, 2004
Profit before Tax as per Profit & Loss Account	565,993,552
Add : Directors' Commission	1,235,000
Managerial Remuneration	903,310
Provision for doubtful debts	2,852,808
Loss on sale of fixed assets	20,475
	571,005,145
Less : Opening balance of unabsorbed loss	141,647,863
Net Profit as per Section 309(5)	429,357,282
Directors' Commission*	1,235,000

* Subject to Shareholders' approval.

6. Contingent Liabilities :

- a) Claims against the Company not acknowledged as debts Rs.34,347,043 (*Previous year Rs. 37,530,906*).
- b) Income Tax demands under appeal Rs.20,448,846 (*Previous year Rs. 1,752,223*)

7. The Company had entered into a leave and license agreement for its Corporate office premises. The non-cancellable period in the leave and license contract is 33 months from 1st June, 2003. The total of future minimum non-cancellable leave and license fee payments as of the balance sheet date are as under:

Not later than one year – Rs. 2,856,864.

Later than one year but not later than five years – Rs. 2,618,792.

Leave and license fee payments recognised in the statement of profit and loss for the year were Rs. 2,380,717.

Schedules annexed to and forming part of the Accounts

8. The Company is not a Manufacturing Company but is a non-operating partner in consortia engaged in exploration and production of oil & gas. The information given below as required under items 4-C and 4-D of part II of Schedule VI to the Companies Act, 1956 represents the Company's share in the joint ventures.

(i) SALES TURNOVER

Description	Unit	Quantity (2003-2004)	Value (Rs.)	Quantity (2002-2003)	Value (Rs.)
Crude Oil	BBLS	301,005.00	387,889,499	399,826.00	527,354,165
Natural Gas	MMSCF	4,369.78	741,336,068	1,385.22	234,553,875
Condensate	Tonnes	279.11	3,292,912	94.87	1,613,812
Total			1,132,518,479		763,521,852

(ii) OPENING & CLOSING STOCK OF GOODS PRODUCED

Description	Unit	Quantity (2003-2004)	Value (Rs.)	Quantity (2002-2003)	Value (Rs.)
Opening Stock of Crude Oil	BBLS	21,458.00	24,863,758	69,170.00	82,968,598
Condensate	Tonnes	37.20	316,425	—	—
Total			25,180,183		82,968,598

Description	Unit	Quantity (2003-2004)	Value (Rs.)	Quantity (2002-2003)	Value (Rs.)
Closing Stock of Crude Oil	BBLS	36,207.00	51,778,623	21,458.00	24,863,758
Condensate	Tonnes	70.63	871,165	37.20	316,425
Total			52,649,788		25,180,183

(iii) LICENSED CAPACITY, INSTALLED CAPACITY AND ACTUAL PRODUCTION

Description	Unit	Licensed Capacity Per Annum	Installed Capacity Per Annum Quantity	Actual Production For the year 2003-2004 Quantity	Actual Production For the year 2002-2003 Quantity
Crude Oil	BBLS	N.A	N.A	315,754.00	352,114.00
Natural Gas	MMSCF	N.A	N.A	4,369.78	1,385.22
Condensate	Tonnes	N.A	N.A	312.54	132.07

- (iv) Particulars relating to consumption of stores and spares have not been given in the absence of information in the ventures' accounts.

9. Details of the Partners and their participating interest shares in the respective Joint Ventures entered into by Company as on 31st March, 2004 are as follows:

Joint Ventures	Partners	Share(%)
Licensed Production Sharing Contracts:		
CY-OS/90-1 (PY-3)	Hardy Exploration & Production (India) Inc.	18.00
	Oil and Natural Gas Corporation Ltd.	40.00
	Hindustan Oil Exploration Company Ltd.	21.00
	Tata Petrodyne Ltd.	21.00
CB-OS/1 (Cambay)	Oil and Natural Gas Corporation Ltd.	32.89
	Hindustan Oil Exploration Company Ltd.	57.11
	Tata Petrodyne Ltd.	10.00

Schedules annexed to and forming part of the Accounts

CB-OS/2 (Cambay)	Cairn Energy India Pty. Ltd.	10.00
(Exploration)	Cairn Energy India West B.V.	30.00
	Cairn Energy Cambay B.V.	20.00
	Cairn Energy Gujarat B.V.	15.00
	Oil and Natural Gas Corporation Ltd.	10.00
	Tata Petrodyne Ltd.	15.00
CB-OS/2 (Cambay)	Cairn Energy India Pty. Ltd.	6.70
(Development)	Cairn Energy India West B.V.	20.00
	Cairn Energy Cambay B.V.	13.30
	Cairn Energy Gujarat B.V.	10.00
	Oil and Natural Gas Corporation Ltd.	40.00
	Tata Petrodyne Ltd.	10.00

10. Expenditure in Foreign Currency (Cash basis)

Particulars	Y.E. 31-3-2004 (Rs.)	Y.E. 31-3-2003 (Rs.)
Travelling	64,488	54,890
Training / Conferences	—	63,558
Finance Charges	—	5,678,595
Software Expenses	—	240,135
Insurance	9,193,966	8,914,669
Books & Periodicals	7,592	32,549
Legal & Professional Fees	3,306,069	—
Total	12,572,115	14,984,396

11. Earnings in Foreign Currencies (Cash basis)

Particulars	Y.E. 31-3-2004 (Rs.)	Y.E. 31-3-2003 (Rs.)
Production Bonus	19,628,202	—

12. The Company has capitalised financing costs on its borrowings by way of Inter Corporate Deposits, as required under AS-16 issued by The Institute of Chartered Accountants of India. These borrowings were made for payment of cash calls relating to two blocks in which production had not commenced during the year. Capitalisation of such costs aggregating Rs.48,380,925 (*Previous Year Rs. 68,444,877*) was made only upto commencement of commercial production.

13. As per the Accounting Standard 18 on "Related Party Disclosures" issued by The Institute of Chartered Accountants of India, the related parties of the Company are as follows:

- A) Holding Company : The Tata Power Company Limited
- B) Fellow Subsidiaries : Aftaab Investment Company Limited
 Chemical Terminal Trombay Limited
 Tata Power Broadband Company Private Limited
 Tata Power Trading Private Limited
 Powerlink Transmission Limited
 Duncans North Hydro Power Company Limited
- C) Joint Ventures: As per details given in Item 5 of Significant Accounting Policies (Schedule R), the financial statements of the Joint Ventures are incorporated in the Company's accounts. Hence, particulars of transactions with joint ventures have not been separately disclosed.
- D) Key Management Personnel: Mr. J. D. Basrur.

Schedules annexed to and forming part of the Accounts

Transactions with Related parties are as under:

Rupees			
Sr. No.	Nature of Transaction	Holding Company	Key Management Personnel
1.	Unsecured Loan:		
	Borrowed during the Year	185,000,000	
		(325,000,000)	
	Repaid during the year	52,000,000	
		(643,200,000)	
	Balance Outstanding	428,000,000	
		(295,000,000)	
2.	Current Liabilities	2,568	
		—	
3.	Interest Accrued & Due	7,610,665	
		(8,809,804)	
4.	Interest Accrued but not Due	4,418,709	
		—	
5.	Interest Cost*	54,991,560	
		(73,825,753)	
6.	Rent	651,555	
		(2,927,387)	
7.	Electricity	79,450	
		(46,994)	
8.	Proceeds from Sale of Fixed Assets		36,563
			—
9.	Managerial Remuneration		903,310
			(987,925)

* Capitalised to Exploration Expenditure Rs. 17,790,104 & capitalised to Development Expenditure Rs. 30,590,821.

Note : Figures in bracket represents amount for the Previous Year.

14. Insurance costs of Rs. 9,554,778 (*Previous Year Rs. 8,318,560*) are net of Rs. 9,193,966 (*Previous Year Rs. 8,973,767*) capitalised during the year as Pre Producing Properties, being expenditure incurred before the commencement of commercial production.
15. The information relating to dues to small-scale industrial undertakings is not available in respect of Production Sharing Joint Ventures consolidated on line by line basis.
16. The disclosure requirements of Part II of Schedule VI of the Companies Act, 1956 have not been met in respect of production expense for gas aggregating to Rs. 51,091,655 (*Previous Year Rs. 15,481,914*) pending receipt of such information from Production Sharing Joint Ventures.
17. The Company is engaged in Oil and Gas exploration business which is the only reportable business segment as per Accounting Standard 17 "Segment Reporting" issued by The Institute of Chartered Accountants of India.
18. Accounts of one of the Joint Venture are audited by a firm in which some of the Partners of Statutory Auditors of Tata Petrodyne Ltd., are Partners. The Company's share of Auditors Remuneration of the said Joint Venture is Rs. 42,000.

Schedules annexed to and forming part of the Accounts

19. Deferred Tax Liability

Particulars	Deferred Tax Assets/(Liability) as at March 31, 2004 (in Rs.)
Provisions and Write Offs	23,400,000
Fixed Assets and Producing Properties	(65,600,000)
Others	(1,200,000)
Total Deferred Tax Liability	(43,400,000)

In compliance with the Accounting Standard relating to "Accounting for Taxes on Income" (AS-22) issued by the Institute of Chartered Accountants of India, the Company has taken a debit of Rs. 43,400,000 in the Profit and Loss Account for the Year Ended March 31, 2004 towards Deferred Tax Liability (Net) for the year. As a matter of abundant prudence the Company has not recognised Deferred Tax Asset on unabsorbed losses.

20. Previous year's figures have been regrouped and rearranged wherever necessary.

**Additional information as required under Part IV of Schedule VI to the Companies Act, 1956
Balance Sheet Abstract and Company's General Business Profile**

I. Registration Details

Registration No.

U	1	1	1	0	0	M	H	2	0	0	1	P	L	C	1	3	4	0	9	5
---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---

 State Code

1	1	0	0	M	H
---	---	---	---	---	---

Balance Sheet Date

3	1
---	---

0	3
---	---

2	0	0	4
---	---	---	---

Date Month Year

II. Capital raised during the year

(Amount in Rupees thousands)

Public Issue

								N	I	L
--	--	--	--	--	--	--	--	---	---	---

Rights Issue

								N	I	L
--	--	--	--	--	--	--	--	---	---	---

Bonus Issue

								N	I	L
--	--	--	--	--	--	--	--	---	---	---

Public Placement

								N	I	L
--	--	--	--	--	--	--	--	---	---	---

III. Position of Mobilisation and Deployment of Funds

(Amount in Rupees thousands)

Total Liabilities

		1	9	7	4	9	7	4
--	--	---	---	---	---	---	---	---

Sources of Funds :

Paid-up Capital

			9	8	0	0	0	4
--	--	--	---	---	---	---	---	---

Secured Loans

			2	9	8	3	8	7
--	--	--	---	---	---	---	---	---

Application of Funds :

Net Fixed Assets

		1	9	6	9	1	5	3
--	--	---	---	---	---	---	---	---

Net Current Assets

					2	4	4	3
--	--	--	--	--	---	---	---	---

Accumulated Losses

									0
--	--	--	--	--	--	--	--	--	---

Total Assets

		1	9	7	4	9	7	4
--	--	---	---	---	---	---	---	---

Reserves & Surplus

			2	1	7	2	9	7
--	--	--	---	---	---	---	---	---

Unsecured Loans

			4	3	5	8	8	6
--	--	--	---	---	---	---	---	---

Investments

								N	I	L
--	--	--	--	--	--	--	--	---	---	---

Miscellaneous Expenditure

						3	3	7	8
--	--	--	--	--	--	---	---	---	---

IV. Performance of the Company

(Amount in Rupees thousands)

Turnover

		1	1	3	2	5	1	8
--	--	---	---	---	---	---	---	---

(+ / -) Profit/Loss before Tax

			5	6	5	9	9	4
--	--	--	---	---	---	---	---	---

Earnings/(Loss) per Share (Rs.)

					4	.	8	7
--	--	--	--	--	---	---	---	---

Total Expenditure

			5	9	0	5	2	6
--	--	--	---	---	---	---	---	---

(+ / -) Profit/Loss after Tax

			4	7	7	3	3	6
--	--	--	---	---	---	---	---	---

Dividend Rate %

			1	0	.	0	0	%
--	--	--	---	---	---	---	---	---

V. Generic Names of Three Principal Products/Services of Company (as per Monetary terms)

Item Code No. (ITC Code)

2	7	0	9	0	0				
---	---	---	---	---	---	--	--	--	--

Products Description

C	R	U	D	E		P	E	T	R	O	L	E	U	M
---	---	---	---	---	--	---	---	---	---	---	---	---	---	---

Item Code No. (ITC Code)

2	7	1	1	2	1				
---	---	---	---	---	---	--	--	--	--

Products Description

N	A	T	U	R	A	L		G	A	S
---	---	---	---	---	---	---	--	---	---	---

SUJIT GUPTA
Director.

A. J. ENGINEER
Chairman.

S. C. MITTAL
Director.

AMULYA CHARAN
Director.

First annual report 2003-2004

Tata Power Broadband Company Limited

BOARD OF DIRECTORS (As on 11th May, 2004)

Mr. F. A. Vandrevala *Chairman*
 Mr. Amulya Charan
 Mr. S. Mohan Gurunath
 Mr. Rahul Chaudhry

REGISTERED OFFICE

Carnac Receiving Station
 34, Sant Tukaram Road
 Carnac Bunder, Mumbai 400 009

AUDITORS

S. B. Billimoria & Co.
Chartered Accountants

BANKERS

ICICI Bank Limited

Directors' Report

TO THE MEMBERS

The Directors are pleased to present their First Annual Report of the business and operations of the Company and the statement of accounts for the year ended 31st March, 2004.

1. Financial Results

(a)	Net Income from Operations
(b)	Total Expenditure
(c)	Profit before Tax
(d)	Profit after Tax

Rs. in Lakhs

2003-2004

0.40
72.78
(72.38)
(72.38)

2. Financial Highlights

Tata Power Broadband Company Private Limited was incorporated on 19th November, 2003. On 21st January, 2004, it became a wholly-owned subsidiary of The Tata Power Company Limited and the word "Private" was removed from the name of the Company and taken on record by the Assistant Registrar of Companies, Maharashtra, vide his certificate dated 16th February, 2004.

During the period from 16th February, 2004 to 31st March, 2004, the Company had revenue of Rs. 0.40 lakh and expenditure of Rs. 72.78 lakhs resulting in a loss of Rs. 72.38 lakhs. In accordance with Accounting Standard 19 on Intangible Assets issued by the Institute of Chartered Accountants of India, preliminary expenditure of Rs. 71.31 lakhs incurred towards stamp duty and registration charges, for increasing authorised Capital/Paid up Capital, have been expensed during the year.

3. Dividend

In view of loss for the year, the Directors do not recommend any dividend.

4. Increase in Authorised Capital

During the year, the Company increased its Authorised Share Capital from Rs. 1 lakh to Rs. 100 crores.

5. Rights Issue

During the year, the Company made a Rights Issue of 90,000 Equity Shares in the ratio of 9:1 for cash at par (Face Value Rs. 10/-) aggregating to Rs. 9 lakhs.

6. Foreign Exchange Earnings/Outgo

There were no foreign exchange earnings/outgo during the year.

7. Energy Conservation & Environment Protection

7.1 Energy Conservation Measures

No significant measure was taken during the year.

7.2 Environment

The Company remains committed to the cause of environment enrichment.

8. 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 1 to the Director's Report.

Particulars of Employees

The Company had no employees of the category specified under Section 217(2A) of the Companies Act, 1956.

9. Directors

Mr. F. A. Vandrevala, Mr. Amulya Charan, Mr. S. M. Gurunath and Mr. Rahul Chaudhry were named in the Articles of Association as the first Directors of the Company. These Directors hold office until they are appointed in accordance with Section 255 of the Companies Act, 1956. Notices under Section 257 of the Companies Act, 1956 have been received from Members expressing their intention to propose the appointments of Mr. Vandrevala, Mr. Charan, Mr. Gurunath and Mr. Chaudhry as Directors at the forthcoming Annual General Meeting.

10. Auditors

Member will be requested to appoint Auditors and to authorize the Board of Directors to fix their remuneration.

11. Directors' Responsibility Statement

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

- in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to all material departures.
- they have in the selection of the accounting policies consulted the Statutory Auditors and have applied them consistently and made judgement and estimate that are reasonable and prudent so as to give true and fair knowledge of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period.
- they have prepared the Annual accounts on a going concern basis.
- they have taken proper and sufficient care to the best of their knowledge and ability for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

On behalf of the Board

F. A. Vandrevala
Chairman

Annexure I to the Directors' Report**Form for disclosure of particulars with respect to technology absorption****Research & Development (R & D)**

1.	Specific area in which R & D carried out by the Company	:	NA
2.	Benefits derived as a result of the above R & D	:	NA
3.	Future Plan of action	:	NA
4.	Expenditure on R & D (Rs. in Lakhs)		
	(a) Capital	:	NIL
	(b) Recurring	:	NIL
	(c) Total	:	NIL

Technology absorption adaptation and Innovation

1.	Efforts in brief, made towards technology absorption, adaptation and innovation.	:	NA
2.	Benefits derived as a result of the above efforts.	:	NA
3.	In case of imported technology following information may be furnished :		
	(a) Technology imported	:	None
	(b) Year of Import	:	NA
	(c) Has Technology been fully absorbed	:	NA
	(d) If not fully absorbed reasons thereof & future plans of action.	:	NA

Compliance Certificate

To,

The Members

TATA POWER BROADBAND COMPANY LIMITED

(Formerly – Tata Power Broadband Company Private Limited)

Carnac Receiving Station, 34, Sant Tukaram Road,

Carnac Bunder, Mumbai 400 009.

We have examined the registers, records, books and papers of TATA POWER BROADBAND COMPANY LIMITED and the rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial period ended on March 31, 2004 (November 19, 2003 to March 31, 2004). In our opinion and to the best of our information and according to the examinations carried out by us and explanations furnished to us by the Company, its officers and agents, we certify that in respect of the aforesaid financial period :

- The Company has kept and maintained all registers as stated in Annexure 'A' to this certificate, as per the provisions of the Act and the rules made thereunder and all entries therein have been duly recorded.
- The Company has duly filed the forms and returns as stated in Annexure 'B' to this certificate, with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities within the time prescribed under the Act and the rules made thereunder.
- The Company being a Public Limited Company, comments that a Private Limited Company has minimum prescribed capital, maximum number of members, invitation to public to subscribe for shares and acceptance of deposits from persons other than its members, directors or their relatives, are not required.
- The Board of Directors duly met 4 (Four) times on 11.12.2003, 21.01.2004, 21.01.2004 and on 19.02.2004 in respect of which meetings proper notices were given and the proceedings were properly recorded and signed including the circular resolutions passed in the Minutes Book maintained for the purpose.
- The Company has not closed its Register of Members during the period as it was not required to close the same.
- The Company was incorporated on November 19, 2003 and this being the first financial period, no annual general meeting was held during the financial period.
- One extraordinary general meeting was held during the financial period on 21.01.2004 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in the Minutes Book maintained for the purpose.
- The Company has not advanced any loan to its Directors and/or persons or firms or companies referred to in the Section 295 of the Act.
- The Company has not entered into any contracts falling within the purview of Section 297 of the Act.
- The Company has made necessary entries in the register maintained under Section 301 of the Act.
- As there were no instances falling within the purview of Section 314 of the Act, the Company has not obtained any approvals from the Board of Directors, members or previous approval of the Central Government.
- The Company has not issued any duplicate share certificates during the financial period.
- The Company has delivered all the certificates on allotment of securities and on lodgement thereof for transfer in accordance with the provisions of the Act.
 - The Company has not deposited any amount in a separate Bank Account as no dividend was declared during the financial period.
 - The Company was not required to post warrants to any member of the Company as no dividend was declared during the financial period. There were no unpaid dividends in the Company.
 - There are no unpaid dividends, application money due for refund, matured deposits, matured debentures or the interest accrued thereon which have remained unclaimed or unpaid for a period of seven years.
 - As this is the first financial period the question of compliance with the requirements of Section 217 of the Act does not arise.

14. The Board of Directors of the Company is duly constituted. There was no appointment of Directors, Additional Directors, Alternate Directors and Directors to fill casual vacancies during the financial period.
15. The Company has not appointed any Managing Director/Whole-time Director/ Manager during the financial period.
16. The Company has not appointed any sole selling agents during the financial period.
17. The Company has obtained approval of the Registrar of Companies in respect of change of name of the Company during the financial period.
18. The Directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and the rules made there under.
19. The Company has issued 90,000 Equity Shares during the financial period and complied with the provisions of the Act.
20. The Company has not bought back any shares during the financial period.
21. There was no redemption of preference shares or debentures during the financial period.
22. There were no transactions necessitating the Company to keep in abeyance the rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
23. The Company has not invited/accepted any deposits including any unsecured loans falling within the purview of Section 58A during the financial period.
24. The amount borrowed by the Company from directors, members, public, financial institutions, banks and others during the financial period ending 31st March, 2004 is within the borrowing limits of the Company and that necessary resolutions as per Section 293(1)(d) of the Act have been passed in duly convened extraordinary general meeting.
25. The Company has not made loans and investments, or given guarantees or provided securities to other bodies corporate during the financial period.
26. The Company has not altered the provisions of the Memorandum with respect to situation of the Company's registered office from one state to another during the period under scrutiny.
27. The Company has not altered the provisions of the Memorandum with respect to the objects of the Company during the period under scrutiny.
28. The Company has altered the provisions of the Memorandum with respect to name of the Company during the period under scrutiny and complied with the provisions of the Act.
29. The Company has altered the provisions of the Memorandum with respect to share capital of the Company during the period under scrutiny and complied with the provisions of the Act.
30. The Company has altered its Articles of Association during the financial period after obtaining approval of members in the general meeting held on 21.01.2004 and the amendments to the Articles of Association have been duly filed with the Registrar of Companies.
31. There were no prosecutions initiated against or show cause notices received by the Company and no fines or penalties or any other punishment was imposed on the Company during the financial period, for offences under the Act.
32. The Company has not received any money as security from its employees during the financial period.
33. The Company was not required to deduct any contribution towards Provident Fund during the financial period.

Place : Mumbai
Date : May 11, 2004

For Parikh Parekh & Associates
Signature : sd/-
Name of Company Secretary : P. N. Parikh
Partner
C. P. No. : 1228

Annexure A

Statutory Registers as maintained by the Company

1. Register of Members u/s 150 of the Act.
2. Minutes Book of Board Meetings u/s 193 of the Act. (In Loose Leaf)
3. Minutes Book of General Meetings u/s 193 of the Act. (In Loose Leaf)
4. Books of Accounts u/s 209 of the Act are being audited by the Statutory Auditors of the Company.
5. Register of Contracts u/s 301 of the Act.
6. Register of disclosure of interest u/s 301 of the Act.
7. Register of particulars of Directors etc. u/s 303 of the Act.
8. Register of Directors' Shareholding u/s 307 of the Act.

Other Registers

1. Register of Directors' Attendance
2. Register of Shareholders' Attendance
3. Register of Transfers
4. Register of Proxy

Place : Mumbai
Date : May 11, 2004

For Parikh Parekh & Associates
Signature : sd/-
Name of Company Secretary : P. N. Parikh
Partner
C. P. No. : 1228

Annexure B

Forms and Returns as filed by the Company with the Registrar of Companies during the financial period from November 19, 2003 to March 31, 2004

Sr. No.	Form No./ Return	Filed under Section	For	Date of filing	Whether filed within prescribed time Yes/No	If delay in filing whether requisite additional fee paid. Yes/No
1.	Form 2	75(1)	Allotment of 10,000 Equity shares of Rs. 10/- each	06.01.2004	Yes	N. A.
2.	Form 23	192 & 31	Increase in Authorised Capital, Adoption of new set of Articles of Association, Borrowing Powers and Permission to mortgage	11.02.2004	Yes	N. A.
3.	Statement in Lieu of Prospectus	Schedule III	Conversion into Public Limited Company	11.02.2004	Yes	N. A.
4.	Form 5	95	Increase in Authorised Capital from Rs. 1,00,000/- to Rs. 100,00,00,000/-	17.02.2004	Yes	N. A.
5.	Form 2	75(1)	Allotment of 90,000 Equity shares of Rs. 10/- each	11.03.2004	Yes	N. A.

Place : Mumbai
Date : May 11, 2004

For Parikh Parekh & Associates
Signature : sd/-
Name of Company Secretary : P. N. Parikh
Partner
C. P. No. : 1228

Auditors' Report

To the members of TATA POWER BROADBAND COMPANY LIMITED

1. We have audited the attached Balance Sheet of **TATA POWER BROADBAND COMPANY LIMITED** as at 31st March, 2004 and the Profit and Loss Account of the Company for the period 19th November, 2003 to 31st March, 2004, 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. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 the 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 in terms of Section 227(4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraph 4 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3, we report as follows :
 - (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 and the Profit and Loss Account dealt with by this report are in agreement with the books of account;
 - (d) in our opinion, the Balance Sheet and the Profit and Loss Account dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
 - (e) in our opinion and to the best of our information and 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 :
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2004; and
 - (ii) in the case of the Profit and Loss Account, of the loss of the Company for the period ended on that date.
5. On the basis of the written representation from the Directors as at 31st March, 2004 and taken on record by the Board of Directors, we report that none of the directors is disqualified as at 31st March, 2004 from being appointed as a Director in terms of Section 274(1)(g) of the Companies Act, 1956.

For **S. B. BILLIMORIA & CO.**
Chartered Accountants,

UDAYAN SEN
Partner.

(Membership No. 31220)

Place : Mumbai

Date : 11th May, 2004.

Annexure to the Auditors' Report

(Referred to in paragraph 3 of our report of even date)

- (i) The nature of the Company's business/activities during the year is such that clauses (i), (ii), (iii), (iv), (vi), (vii), (viii), (ix), (x), (xi), (xii), (xiii), (xiv), (xv), (xvi), (xvii), (xviii), (xix) and (xx) of the Order are not applicable.
- (ii) In respect of transactions entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956 :
 - (a) To the best of our knowledge and belief and according to the information and explanations given to us, the transactions that required to be entered in the Register have been so entered.
 - (b) According to the information and explanations given to us, where each of such transactions is in excess of Rs. 500,000 in respect of any party, the transactions have been made at prices which are *prima facie* reasonable having regard to the prevailing market prices at which similar transactions were entered into.
- (iii) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the period.

For **S. B. BILLIMORIA & CO.**
Chartered Accountants,

UDAYAN SEN
Partner.

(Membership No. 31220)

Place : Mumbai

Date : 11th May, 2004.

Balance Sheet as at 31st March, 2004

	Schedule No.	Rupees	As at 31st March, 2004 Rupees
FUNDS EMPLOYED			
1) Share Capital	A		1,000,000
			<u>1,000,000</u>
APPLICATION OF FUNDS			
2) Current Assets, Loans and Advances	B	6,018,216	
3) Less : Current Liabilities and Provisions	C	12,256,086	
4) Net Current Liabilities			(6,237,870)
5) Profit and Loss Account (Debit Balance)			7,237,870
			<u>1,000,000</u>
6) Notes	D		

As per our report attached.
For S. B. BILLIMORIA & CO.
Chartered Accountants,

UDAYAN SEN
Partner.

Place : Mumbai
Date : 11th May, 2004

For and on behalf of the Board

F. A. VANDREVALA
AMULYA CHARAN
S. MOHAN GURUNATH
RAHUL CHAUDHRY
Directors.

Place : Mumbai
Date : 11th May, 2004

**Profit and Loss Account for the period
from 19th November, 2003 to 31st March, 2004**

	Schedule	Year ended 31st March, 2004 Rupees
INCOME		
1) Service Income		40,302
		40,302
EXPENDITURE		
2) Registration and Stamp Duty		7,131,550
3) Bank Charges		4,310
4) Network Lease Rent		94,312
5) Licence Processing Fee		21,000
6) Audit Fees		27,000
		7,278,172
7) Loss for the period carried to Balance Sheet		(7,237,870)
8) Notes	D	

As per our report attached.

For S. B. BILLIMORIA & CO.
Chartered Accountants,

UDAYAN SEN
Partner.

*Place : Mumbai
Date : 11th May, 2004*

For and on behalf of the Board

F. A. VANDREVALA
AMULYA CHARAN
S. MOHAN GURUNATH
RAHUL CHAUDHRY
Directors.

*Place : Mumbai
Date : 11th May, 2004*

Schedules forming part of the Balance Sheet

**SCHEDULE – A
SHARE CAPITAL**

AUTHORISED CAPITAL

100,000,000 Equity Shares of Rs.10 each

ISSUED, SUBSCRIBED AND PAID-UP

100,000 Equity Shares of Rs.10 each
(The Company is a wholly owned subsidiary of Tata Power Company Limited)

**As at 31st
March, 2004
Rupees**

1,000,000,000

1,000,000

1,000,000

**SCHEDULE – B
CURRENT ASSETS, LOANS AND ADVANCES**

(a) Current Assets :

Sundry Debtors
(Unsecured, Considered good and outstanding for less than six months)

43,526

Current Account with Scheduled Bank

5,878,650

5,922,176

(b) Loans and Advances

Advances recoverable in cash or in kind or for the value to be received

91,040

Deposits

5,000

96,040

6,018,216

**As at 31st
March, 2004
Rupees**

**SCHEDULE – C
CURRENT LIABILITIES & PROVISIONS**

Sundry Creditors

12,251,581

Other Liabilities

4,505

12,256,086

Notes forming part of the Accounts

SCHEDULE – D

1. The Company was incorporated as a private limited company on 19th November, 2003 and, on 21st January, 2004, became a public limited company. The Company was set up as a Subsidiary of Tata Power Company Limited, to provide a optic fibre backbone for various telecom ventures in India.

2. **Significant Accounting Policies :**

(a) **Basis of Accounting :**

The Financial Statements are prepared under historical cost convention, on accrual basis, and are in accordance with requirements of the Companies Act, 1956, and comply with the Accounting Standards referred to in sub-section (3c) of Section 211 of the said Act.

(b) **Revenue Recognition :**

Revenues in respect of broadband and communication business are accounted for on the basis of sale/lease of fibre cables and when services are rendered.

3. **Related Party Disclosures :**

Details of transactions with Tata Power Company Limited (Holding Company) :

Description	Current Year Rupees
Sundry Creditors (balance)	12,131,550
Network Lease Rent	94,312

4. **Details of Auditors' Remuneration :**

Description	Current Period Rupees
Audit Fees	25,000
Service Tax	2,000
Total	27,000

5. This being the first period of operations of the Company, there are no corresponding figures for the previous period.

For and on behalf of the Board

F. A. VANDREVALA
 AMULYA CHARAN
 S. MOHAN GURUNATH
 RAHUL CHAUDHRY
Directors.

Place : Mumbai

Date : 11th May, 2004

Cash Flow Statement for the year ended 31st March, 2004

	For the year ended 31st March, 2004 Rupees
Cash Flow from Operating Activities	
Loss for the period	(7,237,870)
Loss before Working Capital Changes	(7,237,870)
Adjustments for :	
Increase in current assets	(139,566)
Increase in current liabilities	12,256,086
Net Cash Flow from Operating Activities	4,878,650
Cash Flow from Financing Activities	
Proceeds from share capital	1,000,000
Cash & cash equivalents as at 31st March, 2004	5,878,650

Third annual report 2003-2004

Powerlinks Transmission Limited

BOARD OF DIRECTORS (As on 1st May, 2004)

MR. R. P. SINGH	<i>Chairman</i>
MR. F. A. VANDREVALA	<i>Director</i>
MR. P. K. KUKDE	<i>Director</i>
MR. S. MOHAN GURUNATH	<i>Director</i>
MR. V. M. KAUL	<i>Director</i>
DR. V. K. GARG	<i>Director</i>
MR. UTPAL DHAR	<i>Managing Director</i>
MR. P. K. JHA	<i>Executive Director (Finance)</i>
MR. SURESH SACHDEV	<i>Executive Director (Project)</i>

CAO & COMPANY SECRETARY MR. S. DATTA

REGISTERED OFFICE

B9, Qutab Institutional Area,
Katwaria Sarai,
New Delhi - 110 016

AUDITORS

S. B. Billimoria & Co.

BANKERS

State Bank of India

Directors' Report

To
The Members,
The Directors are pleased to present the 3rd Annual Report on the project and the statement of accounts for the year ended 31st March, 2004.

FINANCIAL HIGHLIGHTS

During the year, the Company has received Rs. 131.20 crores from the Joint Venture Partners as Equity participation (51:49) :

Tata Power Company Ltd. : Rs. 66.91 crores

Power Grid Corporation of India Ltd. : Rs. 64.29 crores

The Company has entered into agreements with the following Financial Institutions/Banks during the month of January, 2004 for Loan upto a limit of Rs. 980 crores :

S. No.	Name of Lender	Amount (Rs. Crores)
1.	International Finance Corporation	340
2.	Infrastructure Development Finance Company Limited	180
3.	Asian Development Bank	300
4.	State Bank of India	160
	Total	980

However, Rs. 854 crores shall be disbursed as per the present agreement. (The balance Rs. 126 crores shall be disbursed only after the increased project cost is approved by the competent authority). The Company is in the process of fulfilling the conditions precedent to the first disbursement of loan by the above lenders. The first disbursement is expected by the 2nd week of May 2004.

During the year 2003-04, the Company has incurred the following expenditure :

A.	Capital Work-in-progress	Amount (Rs. Crores)
	Advances to Contractors & Suppliers	48.71
	Survey & Transmission charges	7.65
	Engineering and Consultancy charges	7.43
	Project Insurance	0.63
	Total (A)	64.42
B.	Incidental expenditure during Construction	
	Payment to & provision for employees	0.96
	Lenders' counsel and consultation charges	0.97
	Other professional charges	0.34
	ROC Fees	0.99
	Other administration expenses	1.35
	Upfront and other fees to Financial Institution/Banks	9.39
	Total (B)	14.00
C.	Fixed Assets	
	Computer, furniture and fixtures and vehicles	0.24
	Total Expenditure Incurred/provided (A+B+C)	78.66
	Expenditure incurred from 1st April, 2004 to 2nd May, 2004	30.09

The Cash balance at Bank as on 3rd May, 2004 of Rs. 27.05 crores will be disbursed as advance payment on the awarded contracts for Tower, Conductor and Insulator Packages in the month of May, 2004.

Dividend

Since the Company has not started Commercial operations, Directors have not recommended any Dividend.

Status of project

The Company achieved following milestones consequent to the signing of Shareholders' Agreement with Power Grid Corporation of India Limited and Tata Power Company limited on 4th July, 2003 and Implementation Agreement and Transmission Service Agreement on 4th July, 2003 with Power Grid Corporation of India Limited for implementation of specific transmission lines associated with the Tata Hydro Electric Project, East-North Inter connector & Northern Region Transmission System on Build, Own, Operate & Transfer basis.

- Receipt of Transmission License from Central Electricity Regulatory Commission (CERC) on 13.11.2003 for a period of 25 years.
- Laying of the foundation stone of the project on 24.12.2003 at Lucknow by the Hon'ble Prime Minister, Mr. Atal Bihari Vajpayee.
- Issuance of the Letter of Awards for main packages viz. Tower (Rs. 483.60 Crores) in the month of December, 2003, Conductor (Rs. 342.60 Crores) and Insulator (Rs. 50.92 Crores) in the month of March, 2004

Project Implementation;

Three Project offices, each headed by a Project Manager located at Siliguri, Muzaffarpur and Lucknow have been opened to look after the entire project divided into five packages viz :

Siliguri	-	Purnea
Purnea	-	Muzaffarpur
Muzaffarpur	-	Gorakhpur
Gorakhpur	-	Lucknow
Bareilly	-	Mandaula

The Project offices are further divided into Project site offices mainly in Bihar and UP to cover the entire project. All the Contractors are using latest technology for survey work by using total stations. This has resulted in expediting the survey work. Finalisation of route alignment for the five lines is approx. 70% complete. Detailed survey and foundation work is in progress in all the five sections.

Human Resources

Adequate personnel were employed as per the site requirements for the various positions. The Company has no employees whose remuneration is more than the limit specified in Section 217(2A) of the Companies Act, 1956.

Environment and Social Responsibility

Impact of Powerlinks' business on environmental concerns is going to be almost negligible. However, the Company has adopted the Environmental and Social Policy and Procedures (ESPP) in all spheres of the Project Management. This has been accepted by the World Bank and is already approved by IFC/ADB. In addition, discussions have taken place to undertake a special health related awareness programmes in co-operation with IFC, especially in the remote areas, which come in the path of the transmission line.

Quality Assurance and Inspection

The Company is committed to quality management and has appointed a reputed agency for quality assurance, inspection and expediting at various manufacturing works of the vendors.

The Company is giving topmost attention to quality and is vigorously following the quality checks at pre-identified points of Project Implementation.

Corporate Governance

In accordance with the good corporate governance practices, a report on Corporate Governance is given separately.

Communication

Besides formal weekly review meetings, open dialogues, POWERLINKS also started a quarterly newsletter "URJA HIWAY" in October, 03 as a means of two way communication with its employees and other stakeholders.

The Company has created its own website : www.powerlinkstransmission.com for disseminating of information to the various stakeholders. Employees based at site offices are encouraged to interact.

Conservation of Energy

The Company makes conscious efforts for conservation of energy in its project right from planning stage. While planning the transmission system, one of the criteria in selection of final system is lower transmission losses. The disclosures required in Form A of Rule 2 of the Companies (Disclosure of Particulars in the Report of the Board of Directors) rules, 1988 are not applicable to the Company.

Technology Absorption

Nil

Foreign exchange earnings and outgo

Export	Nil
Purchase of Materials	Nil
Expenditure in foreign currency	Rs. 1.70 Lakhs
Foreign exchange earned	Nil

Auditors

The retiring Auditors, M/s. S. B. Billimoria & Co. being eligible have expressed their willingness to be reappointed.

Directors

Mr. Pramod Kumar Jha was appointed as an Additional Director by the Board with effect from 8th January, 2004 in accordance with Article 113 of the Articles of Association and Section 260 of the Companies Act, 1956. The Company has received a Notice under Section 257 of the Act from a member signifying his intention to propose Mr. Jha's appointment as a Director.

The board also appointed Mr. Jha as the Executive Director (Finance) of the Company effective the same date. The Shareholders have also approved Mr. Jha's appointment as Executive Director (Finance) in the Extra-ordinary General Meeting held on 8th January 2004.

Dr. V. K. Garg was appointed as an Additional Director by the Board with effect from 24th March, 2004 in accordance with Article 113 of the Articles of Association and Section 260 of the Companies Act, 1956. The Company has received a Notice under Section 257 of the Act from a Member signifying his intention to propose Dr. V. K. Garg's appointment as a Director.

In accordance with the requirements of the Act and the Articles of Association of the Company, Mr. P. K. Kukde, Mr. S. M. Gurunath, and Mr. V. M. Kaul, directors retire by rotation and are eligible for reappointment.

Director's Responsibility Statement

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

- in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to all material departures.
- 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 a true and fair view of the state of affairs of the Company at the end of the financial year.
- 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 provision of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- they have prepared the annual accounts on a going concern basis.

Acknowledgement

The Director's place on record their grateful thanks for the guidance and co-operation extended all through by Ministry of Power, Central Electricity Authority, Central Electricity Regulatory Commission, Department of Economic Affairs, Ministry of Finance and other concerned Government departments / agencies at the Central and State Level without whose active support, the progress achieved during the year under review would not have been possible.

Moreover, the Board extends its sincere thanks to POWERGRID and TATA POWER for the support and cooperation extended by them towards starting of the Project of your company.

On behalf of the Board of Directors,

R. P. SINGH
Chairman

Auditors' Report

To the members of POWERLINKS TRANSMISSION LIMITED

1. We have audited the attached Balance Sheet of **Powerlinks Transmission Limited**, as at 31st March, 2004, and the Cash Flow Statement of the Company 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 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 and 5 of the said Order, to the extent applicable to the Company.
4. Further to our comments in the Annexure referred to in paragraph 3 above :
 - 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 appears from our examination of those books;
 - c) the Balance Sheet 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 and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
 - e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts, together with the notes thereon, 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:
 - i. in the case of the Balance Sheet, of the state of the Company's affairs as at 31st March, 2004
 - ii. in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
5. On the basis of written representations received from directors, as on 31st March, 2004, and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 31st March, 2004 from being appointed as a director in terms of clause (g) of sub section(1) of Section 274 of the Companies Act, 1956.

For **S. B. BILLIMORIA & CO.**
Chartered Accountants,

JITENDRA AGARWAL
Partner.

(Membership No. 87104)

Place : New Delhi

Date : 3rd May, 2004.

Annexure to the Auditors' Report

(Referred to in paragraph (3) of our report of even date)

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
2. According to the information and explanations given to us, fixed assets were physically verified by the Management during the year and no material discrepancies were noted on such verification.
3. The Company has not taken or granted any loans, secured or unsecured, from/to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of fixed assets. The Company's operations do not give rise to any purchase of inventory and sale of goods.
5. In our opinion and according to the information and explanations given to us, there are no transactions of purchase of goods and materials and sale of goods and services made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating during the period to Rs. 500,000 or more in respect of each party.
6. The Company has not accepted any deposits from the public as defined under the provisions of Section 58A or 58AA of the Companies Act, 1956 and the rules made thereunder.
7. Since the paid up capital and reserves of the Company were less than Rs. 50 lacs at the commencement of the period, clause vii of the order with respect to adequacy of the internal audit system is not applicable.
8. To the best of our knowledge and according to the explanations provided to us, the Central Government has not prescribed maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 in respect of any of the products of the Company.
9. According to the records of the Company examined by us:
 - a. Provident Fund and Income Tax deductions at source have been deposited within the prescribed time with the appropriate authorities. We are informed that 'Employees' State Insurance Act, 1948' is not applicable to the Company and that the operations of the Company during the period did not give rise to any Sales Tax, Wealth Tax, Customs Duty, Excise Duty.
 - b. There are no undisputed statutory dues payable including dues in respect of Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Wealth Tax, Sales Tax, Customs Duty, Excise Duty, Cess which are outstanding as at 31 March, 2004 for a period of more than six months from the date they became payable. We have been further informed that there are no dues in respect of Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Wealth Tax, Sales Tax, Customs Duty, Excise Duty, Cess which have not been deposited on account of any dispute.
10. Since the Company has not commenced commercial operations, there are no accumulated losses in the Company at the end of the financial year.
11. According to the information and explanations given to us and the records of the Company examined by us, there are no dues towards loans sanctioned from banks and financial institutions. The Company has not issued any debentures.
12. The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and others securities.
13. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
14. According to the information and explanations given to us, and the records of the Company examined by us the Company has not raised any funds on a short term or long term basis.
15. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the period.

For **S. B. BILLIMORIA & CO.**
Chartered Accountants,

JITENDRA AGARWAL
Partner.
(Membership No. 87104)

Place : New Delhi
Date : 3rd May, 2004.

Balance Sheet as at 31st March, 2004

	Schedule	Rupees	As at 31st March, 2004 Rupees	As at 31st March, 2003 Rupees
SOURCES OF FUNDS				
1. SHAREHOLDERS' FUNDS				
Share Capital	1		1,312,500,000	500,000
APPLICATION OF FUNDS				
2. FIXED ASSETS (At Cost):				
Gross Block	2		2,438,325	—
Less : Accumulated Depreciation			169,950	—
Net Block			2,268,375	—
Capital Work in Progress	3		784,416,076	25,172
(including advance against capital expenditure)			786,684,451	25,172
3. CURRENT ASSETS, LOANS AND ADVANCES				
Cash & Bank Balances	4		571,443,913	500,000
Loans and Advances	5		2,487,357	—
4. Less : CURRENT LIABILITIES AND PROVISIONS	6		573,931,270	500,000
			48,146,141	55,592
5. NET CURRENT ASSETS			525,785,129	444,408
6. MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)	7		30,420	30,420
			1,312,500,000	500,000
Notes forming part of the accounts	8			

Schedules 1 to 8 are an integral part of the accounts.
As per our report of even date attached.

For S. B. BILLIMORIA & CO.
Chartered Accountants,
JITENDRA AGARWAL
Partner.

Place : New Delhi
Date : 3rd May, 2004

R. P. SINGH
Chairman.
S. DATTA
CAO and Company Secretary

Place : New Delhi
Date : 3rd May, 2004

UTPAL DHAR
Managing Director

Schedules forming part of the Balance Sheet

**SCHEDULE – 1
SHARE CAPITAL**

Authorised :
150,000,000 (Previous Year 50,000) Equity Shares of Rs. 10 each

Issued, Subscribed and Paid up :
131,250,000 (Previous Year 50,000) Equity Shares of Rs. 10 each

(Of the above, 66,937,497 (Previous Year Nil) Equity Shares are held by the Tata Power Company Limited - the holding Company).

As at 31st March, 2004 Rupees	As at 31st March, 2003 Rupees
1,500,000,000	500,000
1,312,500,000	500,000

**SCHEDULE – 2
FIXED ASSETS (At cost)**

(All amounts in Rupees)

Description	GROSS BLOCK		DEPRECIATION		NET BLOCK
	Additions	As at 31.03.2004	For the year	As at 31.03.2004	As at 31.03.2004
Computer	980,280	980,280	39,288	39,288	940,992
Furniture and Fixtures	214,850	214,850	107,732	107,732	107,118
Office Equipments	161,948	161,948	16,994	16,994	144,954
Vehicles	1,081,247	1,081,247	5,936	5,936	1,075,311
TOTAL	2,438,325	2,438,325	169,950	169,950	2,268,375

**SCHEDULE – 3
A. CAPITAL WORK IN PROGRESS**

1. SURVEY AND TRANSMISSION DEVELOPMENT CHARGES
2. ENGINEERING AND CONSULTANCY CHARGES
3. DIRECT PROJECT EXPENDITURE
4. Advances to Contractors and Suppliers
5. Incidental expenditure during Construction (Schedule 3B)

As at 31st March, 2004 Rupees	As at 31st March, 2003 Rupees
76,436,446	—
74,304,000	—
6,302,753	—
487,136,808	—
140,236,069	25,172
784,416,076	25,172

B. INCIDENTAL EXPENDITURE DURING CONSTRUCTION

Payment to and provision for employees

- Salaries, Wages and Bonus
- Company's contribution to provident and superannuation fund
- Retirement benefits
- Welfare expenses

As at 31st March, 2003 Rupees	For the year Rupees	As at 31st March, 2004 Rupees
—	8,800,158	8,800,158
—	363,040	363,040
—	320,609	320,609
—	150,834	150,834
—	9,634,641	9,634,641
—	2,911,627	2,911,627
—	266,160	266,160

Administration Expenses

- Rent and hire charges
- Electricity charges

SCHEDULE – 3
B. INCIDENTAL EXPENDITURE DURING CONSTRUCTION (Contd.)

	As at 31st March, 2003 Rupees	For the year Rupees	As at 31st March, 2004 Rupees
Taxes and duties	—	1,527,765	1,527,765
Insurance charges	—	2,119	2,119
Repair and maintenance	—	109,638	109,638
Travelling and conveyance	—	5,375,015	5,375,015
Professional charges	—	3,400,488	3,400,488
Lenders' counsel and consultancy charges	—	9,659,531	9,659,531
Communication expenses	—	317,778	317,778
Printing, postage and stationery	1,572	285,474	287,046
Office and guest house maintenance expenses	—	1,523,644	1,523,644
Books and periodicals	—	83,063	83,063
Recruitment and relocation expenses	—	202,181	202,181
Advertisement and publicity expenses	—	1,653,916	1,653,916
Directors fees	—	265,000	265,000
Auditors fees	21,300	324,000	345,300
ROC fees	2,300	9,855,850	9,858,150
Depreciation	—	169,950	169,950
Miscellaneous expenses	—	144,252	144,252
	25,172	38,077,451	38,102,623
Interest and finance charges	—	93,873,735	93,873,735
Less : Income earned during project period (net of tax Rs. 800,657)	—	1,374,930	(1,374,930)
Net incidental expenditure during construction pending allocation	25,172	140,210,897	140,236,069

SCHEDULE – 4
CASH AND BANK BALANCES

	As at 31st March, 2004 Rupees	As at 31st March, 2003 Rupees
Cash in hand	59,498	—
Balance with schedule banks :		
In current account	142,130	500,000
In fixed deposits	571,242,285	—
	571,443,913	500,000

SCHEDULE – 5
LOANS AND ADVANCES

(Unsecured, Considered good)

	As at 31st March, 2004 Rupees	As at 31st March, 2003 Rupees
Advances with public bodies	100,000	—
Amounts recoverable in cash or in kind or for value to be received	2,164,357	—
Security Deposits	223,000	—
	2,487,357	—

Schedules forming part of the Accounts

**SCHEDULE 6
CURRENT LIABILITIES AND PROVISIONS**

CURRENT LIABILITIES

Sundry Creditors
Other Liabilities

PROVISIONS

Provision for tax (Net of advance tax Rs. 445,955)
Provision for Leave Encashment

As at 31st March, 2004 Rupees	As at 31st March, 2003 Rupees
42,347,518	55,592
5,338,921	—
47,686,439	55,592
354,702	—
105,000	—
459,702	—
48,146,141	55,592

**SCHEDULE 7
MISCELLANEOUS EXPENDITURE**
(to the extent not written off or adjusted)

PRELIMINARY EXPENDITURE

As at 31st March, 2004 Rupees	As at 31st March, 2003 Rupees
30,420	30,420
30,420	30,420

**SCHEDULE 8
NOTES FORMING PART OF ACCOUNTS**

1. Background

Powerlinks Transmission Limited (the Company), which is a Joint Venture of The Tata Power Company Limited and Power Grid Corporation of India Limited with 51% and 49% shareholding respectively, has been set up to construct, operate and maintain a 1171 Kilometers of five 400 KV Transmission Lines and one 220 KV Double Circuit Transmission Line from Silliguri in West Bengal to Mandaula in Uttar Pradesh under the "Build-Own-Operate-Transfer" (BOOT) basis. The power will be evacuated from the Tala Hydra Electric Power Project in Bhutan, a Project developed by Government of India and Government of Bhutan, and surplus power in Eastern India and the same will be transferred to Northern India through the Transmission Lines. For the successful completion of the Transmission Line Project, the Company has awarded Letter of Awards (LOAs) for Tower, Conductor and Insulator Packages on the above mentioned route of 1171 Kilometers.

Also there is Transmission Service Agreement and Implementation Agreement between Power Grid and the Company according to which entire transmission capacity of the Transmission Lines will be made available to Power Grid for the transmission of power.

The Company has been granted transmission license for 25 years by Central Electricity Regulatory Commission (CERC) for the transmission of electricity effective 13 November 2003.

2. Significant Accounting Policies

a. Basis of accounting

The financial statements have been prepared under the historical cost convention, on the accrual basis of accounting and in accordance with the standards of accounting issued by the Institute of Chartered Accountants of India and referred to in section 211 (3C) of the Companies Act, 1956.

As at 31 March, 2004, as the Company has not commenced commercial operations, a statement of the Profit or Loss has not been prepared. Information required to be furnished by the Company in accordance with Part II of Schedule VI forming part of the Companies Act, 1956 has been disclosed in Schedule 3B of these financial statements under incidental expenditure during construction.

b. Fixed assets

Fixed assets are stated at cost of acquisition less accumulated depreciation. All costs relating to the acquisition and installation of fixed assets are capitalised.

Schedules annexed to and forming part of the Accounts

Capital work in progress includes :

- i. Advances paid to Tower, Conductor and Insulator Packages contractors relating to the Transmission Lines Project.
- ii. Expenditure incurred in connection with the Transmission Lines Project Pending allocation to fixed assets on completion of the Project.
- iii. Incidental expenditure during construction period includes Payment to and provision for employees, Professional fees, Interest and financial charges and other administrative expenses net of income, pending allocation on completion of the Project.

c. Depreciation

Depreciation for the period in respect of assets has been provided on Straight-line method in terms of the Electricity (Supply) Act, 1948 on the basis of Central Government Notification No. S.O. 265 (E) dated 27 March, 1994, except computers for which depreciation has been provided for on straight-line method basis at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956.

Assets costing less than Rs. 5,000 individually are fully depreciated in the year of acquisition.

d. Foreign currency transactions

Foreign currency transactions during the year are recorded at the rates of exchange prevailing on the date of the transactions. Monetary foreign currency assets and liabilities are translated into rupees at the rates of exchange prevailing on the balance sheet date. The differences in translation of monetary assets and liabilities and realised gains and losses on foreign currency transactions, other than those related to fixed assets, are recognised in Schedule 3B of these financial statements under Incidental expenditure during construction. Exchange differences in respect of liabilities incurred to acquire fixed assets are adjusted in the carrying costs of such fixed assets.

e. Retirement benefit costs

Retirement benefits to employees comprise gratuity, superannuation and provident fund under the schemes of the Company. The liabilities on account of gratuity and leave encashment benefits are determined based on actuarial valuations by an independent actuary. Contributions made towards provident fund and superannuation are included in Schedule 3B of these financial statements under incidental expenditure during construction.

f. Miscellaneous expenditure

Miscellaneous expenditure comprise preliminary expenses incurred prior to the incorporation of the Company, which will be charged off to revenue, as per Accounting Standard 26 - "Intangible Assets" issued by the Institute of Chartered Accountants of India, on the commissioning of the project and commencement of commercial activities.

g. Provisions of Income tax

Provision of Income tax amounting to Rs. 354,702 (net of advance tax of Rs. 445,955) is the amount of tax payable in respect of the interest earned on the Fixed Deposits as determined in accordance with the provisions of the Income-tax Act, 1961.

3. Secured Loans - Senior Lenders

The Company has entered into loan agreements with the Financial Institutions and Banks collectively known as "Senior Lenders" for financing the project. The details are as follows :

Senior Lender Name	Loan Amount (in Rs. Crores)	Agreement effective Date
Infrastructure Development Finance Company Limited (IDFC)	180	09 January, 2004
International Finance Corporation (IFC)	340	09 January, 2004
Asian Development Bank (ADB)	300	13 January, 2004
State Bank of India (SBI)	160	09 January, 2004
Total	980	

The Company is in the process of fulfilling the conditions precedent to the first disbursement of loan amount and has created a first ranking pari passu charge (after the balance sheet date) on all of its tangible, intangible, movable, fixed and current assets in favour of the Senior Lenders for the purpose of above mentioned loan amounts.

4. Expenditure incurred in foreign currency

Professional & consultancy fees amounting to Rs. 170,000 (Previous year Rs. Nil)

Schedules annexed to and forming part of the Accounts

5. Managerial remuneration

The Managing Director's and two Executive Directors' remuneration includes :

- a) Salaries and allowances
- b) Contribution to Provident and other funds
- c) Monetary value of perquisites

Total

As at 31 March, 2004 (Rupees)	As at 31 March, 2003 (Rupees)
1,759,928	Nil
436,445	Nil
287,630	Nil
2,484,003	Nil

6. Auditor's remuneration

Auditor's Remuneration inclusive of service tax amounting to Rs. 3,24,000 (Previous year Rs. 10,800) has been disclosed in Schedule 3B of these financial statements under incidental expenditure during construction.

7. Capital Commitments

Capital Commitments pertaining to the Tower, Conductor and Insulator Packages not provided for are Rs. 828 crores (net of advances of Rs. 49 crores)

8. Bank Guarantees

Guarantees given by bank amounting to Rs. 200,000 (Previous year Rs. Nil) on behalf of the Company to West Bengal & Uttar Pradesh Sales Tax Department for registration under State and Central sales tax laws.

9. Related Party Disclosures

a. List of related parties

- i. Holding Company*
 - The Tata Power Company Limited
- ii. Company Exercising Significant Influences*
 - Power Grid Corporation of India Limited
- iii Key Management Personnel*
 - Sh. Utpal Dhar - Managing Director
 - Sh. Suresh Sachdev - Executive Director (Projects)
 - Sh. P. K. Jha - Executive Director (Finance)

b. Transactions/balances outstanding with Related Parties

Particulars	Holding Company (Rupees)	Company exercising significant influence (Rupees)	Key Management personnel (Rupees)
i. Equity Contribution received	669,120,000	642,880,000	—
ii. Income during execution of project	1,200	—	—
iii. Survey and transmission development charges paid	18,307,905	58,128,541	—
iv. Expenses reimbursed	8,199,757	2,797,310	—
v. Engineering consultancy	—	74,304,000	—
vi. Remuneration	—	—	24,84,003
vii. Credit Balances Outstanding	24,569,539	87,104	98,296

10. The Tata Power Company Limited, the holding Company, has given a guarantee amounting to Rs. 55 crores (Previous year Rs. Nil) to Power Grid Corporation of India Limited to secure the performance and obligation of the Company under the implementation agreement entered between Power Grid and the Company.

11. Previous year's amounts have been regrouped/reclassified to conform with current year's presentation.

Cash Flow Statement

	Schedule Reference	Year ended 31.3.2004 Rupees	Year ended 31.3.2003 Rupees
A. CASH FLOW FROM INVESTING ACTIVITIES			
Adjustments for movement in working capital :			
(Increase)/Decrease in loans and advances		(2,487,357)	—
Increase/(Decrease) in trade and other payables		48,536,504	13,100
		46,049,147	13,100
Adjustments for depreciation		169,950	—
Direct taxes paid		(445,955)	—
Purchase of fixed assets		(2,438,325)	—
Capital work in progress		(644,180,007)	—
Interest earned		1,374,930	—
Incidental expenditure during construction		(47,712,092)	(13,100)
Cash From/(Used in) Investing Activities :		(647,182,352)	—
B. CASH FLOW FROM FINANCING ACTIVITIES :			
Proceeds from issue of Share Capital		1,312,000,000	—
Interest and finance charges		(93,873,735)	—
Cash From/(Used in) Financing Activities :		1,218,126,265	—
Net Increase/(Decrease) in cash and Cash Equivalents		570,943,913	—
Cash and Cash Equivalents as at 1 April, 2003		500,000	500,000
Cash and Cash Equivalents as at 31 March, 2004	4	571,443,913	500,000

As per our report of even date attached.

For S. B. BILLIMORIA & CO.
Chartered Accountants,

JITENDRA AGARWAL
Partner.

Place : New Delhi
Date : 3rd May, 2004

R. P. SINGH
Chairman.

S. DATTA
CAO and Company Secretary

Place : New Delhi
Date : 3rd May, 2004

UTPAL DHAR
Managing Director

First annual report 2003-2004

Tata Power Trading Company Limited

BOARD OF DIRECTORS

Mr F A Vandrevala *Chairman*

Mr P K Kukde

Mr Amulya Charan

Mr S Mohan Gurunath

Mr N K Gupta *Director & Manager*

Bankers:

Citi Bank
Mumbai Branch
D N Road
Mumbai 400 001

Registered Office:

Carnac Receiving Station
34, Sant Tukaram Road
Carnac Bunder
Mumbai 400 009

Auditors:

S. B. Billimoria & Co.
Chartered Accountants

Directors' Report

To The Members of

Tata Power Trading Company Limited

The Directors hereby present their First Annual Report on the business of the Company and the statement of accounts for the year ended 31st March, 2004.

1. OPERATIONS

The Company has applied to the Central Electricity Regulatory Commission (CERC) for a licence for Inter-State Trading of Electricity within India. The Licence is awaited. The Company will commence operations subsequent to receipt of the Licence.

2. INCREASE IN AUTHORISED CAPITAL

During the period under review the Company increased its Authorised Share Capital from Rs. 1 lakh to Rs. 10 crores.

3. RIGHTS ISSUE

During the year the Company made a rights issue of 19,90,000 equity shares in the ratio 199:1 for cash at par (face value Rs. 10/-) aggregating to Rs. 1.99 crores.

4. DIRECTORS

In accordance with the Companies Act, 1956 Mr. F. A. Vandrevala, Mr. P. K. Kukde, Mr. Amulya Charan and Mr. S. M. Gurunath being the First Directors named in the Articles of Association hold office only upto the Annual General Meeting. The Company has received notices from members proposing their appointment as Directors.

The Board of Directors appointed Mr. N. K. Gupta as an Additional Director of the Company with effect from May 1, 2004. A notice has been received from a Member proposing Mr. N. K. Gupta's appointment as a Director. The Board has also approved the appointment of Mr. N. K. Gupta as Manager of the Company with effect from May 1, 2004. His appointment and the terms of his agreement require approval of the Members at the ensuing Annual General Meeting.

5. AUDITORS

Members are requested to appoint Auditors for the current year and to fix their remuneration M/s. S. B. Billimoria and Co. Chartered Accountants, the existing Auditors, have under Section 224 (1) of the Companies Act, 1956, indicated their eligibility for re-appointment.

6. PARTICULARS OF EMPLOYEES

The Company had no employees of the category specified under Section 217 (2A) of the Companies Act, 1956.

7. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The provisions of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 pertaining to conservation of energy, technology absorption and foreign exchange earnings and outgo are not applicable to the Company.

8. 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 :

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;
- (ii) they have, in the selection of the accounting policies consulted the Statutory Auditors and have applied them consistently and made judgements 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 period;
- (iii) they have taken proper and sufficient care, to the best of their knowledge and ability for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safe guarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (iv) they have prepared the annual accounts on a going concern basis.

On behalf of the Board of Directors

F. A. Vandrevala
Chairman

Place : Mumbai

Dated : 17th May, 2004.

Auditors' Report

To the members of TATA POWER TRADING COMPANY LIMITED

1. We have audited the attached Balance Sheet of **TATA POWER TRADING COMPANY LIMITED** as at 31st March, 2004. Since the Company has not started its operation, no Profit and Loss Account has been prepared. This Balance Sheet is the responsibility of the Company's Management. Our responsibility is to express an opinion on the same based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by the 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 in terms of Section 227(4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraph 4 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3, we report as follows:
 - (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 dealt with by this report is in agreement with the books of account;
 - (d) in our opinion, the Balance Sheet dealt with by this report is in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
 - (e) in our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet gives the information required by the Companies Act, 1956 in the manner so required and gives a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Company as at 31st March, 2004.
5. On the basis of the written representations obtained from Directors as at 31st March, 2004 and taken on record by the Board of Directors, we report that none of the directors is disqualified as at 31st March, 2004 from being appointed as a Director in terms of Section 274(1)(g) of the Companies Act, 1956.

For **S. B. BILLIMORIA & CO.**
Chartered Accountants

UDAYAN SEN
Partner
Membership No: 31220

Place : Mumbai
Date: 17th May, 2004.

Annexure to the Auditors' Report

(Referred to in paragraph 3 of our report of even date)

- (i) The nature of the Company's business/activities during the year is such that clauses (i), (ii), (iii), (iv), (vi), (vii), (viii), (ix), (x), (xi), (xii), (xiii), (xiv), (xv), (xvi), (xvii), (xviii), (xix) and (xx) of the Order are not applicable.
- (ii) In respect of transactions entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956 :
 - (a) To the best of our knowledge and belief and according to the information and explanations given to us, the transactions that required to be entered in the Register have been so entered.
 - (b) According to the information and explanations given to us, where each of such transactions is in excess of Rs.500,000 in respect of any party, the transactions have been made at prices which are prima facie reasonable having regard to the prevailing market prices at which similar transactions were entered into.
- (iii) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the period.

For **S. B. BILLIMORIA & CO.**
Chartered Accountants

UDAYAN SEN
Partner
Membership No:31220

Place : Mumbai
Date: 17th May, 2004.

Balance Sheet as at 31st March, 2004

	Schedule No.	Rupees	Rupees
FUNDS EMPLOYED			
1. Share Capital	A		20,000,000
			<u>20,000,000</u>
APPLICATION OF FUNDS			
2. Current Assets, Loans and Advances	B	20,000,000	
3. Less : Current Liabilities and Provisions	C	<u>1,601,659</u>	
4. Net Current Assets			18,398,341
5. Miscellaneous Expenditure	D		<u>1,601,659</u>
6. Notes	E		<u>20,000,000</u>

As per our report attached
For S. B. BILLIMORIA & CO.
Chartered Accountants,
UDAYAN SEN
Partner.

Place : Mumbai
Date : 17 May, 2004

N.K. GUPTA
Director & Manager

For and on behalf of the Board
F. A. VANDREVALA
P. K. KUKDE
AMULYA CHARAN
S. MOHAN GURUNATH
Directors

Place : Mumbai
Date : 17 May, 2004

Schedules forming part of the Balance Sheet

A. SHARE CAPITAL

Authorised Capital:

10,000,000 Equity Shares of Rs. 10 each

Issued, Subscribed and Paid up:

2,000,000 Equity Shares of Rs. 10 each

(The Company is a wholly owned subsidiary of Tata Power Company Limited)

B. CURRENT ASSETS, LOANS AND ADVANCES

(a) Current Assets:

Current Account with Scheduled Bank

C. CURRENT LIABILITIES AND PROVISIONS

Sundry Creditors

D. MISCELLANEOUS EXPENDITURE

Preliminary Expenses

Rupees
10,000,000
20,000,000
20,000,000
20,000,000
1,601,659
1,601,659
1,601,659
1,601,659

NOTES FORMING PART OF THE ACCOUNTS

SCHEDULE 'E'

1. The Company was incorporated as a private limited company on 31st December, 2003 and on 16th February, 2004, became a public limited company. The Company was set up as a subsidiary of Tata Power Company Limited, to carry out trading of electricity within India.

2. Significant Accounting Policies:

(a) **Basis of Accounting:**

The Financial Statements are prepared under historical cost convention, on accrual basis, and are in accordance with requirements of the Companies Act, 1956, and comply with the Accounting Standards referred to in sub-section (3c) of Section 211 of the said Act.

(b) **Preliminary Expenses:**

Preliminary Expenses are written off over a period of five years after commencement of business.

3. Related Party Disclosures:

Details of transactions with Tata Power Company Limited (Holding Company) :

Description	Current Year (Rupees)
Sundry Creditors (balance)	15,85,459

Schedules forming part of the Balance Sheet**4. Details of Auditors' Remuneration:**

Description	Current Period (Rupees)
Audit Fees	15,000
Service Tax on the above	1,200
Total	16,200

5. This being the first period of operations of the Company, there are no corresponding figures for the previous period.

As per our report attached
For **S. B. BILLIMORIA & CO.**
Chartered Accountants,
UDAYAN SEN
Partner.

Place : Mumbai
Date : 17th May, 2004

For and on behalf of the Board
F. A. VANDREVALA
P. K. KUKDE
AMULYA CHARAN
S. MOHAN GURUNATH
Directors

Place : Mumbai
Date : 17th May, 2004

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No.
 Balance Sheet Date
Date
Month
Year
State Code

II. Capital raised during the year

(Amount in Rupees Thousands)

Public Issue

Bonus Shares

Rights Issue

Private Placement

III. Position of Mobilisation and Deployment of Funds

(Amount in Rupees Thousands)

Total Liabilities

Sources of Funds :

Paid-up Capital

Secured Loans

Application of Funds :

Net Fixed Assets

Net Current Assets

Accumulated Losses

Total Assets

Reserves & Surplus

Unsecured Loans

Investments

Miscellaneous Expenditure

Deferred Tax (Net)

IV. Performance of the Company

(Amount in Rupees Thousands)

Turnover (Gross Revenue)

(+ / -) Profit/Loss before Tax

Earnings per Shares (Weighted Average)

Total Expenditure

(+ / -) Profit/Loss after Tax

Dividend Rate %

V. Generic Names of Three Principal Products/Services of Company (as per Monetary terms)

Not Applicable.

TATA POWER

The Tata Power Company Limited

Regd. Office : Bombay House, 24, Homi Mody Street, Mumbai 400 001.

Attendance Slip

Shareholders attending the Meeting in person or by Proxy are requested to complete the attendance slip and hand it over at the entrance of the meeting hall.

I hereby record my presence at the EIGHTY-FIFTH ANNUAL GENERAL MEETING of the Company at Nehru Centre Auditorium, Discovery of India Building, Dr. Annie Besant Road, Worli, Mumbai - 400 018, at 3.00 p.m. on Tuesday, the 29th June, 2004.

.....
Full name of the Shareholder
(in block capitals) Signature
Folio No. : / DP ID No.* & Client ID No.*
* Applicable for members holding shares in electronic form.

.....
Full name of Proxy
(in block capitals) Signature

NOTE : Shareholder/Proxyholder desiring to attend the meeting should bring his copy of the Annual Report for reference at the meeting.

TATA POWER

The Tata Power Company Limited

Regd. Office : Bombay House, 24, Homi Mody Street, Mumbai 400 001.

Proxy

I/We
of in the district of being
a Member/Members of the above named Company, hereby appoint of
..... in the district of or failing him
..... of in the district of
..... as my/our Proxy to attend and vote for me/us and on my/our
behalf at the EIGHTY-FIFTH ANNUAL GENERAL MEETING of the Company, to be held on Tuesday, 29th June, 2004 and at any adjournment
thereof.

Signed this day of 2004.

Folio No. : / DP ID No.* & Client ID No.*
* Applicable for members holding shares in electronic form.

No. of Shares

Signature _____
Affix
15 Paise
Revenue
Stamp

This form is to be used @ in favour of _____ the resolution. Unless otherwise instructed, the proxy will act as he thinks fit.
@ against

@ Strike out whichever is not desired.
NOTES : (i) The proxy must be returned so as to reach the Registered Office of the Company at Bombay House, 24, Homi Mody Street, Mumbai 400 001, not less than FORTY-EIGHT HOURS before the time for holding the aforesaid meeting.
(ii) Those members who have multiple folios with different jointholders may use copies of this Attendance Slip/Proxy.



