

NTPC VIDYUT VYAPAR NIGAM LIMITED

(A wholly owned subsidiary of NTPC Limited)

DIRECTORS' REPORT

To

Dear Members,

Your Directors have pleasure in presenting the Twelfth Annual Report on the working of the Company for the financial year ended on 31st March 2014 together with Audited Financial Statement, Auditors' Report and Review by the Comptroller and Auditor General of India for the reporting period.

FINANCIAL RESULTS

(₹ in Crore)

	2013-14	2012-13
Total Revenue	3532.32	3075.32
Total Expenses	3441.04	3012.28
Profit/(Loss) before exceptional and extraordinary items	91.28	63.04
Exceptional Items	-	(115.82)
Profit/(Loss) before Tax	91.28	(52.78)
Tax expenses	31.04	(17.94)
Profit/(Loss) for the year	60.24	(34.84)

DIVIDEND

During the financial year 2013-14, Directors have not recommended any dividend.

ENERGY TRADING-BUSINESS

In accordance with Central Electricity Regulatory Commission (CERC) notification, your Company is a trading Licensee under Category I (highest category).

During the financial year under review margin from trade of energy was ₹52.47 Crore from trade of 9322 million units including 1997 million units traded under SWAP arrangements and 4390 million units traded under Solar & Thermal Bundled energy, as compared to margin of ₹43.04 Crore from trade of energy of 8382 million units including 1520 million units traded under SWAP arrangements and 1590 million units traded under Solar & Thermal Bundled energy in the financial year 2012-13. The overall volume of energy traded by Company during the financial year 2013-14 has increased by 11.21% over last financial year 2012-13.

BUSINESS INITIATIVES

The Government of India has designated your company as the Nodal Agency for Phase I of Jawaharlal Nehru National Solar Mission (JNNSM) with a mandate for purchase of power from the solar power projects connected to grid at 33 KV and above at tariff regulated by CERC and for sale of such power bundled with the power sourced from NTPC coal power stations to Distribution Utilities under Phase I (2010-2013) of JNNSM which envisages setting up of 1000 MW solar capacity.

Your company had successfully conducted the process of Selection of the Solar Power Developers based on Guidelines issued by the Ministry of New and Renewable Energy.

As on 31st March 2014, a total solar capacity of 548 MW (498 MW of Solar PV and 50 MW of Solar Thermal) has been commissioned and corresponding allocation of NTPC coal power has been made by Ministry of Power. During the Financial Year 2013-14, a total of 4390MUs of bundled power (including 913 MUs of Solar Power) has been supplied by your company to Discoms/Utilities of States of Punjab, Uttar Pradesh, Odisha, West Bengal, Karnataka, Rajasthan, Andhra Pradesh, Tamil Nadu, Maharashtra, Assam and DVC, the power being supplied to all the 5 Electricity Regions of India

Your Company has also been designated as the nodal agency for cross border trading of power with Bangladesh and Bhutan. The Power Purchase Agreement (PPA) for supply of 250 MW power from NTPC stations for 25 years was signed on Feb 28, 2012 between NVVN and Bangladesh Power Development Board (BPDB).

With the setting up of HVDC link between India and Bangladesh, First Cross-Border transfer of power (Testing power of 50 MW to 175 MW) took place from 27th to 30th Sept 2013. Regular power flow to Bangladesh from NTPC's coal stations has started with power capacity of 175 MW from 5th Oct 2013 and power capacity of 250 MW from 4th Dec 2013 during the year.

Your Company has excelled in many fields including expanding customer base, selling captive power, selling power of Independent Power Producers (IPPs), entering into power banking arrangements etc. The customer base of the Company has increased to 100 which include private Discoms and also utilities. The Company has maintained a strong presence in all the five Electricity regions of India.

The business initiative for sale of Fly ash and Cenosphere were started during the year 2005-06. During the financial year 2013-14, 4653424 MT of Fly Ash was sold as compared to 4198471 MT of Fly Ash sold in the Financial Year 2012-13. The Ash sale revenue contributes to Ash Fund constituted in line with MOEF Notification of November 3, 2009. Addition to Ash Fund in 2013-14 was ₹91.30 crore (including an interest of ₹17.01 crore) as compared to ₹107.96 crore (including an interest of ₹19.69 crore) in the financial year 2012-13.

The domestic sale of Cenosphere is being conducted through E-auction portal of MSTC Limited, a public sector company. During the year under review the Company has sold 225 MT of Cenosphere as compared to 240 MT of Cenosphere in the financial year 2012-13.

FIXED DEPOSITS

The Company has not accepted any fixed deposit during the financial year ending 31st March 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis is enclosed at Annexure-1.

AUDITORS' REPORT

The Comptroller and Auditor General of India (C&AG) appointed M/s Aiyar & Co., Chartered Accountants as Statutory Auditors of the Company for the financial year

2013-14. The Auditors have expressed their qualified opinion on the accounts and emphasized on certain issues. The Management replies to the auditor's qualifications/ observations are as under:

Auditor's qualifications/ observations No.1

The company contends that, since the Fly Ash Utilization Fund does not belong to the company, the interest income earned on Fly Ash Utilization Fund being an accretion to the said fund also belongs to the fund.

The company, however, has accounted for interest income on Fly Ash Utilization Fund as its income under other Income in the Statement of Profit & Loss. The company thereafter transferred the said interest income (net of tax) to the Fly Ash Utilization Fund through appropriation out of the surplus in the Statement of Profit and Loss. [Refer Note No. 3 (a) & 4(b)].

In our opinion the interest income on Fly Ash Utilization Fund ab-initio does not belong to the company and accounting for such income in the Statement of Profit & Loss has resulted in profit after tax for the year being overstated to the extent of ₹17,01,18,786 being interest earned on Fly Ash Utilization Fund (net of tax) with consequent effect on Provision for taxation overstated by ₹5,40,18,706, MAT credit entitlement understated by ₹3,35,79,196, Fly Ash Utilization Fund understated by ₹8,75,97,902 & Tax deducted at source overstated by ₹2,57,71,669.

Management reply

Gazette notification No. 1799 dated 03.11.2009 of Ministry of Environment & Forest (MoEF), Government of India (GoI) states that the amount collected from sale of fly ash and fly ash based products should be kept in a separate account head and shall be utilized only for the development of infrastructure or facility, promotion and facilitation activities for use of fly ash until 100 percent fly ash utilisation level achieved. The said notification does not specify regarding the account of any accretions (in the form of interest) to the amounts so collected from sale of fly ash. The company has taken up the matter with MoEF for clarifications and a reply is awaited.

In the absence of any clarification from MoEF, on the advice of an Independent Tax Consultant, the company has accounted the interest income on the ash utilisation fund to avoid any penal or other consequences.

Auditor's qualifications/ observations No.2

In our opinion since the Fly Ash Utilization Fund has been created vide notification dated 3rd November, 2009 by the Ministry of Environment & Forests (MoEF)-Govt. of India and NVVN is only administering the fund it is incumbent that the policy guidelines as framed by NTPC/NVVN dated 25th March 2014 be approved/ confirmed by the said Ministry. [Refer Note 4(c)]

Management reply

As per the MoEF notification, the amounts collected from sale of fly ash can be utilized only for the development of infrastructure or facility, promotion and facilitation activities for use of fly ash. The said notification does not mention any requirement to obtain prior consent/approval of MoEF/GoI for guidelines on utilisation of fly ash fund. Further, an opinion of an Independent Legal Counsel was also sought on the requirement of approval from the administrative ministry (MoEF) and it was opined that it does not require any approval from MoEF.

The policy guidelines formulated in this regards by NTPC Limited have been adopted by the Board of the Company.

Auditor's qualifications/ observations No.3

The amount collected from the sale of fly ash/ fly ash products and amount realized from encashment of bank guarantees are not considered as income of the company and amount is held by the NVVN in the Fly Ash Utilization Fund/Retention on Account BG Encashment (Solar) and as such no provision for taxation has been made on said fund/retention account. We have however, not been produced any general or specific exemption on the taxability of these fund/retention account and impact it may have, on NVVN on the balances shown under the respective heads in the accounts. [Refer Note 4 (e) & 8 (e)].

Management reply

As per Gazette Notification amendment dated 03.11.2009 of MoEF, the company, being 100% subsidiary of NTPC Limited, is permitted for sale of fly ash and the amount collected from sale of fly ash and fly ash based products shall be kept in a separate account head and shall be utilized only for the development of infrastructure or facility, promotion and facilitation activities for use of fly ash until 100 percent fly ash utilisation level is achieved; thereafter as long as 100% fly ash utilisation level is maintained, the thermal power station would be free to utilize the amount collected for the other development programmes also.

Therefore, the amounts collected from sale of fly ash are being kept in a separate account by NVVN known as Fly Ash Utilisation Fund. Since the said notification is silent on the taxability to the amounts collected through sale of fly ash, NVVN sought an opinion from Independent Tax Consultant. The consultant opined that "there is a transfer of sale proceeds (income) by overriding effect because the sale proceeds do not belong to the company since it has to be used for specified purposes. The amounts collected shall be a liability being collected as a trustee and there will be no tax liability." Accordingly, all receipts from the sale of fly ash are held separately since date of applicability of the notification i.e. w.e.f. 3rd Nov 2009.

As per the directions received from Ministry of New and Renewable Energy (MNRE) and clarifications thereafter, it is stated that the amount received from encashment of Bank Guarantees (BG's) is to be kept separately in maximum interest bearing accounts. Further this money is not to be treated as income of NVVN. The matter related to the taxability of the above receipts was also referred to the Independent Tax Consultant and as per his opinion, the amounts received from the encashment of BG's will not be liable for tax in the hands of the company in view of the letter/ clarifications issued by MNRE.

Auditor's qualifications/ observations No.4

The Gross interest accrued on Retention on Account BG encashment (solar) is credited to the said account, however the company has considered the Tax deducted at source on such interest as TDS of the company, thereby overstating the tax deducted at source to the extent of ₹62,74,891 [Refer Note No. 8 (b)].

The net impact of para 1 to 4 above has resulted in profit after tax for the year overstated by ₹17,01,18,786, Long term loans & advances understated by ₹5,40,18,706, Short term loans & advances understated by ₹3,35,79,196 and Fly Ash Utilization Fund understated by ₹8,75,97,902.

Management reply

The interest on amounts received from the encashment of BG's is not liable for tax in the hands of company in view of the letter/ clarifications issued by MNRE. However, since the tax deduction at source is being made by the banks in the name of the company, the gross interest accrued on this BG retention account has been shown as income and the same is transferred to Solar BG Retention A/c by deducting from the said income, so that company becomes entitled to claim the TDS as its advance tax paid.

The above is supported by the opinion of an Independent Tax Consultant.

Emphasis of matter

The auditors have also supplied emphasis to note no. 4(c) regarding utilisation from Fly Ash Utilisation Fund and note no. 22(c) regarding disclosure of employee benefits as per AS-15. The issues have been adequately explained in the relevant notes to the accounts.

REVIEW OF ACCOUNTS BY THE COMPTROLLER & AUDITOR GENERAL OF INDIA

The Comptroller and Auditor General of India, through letter dated 22nd July 2014 has given 'NIL' comments on the Financial Statements of your company for the year ended 31st March 2014 under section 619(4) of the companies Act, 1956. As advised by the office of the Comptroller and Auditor General of India (C&AG), the comments of C&AG for the year 2013-14 are being placed with the report of Statutory Auditors of your company elsewhere in this Annual Report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING AND OUTGO

There are no significant particulars, relating to conservation of energy, technology absorption under the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, as your Company does not own any manufacturing facility.

During the financial year under review the Company has earned ₹211.85 crore in foreign currency as compared to ₹ nil foreign currency earned during the financial year 2012-13. An expenditure of ₹0.08 crore in foreign currency has been incurred mainly towards travelling of employees and other payments/ reimbursements during the financial year under review as compared to ₹0.02 crore expenses incurred towards travelling of employees during the financial year 2012-13.

PARTICULARS OF EMPLOYEES

As per Notification No. GSR 289(E) dated 31 March, 2011 issued by the Ministry of Corporate Affairs, amending the provisions of the Companies (Particulars of Employees) Rules, 1975, it is not necessary for the Company being a Government company to include the particulars of employees drawing salaries of ₹60 lakh or more per annum, employed throughout the financial year or ₹5 lakh per month, if employed for part of the financial year. However, such particulars shall be made available to the shareholders on a specific request made by them during the course of this Annual General Meeting.

AUDIT COMMITTEE

As per the provisions of Section 292A of the Companies Act, 1956, your Company has an Audit Committee of the Board comprising of Shri I.J. Kapoor, Shri K. Biswal and Shri N.N. Misra, Directors of the Company. Three meetings of the Audit Committee were held during the financial year 2013-14. The senior-most Director on the Audit Committee Chaired the meeting and quorum is of two Directors.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217 (2AA) of the Companies Act, 1956, your Directors confirm that:

- in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2013-14 and of the profit of the company for that period;
- 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;
- the Directors had prepared the annual accounts on a going concern basis.

BOARD OF DIRECTORS

During the financial year under review Shri A.K. Singhal, (DIN: 00011085), consequent upon resignation from services of NTPC Limited, has tendered his resignation and accordingly ceased to be Director of the Company w.e.f. October 8, 2013 (A/N). The Board of Directors, consequent upon nomination received from NTPC Limited, appointed Shri Sudhir Arya, (DIN: 05135780) Executive Director (Finance), NTPC Limited as an Additional Director of the Company. Subsequently, NTPC Limited nominated Shri Kulamani Biswal, (DIN: 03318539) Director (Finance), NTPC Limited in place of Shri Sudhir Arya w.e.f. June 17, 2014. NTPC Limited also nominated Mrs. A. Sathyabhama, (DIN: 06904946) on the Board of the Company. The Board of Directors accordingly appointed Shri Kulamani Biswal and Mrs. A. Sathyabhama as Additional Directors who holds office up to the date of this Annual General Meeting and are eligible for appointment. The Company has received a requisite notice in writing from NTPC Limited, proposing their candidature for the office of Director liable to retire by rotation.

In accordance with the provisions of Companies Act, 2013, Shri N.N. Misra, Director (DIN: 00575501) shall retire by rotation at this Annual General Meeting of your Company and, being eligible, offers himself for reappointment.

ACKNOWLEDGMENT

The Board of Directors wish to place on record their appreciation for the support and co-operation extended by NTPC Limited, the Central Electricity Regulatory Commission, the valued customers of the Company, various State Electricity Boards, Statutory Auditors, Office of the Comptroller and Auditor General of India and the Bankers of the Company.

For and on behalf of the Board of Directors

(Dr. ARUP ROY CHOUDHURY)

CHAIRMAN

DIN: 00659908

Place : New Delhi

Date : July 23, 2014

Annexure-I
MANAGEMENT DISCUSSION AND ANALYSIS
INDUSTRY STRUCTURE AND DEVELOPMENTS

Trading is an essential tool for optimisation of resources and plays an important role in the current market scenario of deficit power as it enables the state utilities to fully utilise the existing and captive sources of generation. The quantum of power being traded in short term has been increasing over the years along with declining trend of prices. With the Electricity Act 2003, recognising Trading as a distinct activity, Trading of Electricity has been growing since then. The multi-buyer and multi-seller market model has helped in the growth of trading business with increasing number of trading licensees.

Short term Trading is also essential for balancing the demand with supply besides meeting the contingency demand of States.

The grant of Trading License for Inter-state trading is governed by CERC Regulations, 2009 including its Amendment issued from time to time.

CERC has fixed a ceiling trading margin for short term trade at 7 paise per kWh in case the sale price is exceeding ₹3 per kWh and 4 paise per kWh where sale price is less than or equal to ₹3 per kWh. However, Transactions through power swapping/ banking are out of purview of the CERC Regulations for Short Term Trading.

During the last four years, 65 traders have obtained licenses for serving the needs of the various clients, out of which 22 nos. of licensees have been surrendered/ cancelled. The traders are issued license under categories I, II or III depending on the volume of units proposed to be traded and net worth. During 2013-14 out of the electricity generation of approximately 963 billion units, approximately 83 billion units were traded, representing 8.62% of trading to total generation.

Structure of Power Market in India*

(i)	Long -Term (89.1%)	858 BU
(ii)	Power Trading (8.6%)	83 BU
(iii)	Balancing Market (UI)(2.2%)	22BU
	Total	963BU

The trading of Power in India*

(i)	Bilateral Trading	36 BU
(ii)	Bilateral Direct	17 BU
(iii)	Through Power Exchange	30 BU
	Total	83 BU

*Source: CERC (2013-14)

STRENGTH AND WEAKNESS

Your Company's strength lies in its association with strong promoter viz. NTPC Limited having formidable network, established rapport, credibility with potential buyers & sellers and backed with professional manpower from NTPC.

Your Company is exposed to credit risk due to buyer's inability to make timely payments without any strong payment security mechanism in place.

OPPORTUNITIES AND THREATS

Ministry of Power, Government of India plans to enhance the existing inter regional power transfer capacity of 40050 MW to 72250 MW by end of 12th Plan period. This would provide considerable opportunities for enhancement of trading volumes. Many Independent Power Producers are setting up generation capacities reserved as merchant capacity for sale in the market. This will provide opportunity to the Company for capturing such merchant capacity for trading.

In recent times the number of private traders has increased and they are trading power without proper back-to-back payment security mechanism. In view of the above your company is having the threat of non timely payment by buyers.

OUTLOOK

Your Company has been designated as one of the nodal agencies for cross border trading of power with Bhutan and Bangladesh. The Power Purchase Agreement between NVVN and BPDB for supply of 250 MW power from NTPC stations for 25 years was signed on Feb 28, 2012. The Power supply to Bangladesh has commenced from 5th October 2013. Cross border trading of power from Bhutan is expected to commence from 2016-17 with the commissioning of new projects.

Your Company has also been designated as nodal agency for buying power from solar power developers in India and selling to distribution utilities after bundling with unallocated capacity from NTPC power stations. The business of selling bundled power to Discoms have commenced from FY 2011-12.

Your Company is also selling fly ash from NTPC plant at Dadri, Unchahar Kahalgao, Ramagundam, Farakka and Badarpur.

RISKS AND CONCERNS

The trading margin capped by CERC for electricity trading limits revenues of trading companies. The risk gets further enhanced due to large number of private players offering lower trading margin than the capped trading margin. Your Company continues to focus on increasing its market share in power trading with emphasis on back-to-back arrangements in order to mitigate risks while making endeavors to increase the business.

INTERNAL CONTROL

Your Company has adequate internal control systems and procedures in place commensurate with the size and nature of its business. Your Company has adopted the internal control system of its holding company viz. NTPC Limited. The authorities vested in various levels are exercised within framework of appropriate checks and balances. Effectiveness of all checks and balances and internal control systems is reviewed during internal audit carried out by Internal Audit Department of NTPC Limited. An independent internal audit is also carried out by experienced firm of Chartered Accountants in close co-ordination with departments of the Company and Internal Audit Department of NTPC Limited. The Internal Audit Reports are

regularly reviewed by the Audit Committee of the Board of Directors.

PERFORMANCE DURING THE YEAR

Operations

Your company has been issued license under category "I" which allows trading of 1000 million units and above every year without any upper limit.

The details of the energy traded by the Company are as follows:

	Fiscal 2014	Fiscal 2013
Trading of energy	Million units	
Power	3635	5272
Solar Bundled Power	4390	1590
Power SWAP Arrangements	1297	1520
Total	9322	8382

During the Financial Year 2013-14, your company traded 9322 million units of power, which includes 4390 MUs of bundled solar power under Jawaharlal Nehru National Solar Mission. The overall volume of power traded by Company has increased by 11.21% over last year.

In the past three years your company has developed a good customer base and has served over 100 customers including State Government/Private Power Utilities, Captive Power Generators etc. in all five regions in the country.

In addition to energy trading, your Company is also trading fly ash and cenosphere. The details of the fly ash and cenosphere traded by the Company are as follows:

	Fiscal 2014	Fiscal 2013
	Metric Ton	
Fly ash	4653424	4198471
Cenosphere	225	240

Financial Performance

The main revenue of your Company has been realized by trading of energy of 9322 million units contributing to 98% of total revenue.

	2013-14		2012-13	
Sales				
Bilateral energy	1447.32		2244.49	
Solar & Thermal Bundled Energy	1989.22		756.47	
Energy under SWAP Arrangements	4.99	3441.53	5.78	3006.74
Other operating income		34.18		36.22
Fly Ash and Cenosphere	122.55		108.86	
Less: Transfer to Fly Ash Utilization Fund	122.55	-	108.86	
Other income		56.61		32.36
Total		3532.32		3075.32

The Ministry of Environment and Forest, Government of India, through its notification dated November 3, 2009, directed that the amount collected from sale of fly ash and fly ash based products should be kept in a separate account head and shall be utilized only for development of infrastructure or facilities, promotion and facilitation activities for use of fly ash until 100% fly ash utilization level is achieved; thereafter as long as 100% fly ash utilization levels are maintained, the thermal power station would be free to utilize the amount collected for other development programmes also and in case, there is a reduction in the fly ash utilization levels in the subsequent year(s), the use of financial return from fly ash shall get restricted to development of infrastructure or facilities and promotion or facilitation activities for fly ash utilization until 100% fly ash utilization level is again achieved and maintained.

The amount transferred during the current financial year to the fly ash utilization fund net of amounts utilized as per the above notification is of ₹74.29 Crore as compared to ₹88.27 Crore transferred during the previous financial year.

The Total operating expenses of the Company are as follows:-

	2013-14		2012-13	
Purchase of energy	3389.06		2963.70	
Rebate on energy sale	28.97		36.40	
Employee benefits expense	8.59		7.98	
Administration & other expenses	14.31		4.15	
Total operating expenses		3440.93		3012.23

Due to notification by the Ministry of Environment and Forest, Government of India, the operating expenses of fly ash business during 2013-14 have been met out of the Fly Ash Utilization Fund, hence not included in operating expenses.

The total expenses including operating expenses of the Company are as follows:-

	2013-14		2012-13	
Total operating expenses	3440.93		3012.23	
Finance cost	0.04		-	
Depreciation & amortization expense	0.07		0.05	
Total expenses including operating expenses		3441.04		3012.28

The depreciation cost as compared to total expense is negligible since the fixed assets in the company are represented by furniture and fixtures, EDP machines etc. and the Gross Block was of the order of ₹0.92 Crore as on 31.3.2014.

(₹ in Crore)

	2013-14	2012-13
Profit/(Loss) before exceptional and extraordinary items & tax	91.28	63.04
Exceptional items	-	(115.82)
Profit/(Loss) before tax	91.28	(52.78)

During the financial year under review the Company does not have any Exceptional item as compared to recognition of loss, in the previous year, of ₹115.82 Crore under the head "Exceptional Items", as per the directions received from the Ministry of New and Renewable Energy (MNRE) and clarifications sought thereafter.

(₹ in Crore)

	2013-14	2012-13
Profit/(Loss) before tax	91.28	(52.78)
Tax expenses	31.04	(17.94)
Profit/(Loss) for the year	60.24	(34.84)

Dividend

During the financial year 2013-14, Directors have not recommended any dividend.

Reserves & Surplus

During the financial year 2013-14, a sum of ₹9 Crore have been added to General Reserve as compared to ₹19.69 Crore transferred in the previous year from Reserves & Surplus to Fly Ash Utilization Fund.

Current Assets

The current assets at the end of the financial year 2013-14 were ₹1194.19 Crore as compared to ₹935.60 Crore in financial year 2012-13 registering an increase of 27.64%.

(₹ in Crore)

	31.03.2014	31.03.2013
Inventories	0.01	0.01
Trade receivables	268.28	158.36
Cash and Bank balances	637.60	523.03
Short term loan and advances	7.80	2.92
Other current assets	280.50	251.28
Total Current Assets	1194.19	935.60

The increase was mainly on account of increase in trade receivables and cash and bank balance. During the financial year under review, trade receivables has increased to ₹268.28 Crore from ₹158.36 Crore. The major amount of receivables has now been recovered from various buyers and balance amount would be realized soon. The Cash and Bank Balance has increased to ₹637.60 Crore from ₹523.03 Crore due to increase in CLTDs/FD and the Other Current assets has increased to ₹280.50 Crore from ₹251.28 Crore mainly due to increase in unbilled revenue.

Current Liabilities

During the financial year 2013-14, Current Liabilities have increased to ₹710.89 Crore as compared to ₹603.94 Crore in the financial year 2012-13, mainly on account of increase in other current liabilities.

(₹ in Crore)

	31.03.2014	31.03.2013
Trade payables	477.11	438.38
Other current liabilities	233.78	165.56
Total Current Liabilities	710.89	603.94

Cash Flow Statement

(₹ in Crore)

	31.03.2014	31.03.2013
Opening cash and cash equivalents	523.03	339.55
Net cash from operating activities	82.67	186.92
Net cash from investing activities	31.90	19.80
Net cash flow from financing activities	-	(23.24)
Net change in cash and cash equivalents	114.57	183.48
Closing cash and cash equivalents	637.60	523.03

The closing cash and cash equivalent for the financial year ended March 31, 2014 has increased by ₹1.90% from ₹523.03 Crore in the previous year to ₹637.60 Crore in the current year.

Financial Indicators

The various performance indicators for the financial year 2013-14 as compared to financial year 2012-13 are as under:-

(₹ in Crore)

Description	2013-14	2012-13
A i) Capital employed	186.28	143.06
ii) Net worth	186.28	143.06
B i) Return on Capital Employed (PBT/CE)	49%	(37%)
ii) Return on net worth (PAT/NW)	32%	(24%)
C Dividend as % of Equity Capital	-	-
D Earning per share in ₹ (EPS) before exceptional item	30.12	21.30
E Earning per share in ₹ (EPS) after exceptional item	30.12	(17.42)

The capital employed as well as net worth has increased due to addition of profit earned during the current financial year and such increase has also resulted increase in Return on Capital Employed, Return on Net Worth and EPS of the Company.

Human Resources

As on 31st March 2014, there were 53 employees posted on secondment basis from holding company viz. NTPC Limited. To achieve the ambitious growth targets, the company has drawn professional manpower from NTPC who have rich experience in dealing in various technical, financial and commercial issues. Continual training and up-gradation of skills of employees is ensured through mandatory training every year.

Corporate Social Responsibility

Your company is presently collaborating and contributing through NTPC CSR, which is following global practice of addressing CSR issues in an integrated multi stakeholder approach covering environmental and social aspects. During the financial year 2013-14, a total expenditure of ₹10.33 crore was incurred towards Corporate Social Responsibility.

CAUTIONARY STATEMENT

Statements in the Management Discussion and Analysis describes the Company's objectives, projections, estimates, expectations may be "forward-looking statements" within the meaning of applicable laws and regulations. Actual results

may vary materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting demand/supply and price conditions in the markets in which the Company operates, changes in Government regulations & policies, tax laws and other statutes and incidental factors.

For and on behalf of the Board of Directors

(Dr. ARUP ROY CHOUDHURY)

CHAIRMAN

DIN: 00659908

Place: New Delhi

Date: July 23, 2014

**NTPC VIDYUT VYAPAR NIGAM LIMITED
BALANCE SHEET AS AT**

Particulars	Note	31.03.2014	31.03.2013
(Amount in ₹)			
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2	200,000,000	200,000,000
Reserves and surplus	3	1,662,832,414	1,230,591,152
		1,862,832,414	1,430,591,152
Fly Ash Utilization Fund	4	3,262,301,631	2,349,334,677
Non-current liabilities			
Deferred tax liability (net)	5	463,641	-
Other Long-term liabilities	6	9,857,306	9,906,036
		10,320,947	9,906,036
Current liabilities			
Trade payables	7	4,771,151,370	4,383,807,302
Other current liabilities	8	2,337,765,785	1,655,595,363
Short-term provisions	9	-	-
		7,108,917,155	6,039,402,665
TOTAL		12,244,372,147	9,829,234,530
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	10	4,375,144	4,207,524
Intangible assets	10	8,400	14,700
Capital work in progress	11	340,811	-
Deferred tax assets (net)	5	-	179,268,996
Long-term loans and advances	12	297,723,497	289,761,188
		302,447,852	473,252,408
Current assets			
Inventories	13	111,244	134,246
Trade receivables	14	2,682,838,753	1,583,544,255
Cash and bank balances	15	6,376,004,726	5,230,290,672
Short-term loans and advances	16	78,011,339	29,205,705
Other current assets	17	2,804,958,233	2,512,807,244
		11,941,924,295	9,355,982,122
TOTAL		12,244,372,147	9,829,234,530

Significant accounting policies 1

The accompanying notes form an integral part of these financial statements.

For and on behalf of Board of Directors

(Nitin Mehra) (N.K.Sharma) (K. Biswal) (Dr. Arup Roy Choudhury)
Company Secretary Chief Executive Officer Director Chairman

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

For Aiyar & Co.

Chartered Accountants
Firm Registration No.001174N

(C. Chuttani)

Partner
M.No.90723

Place : New Delhi

Dated : 17 June, 2014

**NTPC VIDYUT VYAPAR NIGAM LIMITED
STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED**

Particulars	Note	31.03.2014	31.03.2013
(Amount in ₹)			
Revenue from operations	18	34,757,159,048	30,429,610,119
Other income	19	566,088,263	323,571,108
Total Revenue		35,323,247,311	30,753,181,227
Expenses			
Purchase of energy	20	33,890,629,901	29,637,035,567
Rebate on energy sale		289,745,050	363,962,495
Cost of fly ash/ash products	21	-	-
Employee benefits expense	22	85,920,961	79,769,148
Finance costs	23	437,750	2,629
Depreciation and amortization expense	10	696,270	573,782
Administration & other expenses	24	143,063,887	41,469,043
Total expenses		34,410,493,819	30,122,812,664
Profit/(Loss) before exceptional and extraordinary items and tax		912,753,492	630,368,563
Exceptional items	25	-	(1,158,216,659)
Profit/(Loss) before extraordinary items and tax		912,753,492	(527,848,096)
Extraordinary Items		-	-
Profit/(Loss) before tax		912,753,492	(527,848,096)
Tax expense:			
Current tax		191,289,024	-
Deferred tax		179,732,637	(179,408,903)
MAT credit entitlement		(60,628,217)	-
Total Tax expense		310,393,444	(179,408,903)
Profit/(Loss) for the year		602,360,048	(348,439,193)
Significant Accounting Policies	1		
Earnings per equity share (Par value of ₹ 10/- each) before Exceptional items			
Basic		30.12	21.30
Diluted		30.12	21.30
Earnings per equity share (Par value of ₹ 10/- each) after Exceptional items			
Basic		30.12	(17.42)
Diluted		30.12	(17.42)

The accompanying notes form an integral part of these financial statements.

For and on behalf of Board of Directors

(Nitin Mehra) (N.K.Sharma) (K. Biswal) (Dr. Arup Roy Choudhury)
Company Secretary Chief Executive Officer Director Chairman

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

For Aiyar & Co.

Chartered Accountants
Firm Registration No.001174N

(C. Chuttani)

Partner
M.No.90723

Place : New Delhi

Dated : 17 June, 2014

**NTPC VIDYUT VYAPAR NIGAM LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED**

 (Amount in ₹)
31.03.2014 **31.03.2013**

A. CASH FLOW FROM OPERATING ACTIVITIES		
Net profit/(loss) before tax	912,753,492	(527,848,096)
Adjustment for:		
Depreciation	696,270	573,782
Interest Charges	437,750	2,629
Interest income	(408,628,689)	(303,520,421)
Profit on disposal of fixed asset	(405)	-
Loss on disposal of fixed asset	85,789	-
Increase in Fly Ash Utilization Fund	742,848,168	882,637,126
	335,438,883	579,693,116
Operating Profit before Working Capital Changes	1,248,192,375	51,845,020
Adjustment for:		
Trade and other receivables	(1,348,995,767)	(735,043,233)
Inventories	23,002	18,489
Trade payable and other liabilities	1,069,465,760	2,612,020,663
Loans and advances	10,134,793	251,262,295
	(269,372,212)	2,128,258,214
Cash generated from operations	978,820,163	2,180,103,234
Direct taxes paid	(152,153,447)	(310,853,283)
Net Cash from Operating Activities-A	826,666,716	1,869,249,951
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(1,329,665)	(2,352,927)
Disposal of fixed assets	45,880	28,776
Interest on Investments Received	367,866,759	240,176,092
Income Tax on Interest on Investments	(47,534,877)	(39,847,596)
Net Cash used in Investing Activities -B	319,048,097	198,004,345
C. CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid	-	(200,000,000)
Tax on dividend	-	(32,445,000)
Interest Paid	(759)	(2,629)
Net Cash flow from Financing Activities-C	(759)	(232,447,629)
Net Increase/(Decrease) in Cash and Cash equivalents (A+B+C)	1,145,714,054	1,834,806,667
Cash and Cash equivalents (Opening balance) *	5,230,290,672	3,395,484,005
Cash and Cash equivalents (Closing balance)*	6,376,004,726	5,230,290,672

NOTES 1. Cash and Cash Equivalents consist of Cash in Hand & Balance with Banks.
2. Previous year figures have been regrouped/rearranged wherever necessary.

*Includes ₹ 25000/- (Previous year ₹ 25000/-) deposited as security with Sales Tax Authority which is not available for use.

For and on behalf of Board of Directors

(Nitn Mehra)	(N.K.Sharma)	(K. Biswal)	(Dr. Arup Roy Choudhury)
Company Secretary	Chief Executive Officer	Director	Chairman

This is the cash flow statement referred to in our report of even date

For Aiyar & Co.

Chartered Accountants
Firm Registration No.001174N

(C. Chuttani)

Partner
M.No.90723

Place : New Delhi
Dated : 17 June, 2014

Notes to the financial statement for the year ended 31st March 2014
1. Significant accounting policies
A. Basis of preparation

The financial statements are prepared on accrual basis of accounting under historical cost convention in accordance with generally accepted accounting principles in India and the relevant provisions of the Companies Act, 2013 (to the extent notified) and the Companies Act, 1956 (to the extent applicable) including accounting standards notified there under.

B. Use of estimates

The preparation of financial statements requires estimates and assumptions that affect the reported amount of assets, liabilities, revenue and expenses during the reporting period. Although such estimates and assumptions are made on a reasonable and prudent basis taking into account all available information, actual results could differ from these estimates & assumptions and such differences are recognized in the period in which the results are crystallized.

C. Fly Ash Utilisation Fund

1. Sale of fly ash/ ash products are accounted for based on rates agreed with the customers. Amounts collected are kept under separate account head "Fly Ash Utilization Fund" in accordance with the gazette notification dated 3rd November 2009 issued by Ministry of Environment and Forests (MoEF), Government of India.
2. Interest earned (net of Income Tax) on "Fly Ash Utilization Fund" is credited to the fund.
3. Expenses incurred by the company/ holding company in relation to utilisation of fly ash are charged to the "Fly Ash Utilization Fund".

D. Fixed Assets

1. Tangible Assets are carried at historical cost less accumulated depreciation.
2. Intangible assets are stated at their cost of acquisition less accumulated amortisation.
3. Fixed Assets acquired out of fly ash utilization fund are directly charged to the fly ash utilization fund.

E. Foreign currency transactions

1. Foreign currency transactions are initially recorded at the rates of exchange ruling at the date of transaction.
2. At the balance sheet date, foreign currency monetary items are reported using the closing rate.

F. Inventories

1. Inventories are valued at the lower of, cost determined on weighted average basis, and net realizable value.
2. The diminution in value of obsolete / unserviceable items is ascertained on review and provided for.

G. Income recognition

1. Sale of energy is accounted for based on the rates agreed with the customers.
2. Interest earned on "Fly Ash utilization fund" is credited to other income.
3. The surcharge on late payment/overdue trade receivables for sale of energy and liquidated damages are recognized when no significant uncertainty as to measurability or collectability exists.

H. Expenditure
a) Depreciation /amortisation

1. Depreciation is charged on straight line method at the rates specified in Schedule XIV of the Companies Act, 1956 except for the following assets, depreciation on which is charged based on their estimated useful life as mentioned below:

a) Personal Computers and Laptops including peripherals	5 Years
b) Photocopiers and Fax Machines	5 Years
c) Air Conditioners, Water coolers and Refrigerators	12 Years

2. Depreciation on additions to/ deductions from fixed assets during the year is charged on pro-rata basis from/up to the month in which the asset is available for use/disposal.

3. Assets costing up to ₹ 5,000/- are fully depreciated in the year of acquisition.
4. Cost of software recognized as intangible asset, is amortized on straight line method over a period of legal right to use or 3 years, whichever is less.

b) Other expenditure

1. Expenses on training & recruitment and research & development are charged to revenue in the year incurred.
2. Prepaid expenses and prior period expenses/income of items of ₹ 1,00,000/- and below are charged to natural heads of accounts.

I. Employee benefits

The contributions in respect of liabilities for employee benefits expense towards leave, provident fund, superannuation and all other benefits in respect of employees posted on secondment basis are accounted for as determined and apportioned by the holding company i.e. NTPC Limited at a fixed percentage as per the stated policy.

J. Operating lease

Assets acquired on lease where a significant portion of the risk and rewards of the ownership are retained by the lessor are classified as operating leases. Lease rentals are charged to revenue.

K. Provision and contingent liabilities

A provision is recognized when the company has a present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation and in respect of which a reliable estimate can be made. Provisions are determined based on management estimate required to settle the obligation at the balance sheet date and are not discounted to present value. Contingent liabilities are disclosed on the basis of judgment of the management/ independent experts. These are reviewed at each balance sheet date and are adjusted to reflect the current management estimate.

L. Cash flow statement

Cash flow statement is prepared in accordance with the indirect method prescribed in Accounting Standard (AS) 3 on 'Cash Flow Statements'.

M. Taxes on Income

Current tax is determined on the basis of taxable income in accordance with the provisions of the Income Tax Act, 1961.

Deferred tax liability/asset resulting from 'timing difference' between accounting income and taxable income is accounted for considering the tax rate & tax laws that have been enacted or substantively enacted as on the reporting date. Deferred tax asset is recognized and carried forward only to the extent that there is reasonable / virtual certainty that the asset will be realized in future. Deferred taxes are reviewed at each reporting date.

Minimum Alternate Tax (MAT) paid in a year is charged to the statement of profit and loss as current tax. The company recognizes MAT credit available as an asset only to the extent there is convincing evidence that company will pay normal income tax during the specified period i.e. the period for which MAT credit is allowed to be carried forward. The company reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent the company does not have convincing evidence that it will pay normal tax during the specified period.

2 SHARE CAPITAL

(Amount in ₹)

As at	31.03.2014	31.03.2013
Equity Share Capital		
Authorised		
2,00,00,000 shares of par value of ₹ 10/- each (Previous year 2,00,00,000 shares of par value of ₹ 10/- each)	200,000,000	200,000,000
Issued, subscribed and fully paid-up		
2,00,00,000 shares of par value of ₹ 10/- each (Previous year 2,00,00,000 shares of par value of ₹ 10/- each)	200,000,000	200,000,000

- a) During the year, the company has not issued/bought back any equity shares.
- b) The holders of the equity shares are entitled to receive dividends as declared from time to time and are entitled to voting rights proportionate to their shareholding at the meetings of its shareholders subject to approval of the shareholders.

- c) All shares are held by the Holding Company i.e. NTPC Limited and its nominees.

d) Details of shareholders holding more than 5% shares in the company:

Particulars	31.03.2014		31.03.2013	
	No. of shares	%age holdings	No. of shares	%age holdings
NTPC Limited and its nominees	20,000,000	100	20,000,000	100

3. RESERVES AND SURPLUS

(Amount in ₹)

As at	31.03.2014	31.03.2013
General Reserve		
As per last financial statements	1,567,938,002	1,764,883,956
Add/(Less) : Transfer from/ to Surplus in the Statement of Profit and Loss	90,000,000	(120,649,969)
(Less) : Transfer to Fly Ash Utilisation Fund (interest) (Note 4)	-	(76,295,985)
Closing balance	1,657,938,002	1,567,938,002
Surplus in the Statement of Profit and Loss		
As per last financial statements	(337,346,850)	11,092,343
Add : Profit/(Loss) after tax for the year from Statement of Profit & Loss	602,360,048	(348,439,193)
(Less)/ Add : Transfer to/from General Reserve	(90,000,000)	120,649,969
(Less) : Transfer to Fly Ash Utilisation Fund (interest) (Note 4)	(170,118,786)	(120,649,969)
Net surplus/(deficit)	4,894,412	(337,346,850)
Total	1,662,832,414	1,230,591,152

- a) During the current year, interest of ₹ **17,01,18,786/-** (net of income tax) (previous year ₹ 19,69,45,954/- net of income tax) on Fly Ash Utilisation Fund has been transferred to the fund (Note 4).

4. FLY ASH UTILIZATION FUND

(Amount in ₹)

As at	31.03.2014	31.03.2013
As per last financial statements	2,349,334,677	1,269,751,597
Add: Transfer from sales (Note 18)	1,225,513,224	1,088,620,403
Transfer from reserve and surplus (Interest) (Note 3)	170,118,786	196,945,954
Less: Utilized during the year		
Capital expenditure (Note 10)	4,915,087	466,999
Cost of fly ash/ash products (Note 21)	28,905,770	23,438,456
Employee benefits expense (Note 22)	57,327,339	69,405,332
Administration & other expenses (Note 24)	51,313,853	55,950,600
Fly ash utilisation expenses incurred by holding company	340,203,007	56,721,890
	482,665,056	205,983,277
Total	3,262,301,631	2,349,334,677

- a) The Company sells fly ash and cenosphere given free of cost by its holding company NTPC Limited. As per the gazette notification dated 3rd November 2009 issued by Ministry of Environment and Forests (MoEF), Government of India, the amounts collected from sale of fly ash and fly ash based products shall be kept in a separate account head and be utilized only for development of infrastructure or facilities, promotion and facilitation activities for use of fly ash until 100% fly ash utilization level is achieved. In compliance with the said notification, the company has created a fly ash utilization fund in its books of accounts to which the entire sale proceeds of fly ash and cenosphere for the year amounting to ₹ **1,22,55,13,224/-** (previous year ₹ 1,08,86,20,403/-) has been transferred.
- b) Further, during current year, interest earned on the fund amounting to ₹ **17,01,18,786/-** (net of income tax) (previous year ₹ 19,69,45,954/-, net of income tax) has been transferred from "Reserve and surplus" (Note 3).
- c) (i) During the current year the holding company framed a policy guideline for utilisation of Ash Fund created from sale of fly ash/ fly ash products, in reference to the above notification dated 03.11.2009, including employee cost and other administrative expenditure incurred at its various coal based generating stations/ offices. These expenses mainly pertain to the development of infrastructure or facilities, promotion and facilitation activities so as to increase the utilisation of fly ash. Therefore, during the current year company has charged an amount of

- ₹ 48,26,65,056/- (previous year ₹20,59,83,277/) to the fund as fly ash utilisation expenses, which includes ₹34,02,03,007/- (previous year ₹5,67,21,890/-) incurred by holding company.
- (ii) Out of ₹ 34,02,03,007/-, the holding company incurred an expenditure towards employee and other related costs of ₹ 15,48,16,093/- (previous year ₹ Nil).
- (iii) The above amount incurred by holding company is netted by ₹ 87,38,760/- collected against sale proceeds at NTPC Farakka.
- d) The indirect expenses incurred by the company amounting to ₹ 6,06,34,412/- on account of employee cost, administration and other expenses have been allocated in the ratio of gross margin on sale of power and fly ash & its products.
- e) Considering the opinion of the tax consultant, there is a transfer of sale proceeds (income) by overriding effect because the sale proceeds do not belong to the company since it has to be used for specified purposes. The amounts collected shall be a liability being collected as a trustee and there will be no tax liability. Hence, no provision has been made for Income Tax on the net receipts arising on account of sale of fly ash and cenosphere.

5. DEFERRED TAX LIABILITIES (NET)

(Amount in ₹)

As at	31.03.2014	31.03.2013
Deferred tax liability		
Difference of book depreciation and tax depreciation	463,641	277,721
Less: Deferred tax asset		
On account of carry forward losses for tax purposes	-	179,546,717
Total	463,641	(179,268,996)

- a) The net change in deferred tax of ₹ 17,97,32,637/- [Previous year (₹ 17,94,08,903/-)] has been charged to Statement of Profit and Loss.
- b) Deferred tax asset and deferred tax liability have been offset as they relate to the same governing law.

6. OTHER LONG-TERM LIABILITIES

(Amount in ₹)

As at	31.03.2014	31.03.2013
Deposits from customers	9,857,306	9,906,036
Total	9,857,306	9,906,036

Disclosure with respect to Micro, Small and Medium Enterprises as required by Micro, Small and Medium Enterprises Development Act, 2006 is made in Note 30.

7. TRADE PAYABLES

(Amount in ₹)

As at	31.03.2014	31.03.2013
- Energy	4,687,911,818	4,363,829,303
- Open access charges(OAC)	74,431,233	14,652,495
- Other services	8,808,319	5,325,504
Total	4,771,151,370	4,383,807,302

Disclosure with respect to Micro, Small and Medium Enterprises as required by Micro, Small and Medium Enterprises Development Act, 2006 is made in Note 30.

8. OTHER CURRENT LIABILITIES

(Amount in ₹)

As at	31.03.2014	31.03.2013
Advances from customers and others	74,778,233	35,752,127
Payable for capital expenditure	340,811	106,850
Other payables		
-Tax deducted at source and other statutory dues	15,170,725	3,813,614
- Deposits from customers and others	39,045,369	21,876,854
- Payable to holding company	270,359,888	88,217,273
- Payable to employees	18,404,539	19,912,266
- Retention on A/c BG encashment (Solar)	1,618,161,629	1,378,038,503
- Payable to Solar Payment Security Account	183,598,578	-
- Others	117,906,013	107,877,876
Total	2,337,765,785	1,655,595,363

- a) Other payables-Payable to holding company and payable to employees includes payable on account of Fly Ash Utilisation Fund.
- b) Other payables-Retention on A/c BG encashment (solar) comprises of:

Particulars	As at 31.03.2013	For the year ended 31.03.2014	As at 31.03.2014
Amount received as liquidated damages on late commissioning of solar power plants	1,287,640,000	186,649,003	1,474,289,003
Add: Interest accrued on above (Note 19)	94,147,106	62,748,914	156,896,020
Less: Legal expenses	3,748,603	9,274,791	13,023,394
Net Balance- Retention on A/c BG encashment (Solar)	1,378,038,503	240,123,126	1,618,161,629

- The above treatment in "Retention on A/c BG encashment (Solar)" is made as per the directions received from the Ministry of New and Renewable Energy (MNRE) vide letter ref. no. 29/5/2010-11/JNNSM(ST) dated 29.06.2012 and clarifications thereafter.
- During the year, company utilised ₹ 97,79,06,201/- (previous year ₹ Nil) from "Retention on A/c BG encashment (Solar)" for non payment of dues by its customers under JNNSM scheme.
- Interest on refund, if any received from the income tax department on account of above shall be credited to "Retention on A/c BG encashment (Solar)".
- c) Other payables-Payable to Solar Payment Security Account : During the current year, the company has withdrawn an amount of ₹ 18,35,98,578/- (net) on account of default by its customers from Solar Payment Security Account as per the directions received from the Ministry of New and Renewable Energy (MNRE).
- d) Other payables- Others include the amount received on encashment of the Bank Guarantee of ₹ 9,50,65,000/- on 02.11.2011 invested in Fixed Deposit as per the directive from the Hon'ble High Court of Delhi till the matter is settled through Arbitration. Further, interest accrued thereon upto current year amounting to ₹ 2,28,41,013/- (upto previous year ₹ 1,28,03,887/-) also stands credited in the said account.
- e) Considering the directions received from MNRE and opinion of the tax consultant, there is a transfer of proceeds from BG encashment by overriding effect because the proceeds from BG encashment do not belong to the company since it has to be used for specified purposes and there will be no tax liability. Hence, no provision has been made for Income Tax on the proceeds from BG encashment.

9. SHORT-TERM PROVISIONS

(Amount in ₹)

As at	31.03.2014	31.03.2013
Provision for current tax		
Opening balance	-	88,004,813
Additions during the year	-	-
Less: Set off against taxes paid	-	88,004,813
Closing balance	-	-
Provision for proposed dividend		
Opening balance	-	200,000,000
Additions during the year	-	-
Amounts paid during the year	-	200,000,000
Closing balance	-	-
Provision for tax on proposed dividend		
Opening balance	-	32,445,000
Additions during the year	-	-
Amounts paid during the year	-	32,445,000
Closing balance	-	-
Total	-	-

10. FIXED ASSETS

(Amount in ₹)

	Gross Block			Depreciation/Amortisation			Net Block			
	As At 01.04.2013	Additions	Deductions/ Adjustments	As at 31.03.2014	Upto 01.04.2013	For the year 2013	Upto 31.03.2014	As at 31.03.2014	As at 31.03.2013	
A. Tangible Assets										
Plant and machinery(including associated civil works)	1,195,000	-	-	1,195,000	208,129	56,762	-	264,891	930,109	986,871
Furniture and fixtures	951,445	56,502	-	1,007,947	229,379	58,181	-	287,560	720,387	722,066
Office equipment	1,238,967	33,600	11,900	1,260,667	879,836	90,405	11,305	958,936	301,731	359,131
EDP, WP machines and satcom equipment	4,642,326	898,752	160,275	5,380,803	2,610,936	479,343	29,606	3,060,673	2,320,130	2,031,390
Communication equipments	111,146	-	-	111,146	3,080	5,279	-	8,359	102,787	108,066
Total (A)	8,138,884	988,854	172,175	8,955,563	3,931,360	689,970	40,911	4,580,419	4,375,144	4,207,524
B. Assets created from fly ash utilization fund										
Plant & machinery	3,419,707	4,915,087	-	8,334,794	-	-	-	8,334,794	3,419,707	
Furniture and fixtures	45,754	-	-	45,754	-	-	-	45,754	45,754	
Office equipment	135,334	-	-	135,334	-	-	-	135,334	135,334	
Roads,bridges,culverts	35,284,854	-	-	35,284,854	-	-	-	35,284,854	35,284,854	
Temporary erection	2,044,208	-	-	2,044,208	-	-	-	2,044,208	2,044,208	
Total	40,929,857	4,915,087	-	45,844,944	-	-	-	45,844,944	40,929,857	
Less: Set off against Fly Ash Utilization Fund(Note 4)	40,929,857	4,915,087	-	45,844,944	-	-	-	45,844,944	40,929,857	
Total (B)	-	-	-	-	-	-	-	-	-	
Grand Total (A+B)	8,138,884	988,854	172,175	8,955,563	3,931,360	689,970	40,911	4,580,419	4,375,144	4,207,524
Previous year	6,990,639	2,334,027	485,782	8,138,884	3,818,784	574,069	461,493	3,931,360	4,207,524	2,471,855
C. Intangible Assets										
Software	255,491	-	-	255,491	240,791	6,300	-	247,091	8,400	14,700
Total (C)	255,491	-	-	255,491	240,791	6,300	-	247,091	8,400	14,700
Previous year	241,078	18,900	4,487	255,491	241,078	(287)	-	240,791	14,700	-

11. CAPITAL WORK-IN PROGRESS

(Amount in ₹)

Particulars	As At 01.04.2013	Additions	Deductions/ Adjustments	Capitalised	As at 31.03.2014
EDP, WP machines and satcom equipment	-	340,811	-	-	340,811
Total	-	340,811	-	-	340,811
Previous year	-	-	-	-	-

12. LONG-TERM LOANS AND ADVANCES

(Amount in ₹)

As at	31.03.2014	31.03.2013
(Unsecured, considered good, unless otherwise stated)		
Deposits*	2,550,000	2,550,000
Advances		
Refund due from Income Tax Authority	17,668,864	3,671,044
Advance tax & tax deducted at source	1,029,806,426	996,464,891
Less:- Provision for taxation	752,301,793	712,924,747
Total	297,723,497	289,761,188

*Deposit with Sales Tax Authority ₹ 50,000/- (previous year ₹ 50,000/-) and Indian Energy Exchange (IEX) ₹25,00,000/- (previous year ₹ 25,00,000/-).

13. INVENTORIES

(Amount in ₹)

As at	31.03.2014	31.03.2013
Stock-in-Trade-Cenosphere	111,244	134,246
Total	111,244	134,246

Stock-in-Trade-Cenosphere has been valued considering the significant accounting policy No. F.1 of Note 1 to these financial statements.

14. TRADE RECEIVABLES

(Amount in ₹)

As at	31.03.2014	31.03.2013
(Unsecured, Considered good, unless otherwise stated)		
Outstanding for a period exceeding six months from the date they are due for payment		
Energy	1,105,877,827	845,757,221
Open Access Charges(OAC)	9,541,179	973,261
Total	1,115,419,006	846,730,482
Others		
Energy	1,406,038,094	593,478,695
Open Access Charges(OAC)	161,381,653	143,335,078
Ash	-	-
Total	2,682,838,753	1,583,544,255

Unbilled revenues of ₹ 2,63,51,64,327/- (previous year ₹ 2,38,54,63,058/-) is stated in Note 17.

15. CASH & BANK BALANCES

(Amount in ₹)

As at	31.03.2014	31.03.2013
Cash & cash equivalents		
Balances with banks		
- Current Accounts	571,637,044	633,765,481
- Current Account-Fly Ash	1,251,682	619,825

15. CASH & BANK BALANCES

	(Amount in ₹)	
As at	31.03.2014	31.03.2013
Other bank balances		
Bank deposits with original maturity of more than three months but not more than twelve months	5,803,091,000	4,595,880,366
Others-Term deposit as security with Sales Tax Authorities, not available for use	25,000	25,000
Total	5,803,116,000	4,595,905,366

Cash & bank balances include fly ash utilization fund balance and retention on A/c of BG encashment (solar).

16. SHORT-TERM LOANS AND ADVANCES

	(Amount in ₹)	
As at	31.03.2014	31.03.2013
(Unsecured, considered good, unless otherwise stated)		
Advances		
MAT credit entitlement	60,628,217	-
Others*	7,359,462	3,364,305
Deposits	10,023,660	25,841,400
Total	78,011,339	29,205,705

* Others include advance to Arbitrators ₹ 39,09,454/- (previous year ₹27,37,505/-), OAC advance ₹ 28,88,208/- (previous year ₹ 65,000/-) and advance to Indian Energy Exchange ₹ 5,61,800/- (previous year ₹ 5,61,800/-).

17. OTHER CURRENT ASSETS

	(Amount in ₹)	
As at	31.03.2014	31.03.2013
(Unsecured, considered good, unless otherwise stated)		
Interest accrued on term deposits	168,106,116	127,344,186
Amounts recoverable	1,687,790	-
Unbilled revenues*	2,635,164,327	2,385,463,058
Total	2,804,958,233	2,512,807,244

* Unbilled revenues are for sales of energy for which the bills have been raised to customers subsequent to the reporting date.

18. REVENUE FROM OPERATIONS

	(Amount in ₹)	
For the year ended	31.03.2014	31.03.2013
Sales		
Bilateral energy	14,473,177,562	22,444,881,453
Solar & thermal bundled energy	19,892,228,969	7,564,750,557
Energy under swap arrangements	49,915,703	57,809,715
	34,415,322,234	30,067,441,725
Fly Ash	1,212,442,482	1,076,166,984
Cenosphere	13,070,742	12,453,419
	1,225,513,224	1,088,620,403
Less: Transferred to Fly Ash Utilization Fund (Note 4)	1,225,513,224	1,088,620,403
	-	-
	34,415,322,234	30,067,441,725
Other Operating Income		
Rebate on energy purchase	341,836,814	362,168,394
Total	34,757,159,048	30,429,610,119

- Sale of bilateral energy and energy under SWAP arrangements in million units (Mus) are recognized on the basis of monthly Regional Energy Accounts (REA) issued by the concerned Regional Power Committee (RPC).
- Sale of bilateral energy includes compensation received of ₹ 25,75,135/- (previous year ₹2,11,79,344/-) due to lesser supply/drawl of power by the supplier /buyers and open access charges on energy trading borne by the company.
- Sale of Solar and thermal bundled energy in million units are recognized on the basis of monthly Joint meter reading (JMR) / REA issued by the concerned authorities.

d) Sale of energy under Swap arrangements is billed by margin only to buyers.

19. OTHER INCOME

	(Amount in ₹)	
For the year ended	31.03.2014	31.03.2013
Interest from		
Banks	471,377,603	387,590,868
Less: transferred to retention on A/c BG encashment (Solar) (Note 8)	62,748,914	84,070,447
	408,628,689	303,520,421
Other non-operating income		
Earnest Money/Security Deposit forfeited	-	444,653
Surcharge/ other recoveries from Customers	149,637,942	5,904,116
Management fees	7,743,238	-
Profit from disposal of fixed assets	405	-
Miscellaneous Income #	77,989	13,701,918
Total	566,088,263	323,571,108

Miscellaneous income includes ₹ Nil (previous year ₹ 1,36,30,994/-) on a/c of sundry balance written back.

20. PURCHASE OF ENERGY

	(Amount in ₹)	
For the year ended	31.03.2014	31.03.2013
Purchase of energy		
Bilateral energy	14,305,684,390	22,183,565,757
Solar & thermal bundled energy	19,584,945,511	7,453,469,810
Total	33,890,629,901	29,637,035,567

- Purchase of energy in million units (Mus) are recognized on the basis of monthly Regional Energy Accounts (REA) issued by the concerned Regional Power Committee (RPC).
- Bilateral energy purchase includes compensation payment of ₹ 25,58,042/- (previous year ₹2,10,87,434/-) due to lesser supply/drawl of power by the Company.
- Purchase of Solar and thermal bundled energy in million units are recognized on the basis of monthly Joint meter reading (JMR) / REA issued by the concerned authorities.

21. COST OF FLY ASH/ASH PRODUCTS

	(Amount in ₹)	
For the year ended	31.03.2014	31.03.2013
For the year ended		
Fly Ash-duty & taxes	28,682,615	23,097,658
Cenosphere -collection & packing charges	223,155	340,798
	28,905,770	23,438,456
Less: Transferred to Fly Ash Utilization Fund (Note 4)	28,905,770	23,438,456
Total	-	-

The Company sells fly ash and cenosphere given free of cost by its holding company NTPC Limited.

22. EMPLOYEE BENEFITS EXPENSE

	(Amount in ₹)	
For the year ended	31.03.2014	31.03.2013
For the year ended		
Salaries and wages	115,251,361	113,069,369
Contribution to provident and other funds	20,987,717	30,518,942
Staff welfare expenses	7,009,222	5,586,169
	143,248,300	149,174,480
Less: Transferred to Fly Ash Utilization Fund (Note 4)	57,327,339	69,405,332
Total	85,920,961	79,769,148

- All the employees of the Company are on secondment basis from its Holding Company i.e. NTPC Limited.
- Employee benefits expense includes fixed contribution amounting to ₹ 2,09,87,717/- for the year (previous year ₹3,05,18,942/- which includes ₹ 1,34,00,970/- for earlier years) towards leave, superannuation and all other benefits in respect of employees posted on secondment basis from NTPC Limited.

- c) The contributions in respect of liabilities for employee benefits expense towards leave, provident fund, superannuation and all other benefits in respect of employees posted on secondment basis are accounted for as determined and charged by the holding company at a fixed percentage as per the stated policy, considering the provisions of DPE Guidelines. The fixed contribution of employee benefits expenses are charged to the company by its holding company and thereafter there is no liability of the company. In view of the Management the fixed contribution plan is a defined contribution as per Accounting standard (AS-15) i.e. Employee benefits and as such the disclosure requirement of AS-15 are not attracted in the case of company. However, the holding company makes all the disclosures as per AS-15 in its financial statements. During the year, the holding company has sought the opinion of expert advisory committee of ICAI on the present practice adopted by the subsidiary i.e. company with regard to compliance of AS- 15 and the same is still awaited.
- d) Employee benefits expense includes Managerial Remuneration paid/ payable to Chief Executive Officer ₹ **39,23,423/-** (previous year ₹ 31,60,492/-).

23. FINANCE COSTS

(Amount in ₹)		
For the year ended	31.03.2014	31.03.2013
Interest on :		
Others*	437,750	2,629
Total	437,750	2,629

*Others include interest accrued on account of deferment of advance tax under the provisions of the Income Tax Act, 1961 during the previous year.

24. ADMINISTRATION & OTHER EXPENSES

(Amount in ₹)		
For the year ended	31.03.2014	31.03.2013
Power charges	556,673	1,236,904
Rent	38,124,678	35,535,169
Repairs & maintenance		
Office	3,409,684	1,974,293
Others	261,928	5,222,714
	3,671,612	7,197,007
Insurance	27,777	17,374
Rates and taxes	4,000,000	6,823,146
Training & recruitment expenses	115,818	173,855
Communication expenses	2,555,354	2,191,005
Inland Travel	8,754,300	9,027,299
Foreign Travel	807,747	263,334
Tender expenses	4,083,650	2,764,841
Less: Receipt from sale of tenders	1,010,000	400,000
	3,073,650	2,364,841
Payment to auditors		
Audit fee to statutory auditors	84,270	112,360
Statutory Auditor-Other capacity	33,708	-
	117,978	112,360
Advertisement and publicity	-	165,520
Entertainment expenses	827,733	706,199
Brokerage & commission	383,108	384,015
Community development and welfare expenses	1,033,222	1,175,593
Ash utilisation & marketing expenses	371,712	-
Books and periodicals	20,730	10,645
Professional charges	27,420,981	24,546,371
Surcharge expenses	96,324,167	-
Legal expenses	646,949	97,914
EDP hire and other charges	77,340	288,238
Printing and stationery	292,132	653,458
Hiring of vehicles	824,406	600,569
Bank charges/LC Charges	2,803,398	1,685,025
Miscellaneous expenses	1,460,486	2,163,802
Loss on disposal/write-off of fixed assets	85,789	-

24. ADMINISTRATION & OTHER EXPENSES

(Amount in ₹)		
For the year ended	31.03.2014	31.03.2013
	194,377,740	97,419,643
Less: Transferred to Fly Ash Utilization Fund (Note 4)	51,313,853	55,950,600
Total	143,063,887	41,469,043

25. EXCEPTIONAL ITEMS

(Amount in ₹)		
For the year ended	31.03.2014	31.03.2013
Bank guarantee encashment-solar	-	(1,148,140,000)
Interest on bank guarantee encashment-solar	-	(10,076,659)
Total	-	(1,158,216,659)

* During the previous year ₹ 7,65,65,000/- (gross) (received in financial year 2010-11) and ₹ 1,07,15,75,000/- (gross) (received in financial year 2011-12) by way of BG encashment in accordance with the guidelines issued by the Government of India under Jawahar Lal Nehru National Solar Mission (JNNSM) scheme i.e. migration and phase I- Batch I & II along with the interest accrued amounting to ₹ 1,00,76,659/- (gross) upto 31.03.2012 on the amount invested out of BG encashment (solar) and taken as income in the earlier years under other income/exceptional items by NVVN was reversed and kept as "Retention on A/c BG encashment (solar)" as per the directions received from the Ministry of New and Renewable Energy (MNRE) vide letter ref. no. 29/5/2010-11/JNNSM(ST) dated 29.06.2012 and clarifications thereafter.

26 In the opinion of the management, the value of assets, other than fixed assets and non-current investments, on realisation in the ordinary course of business, will not be less than the value at which these are stated in the Balance Sheet.

27 Disclosure regarding leases:

The Company's significant leasing arrangement are in respect of operating leases of the premises for residential use of the employees amounting to ₹ **89,01,690/-** (Previous year ₹ 1,03,58,826/-) and are included in Note 22-"Employees Benefits Expense". Similarly, lease payments in respect of premises for offices amounting to ₹ **3,81,10,072/-** (Previous year ₹ 3,55,35,169/-) are shown in Rent in Note 24-"Administration and Other Expenses". The significant leasing arrangements for such leases are entered into by the Company and its Holding Company i.e. NTPC Limited and these leasing arrangements are usually renewable on mutually agreed terms but are not non-cancelable.

28 Estimated amount of contract remaining to be executed on capital account and not provided for as at 31st March 2014 is ₹ **Nil** (previous year ₹ 3,57,611).

29 Disclosure as per Accounting Standard - 20 on 'Earnings Per Share' :

The elements considered for calculation of Earning Per Share (Basic and Diluted) are as under:

	Current year	Previous year
i) Net profit/(loss) after Tax before exceptional items used as numerator(₹)	602,360,048	425,970,673
Weighted average number of equity shares used as denominator	20000000	20000000
Earning per share (Basic & Diluted)-(₹)	30.12	21.30
Face Value per share-(₹)	10.00	10.00
ii) Net profit/(loss) after Tax used as numerator(₹)	602,360,048	(348,439,193)
Weighted average number of equity shares used as denominator	20000000	20000000
Earning per share (Basic & Diluted)-(₹)	30.12	(17.42)
Face Value per share-(₹)	10.00	10.00

30 Disclosure in respect of Micro, Small and Medium Enterprises as at 31st March 2014 as required by Micro, Small and Medium Enterprises Development Act, 2006 is ₹ 'Nil' (previous period ₹ 'Nil').

31 There are no external/internal indicators which leads to any impairment of assets of the company as required by Accounting Standard (AS) 28 'Impairment of Assets' notified under the Companies (Accounting Standards) Rules, 2006.

32 Contingent Liabilities:

- a) Liability, if any, on account of late payment to suppliers is unascertainable.
- b) Others:
- Various solar power developers challenged the encashment/ forfeiture of EMD/Bid bond under provisions of PPA before arbitrator/High Courts. The contingent liability of ₹ 97,65,00,510/- and interest claim of ₹ 23,48,98,770/- thereon (previous year contingent liability ₹80,30,43,860/- and interest of ₹9,44,30,478/-) has been estimated. Any possible liability crystallised on the above will be recovered from "Retention on A/c BG encashment (Solar)"(Note 8).
 - One party has challenged the invocation of BG of ₹ 1,00,00,000/- on the ground of non conclusion of contract with the company for Ash Business. Interest on above has been estimated till current year ₹45,51,781/- (till previous year ₹ 27,51,781/-).
 - The claim for default in power supply has been settled in favour of the company. The contingent liability of ₹ 'Nil' (Previous year ₹ 23,30,55,860/-) .
 - 380 Mus (previous year 454 Mus) energy supplied by the seller under SWAP arrangements are yet to be returned back by the buyers- Amount uncertainable.

33 Quantitative information: (As certified by the Management)

	Current year	Previous year
a) Trading of energy (MUs)		
Bilateral energy	3635	5272
Solar & thermal bundled energy	4390	1590
Energy under swap arrangements	1297	1520
b) Trading of Fly Ash / Cenosphere (MTs)		
Fly Ash	4653424	4198471
Cenosphere	225	240
34 a) Expenditure in foreign currency (₹):	Current year	Previous year
i) Travelling Expenses	490,073	150,926
ii) Others	272,650	-
b) Earning in foreign currency (₹)		
Trading of Power	2,118,538,172	-

35 Segment information :

The Company's principal businesses are trading of energy and trading of fly ash/ ash products. The amount collected from sale of fly ash/ash products are dealt with as per significant accounting policy No.C.1. of Note 1. As such there is no reportable segment as at 31.03.2014.

- 36** The company's management is of the opinion that its domestic transactions with related parties are at arms length and will not have any impact on financial statements for the year ended 31.03.2014.
- 37** Figures in the Financial Statements have been rounded off to nearest rupee.
- 38** Previous year figures have been regrouped / rearranged wherever considered necessary.

For and on behalf of Board of Directors

(Nitin Mehra) (N.K.Sharma) Chief (K. Biswal) (Dr. Arup Roy Choudhury)
Company Secretary Executive Officer Director Chairman

These are the notes referred to in Balance Sheet and Statement of Profit and Loss

For Aiyar & Co.

Chartered Accountants
Firm Registration No.001174N

(C. Chuttani)

Partner
M.No.90793

Place : New Delhi
Dated : 17 June, 2014

INDEPENDENT AUDITOR'S REPORT

To the Members of NTPC VIDYUT VYAPAR NIGAM LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of **NTPC VIDYUT VYAPAR NIGAM LIMITED ("the Company")**, which comprise the Balance sheet as at 31st March 2014, the Statement of Profit and Loss and Cash Flow Statement for the year ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act") read with General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

1. The company contends that, since the Fly Ash Utilization Fund does not belong to the company, the interest income earned on Fly Ash Utilization Fund being an accretion to the said fund also belongs to the fund.

The company, however, has accounted for interest income on Fly Ash Utilization Fund as its income under other Income in the Statement of Profit & Loss. The company thereafter transferred the said interest income (net of tax) to the Fly Ash Utilization Fund through appropriation out of the surplus in the Statement of Profit and Loss. [Refer Note No. 3 (a) & 4(b)].

In our opinion the interest income on Fly Ash Utilization Fund ab-initio does not belong to the company and accounting for such income in the Statement of Profit & Loss has resulted in profit after tax for the year being overstated to the extent of ₹ 17,01,18,786 being interest earned on Fly Ash Utilization Fund (net of tax) with consequent effect on Provision for taxation overstated by ₹ 5,40,18,706 , MAT credit entitlement understated by ₹ 3,35,79,196 , Fly Ash Utilization Fund understated by ₹ 8,75,97,902 & Tax deducted at source overstated by ₹ 2,57,71,669.

2. In our opinion since the Fly Ash Utilization Fund has been created vide notification dated 3rd November, 2009 by the Ministry of Environment & Forests (MoEF)-Govt. of India and NVVN is only administering the fund it is incumbent that the policy guidelines as framed by NTPC/NVVN dated 25th March 2014 be approved/confirmed by the said Ministry.[Refer Note 4(c)]
3. The amount collected from the sale of fly ash/ fly ash products and amount realized from encashment of bank guaranteees are not considered as income of the company and amount is held by the NVVN in the Fly Ash Utilization Fund/Retention on Account BG Encashment (Solar) and as such no provision for taxation has been made on said fund/retention account. We have however, not been produced any general or specific exemption on the taxability of these fund/retention account and impact it may have, on NVVN on the balances shown under the respective heads in the accounts. [Refer Note 4 (e) & 8 (e)].

4. The Gross interest accrued on Retention on Account BG encashment (solar) is credited to the said account, however the company has considered the Tax deducted at source on such interest as TDS of the company, thereby overstating the tax deducted at source to the extent of ₹ 62,74,891 [Refer Note No. 8 (b)]

The net impact of para 1 to 4 above has resulted in profit after tax for the year overstated by ₹ 17,01,18,786, Long term loans & advances understated by ₹ 5,40,18,706, Short term loans & advances understated by ₹ 3,35,79,196 and Fly Ash Utilization Fund understated by ₹ 8,75,97,902.

Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Emphasis of Matter

- The company has appropriated from Fly Ash Utilization Fund, inter-alia, expenses incurred by the holding company i.e. NTPC of ₹ 34,89,41,767 (including employee cost for the year of ₹ 15,48,16,093 which were not being charged in the earlier years) which are stated to have been made on the basis of policy guidelines as framed by NTPC/NVVN dated 25th March 2014 in reference to the notification dated 03-11-2009 issued by Ministry of Environment & Forests, Govt. of India. In this regard we have relied upon a certificate issued by one of the Statutory Auditors of the holding company i.e. NTPC, confirming that the above expenditures has been incurred by NTPC for Fly Ash Utilization activities in terms of the above said notification dated 03-11-2009. [Refer Note No. 4(c)]
- Note 22 (c.) in regard to Accounting Standards (AS)-15 "Employees Benefits", the company during the year has made fixed contributions as determined and charged by the holding company amounting to ₹ 2,09,87,717 in respect of liabilities for employee benefits expenses in regard to employees posted on secondment basis as per the company's policy. In view of the Management the same is in the nature of defined contribution plan as per Accounting Standard-15 and as such there is no further disclosure requirement as per AS-15.

However holding company i.e. NTPC has referred the matter to the Expert Advisory Committee of the Institute of Chartered Accountants of India for its opinion/ clarification on the present practice adopted by its subsidiaries i.e. company with regard to compliance of AS-15, however the reply from the Expert Advisory Committee of ICAI is still awaited.

Report on Other Legal and Regulatory Requirements

- As required by the Companies (Auditor's Report) Order, 2003 ("the Order") as amended, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure (A) a statement on the matters specified in paragraphs 4 and 5 of the Order.
- As required by section 227(3) of the Act, we report that:
 - 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;
 - 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;
 - the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956 read with General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act 2013;
 - being a Government Company, pursuant to the Notification No. GSR 829 (E) dated 21.10.2003 issued by Government of India, provisions of

clause (g) of sub-section (1) of section 274 of the Companies Act, 1956, are not applicable to the Company;

- since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

For Aiyar & Co.
Chartered Accountants
Firm's Reg. No. 001174N

(C.Chuttani)
Partner
M.No. 90723

Place : New Delhi
Date : 17th June 2014

ANNEXURE (A) TO THE INDEPENDENT AUDITOR'S REPORT

Statement referred to in our report of even date to the members of **NTPC VIDYUT VYAPAR NIGAM LIMITED** on the financial statements for the year ended 31st March 2014.

We report that:

- The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - As explained to us the fixed assets have been physically verified by the management at reasonable intervals having regard to the size of the company and nature of its assets. No material discrepancies were noticed on such physical verification.
 - Substantial part of fixed assets has not been disposed off during the year.
- As explained to us inventories have been physically verified by the management at reasonable intervals during the year.
 - The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
 - The company is maintaining proper records of inventory. No material discrepancies were noticed on physical verification of inventories.
- The company has not granted any loans secured or unsecured to any company, firm or other party listed in the register maintained under section 301 of the Companies Act, 1956.
In view of clause (iii) (a) above, the clause (iii) (b), (iii) (c) and (iii) (d) are not applicable.
 - The company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
In view of the clause (iii) (e) above, the clause (iii) (f) and (iii) (g) are not applicable.
- In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the company and the nature of its business with regard to purchase of inventory, fixed assets and also for sale of goods and services. During the course of audit, we have not observed any continuing failure to correct major weaknesses in internal control systems except the delay in accounting of the expenditures incurred and transferred by the holding company relating to the Fly Ash Utilization Fund.
- According to the information and explanations given to us, during the year under audit there have been no contracts or arrangements which need to be entered in the register maintained under section 301 of the Companies Act, 1956.
 - In view of clause (v) (a) above, the clause (v) (b) is not applicable.
- The company has not accepted deposits from the public.
- In our opinion, the company has an Internal Audit system commensurate with the size and nature of its business.
- The Central Government has not prescribed maintenance of cost accounts and records under section 209 (1) (d) of the Companies Act, 1956.

- (ix) (a) The employees of the company i.e. NVVN are on secondment basis from its holding company i.e. NTPC Ltd. As explained to us, the holding company is regular in depositing statutory dues including dues like Provident Fund with appropriate authorities. Moreover, Income Tax and Sales Tax are being deposited by the company. According to the information and explanations given to us, there are no undisputed Provident Fund, Income Tax, Sales Tax, etc. in arrear as at 31.03.2014 for a period of more than six month from the date they became payable.
- (b) According to the information and explanations given to us, there are no dues of Sales Tax, Income Tax and other applicable statutory dues which have not been deposited on account of any dispute.
- (x) The company has no accumulated losses as at 31st March 2014 and it has not incurred cash loss during the financial year covered by our audit, however has incurred cash loss in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the company has not taken any loan from the financial institutions, banks or raised money against debentures. Accordingly, the para (xi) of order is not applicable to the company.
- (xii) According to the information and explanations given to us, 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 fund or a Nidhi / Mutual Benefit Fund/Society. Therefore, the provisions of clause 4 (xiii) (a), (b), (c) & (d) of the order are not applicable to the company.
- (xiv) The company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provision of clause 4(xiv) of the order is not applicable to the company.
- (xv) The company has not given any guarantees for loans taken by others from banks or financial institutions.
- (xvi) The company has not taken term loan during the year and as such provision of para (xvi) of the order is not applicable to the company.
- (xvii) According to the information and explanations given to us and on overall examination of the balance sheet of the company, we report that no funds raised on short term basis have been used for long term investment.
- (xviii) According to the information and explanations given to us, the company has not made preferential allotment of shares during the year.
- (xix) According to the information and explanations given to us, the company has not issued debentures during the year, therefore the provision of para (xix) of the order is not applicable to the company.
- (xx) According to the information and explanations given to us, the company has not raised any money by public issue during the year.
- (xxi) 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 Aiyar & Co.
Chartered Accountants
Firm's Reg. No. 001174N

(C.Chuttani)
Partner
M.No. 90723

Place : New Delhi
Date : 17th June 2014

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619 (4) OF THE COMPANIES ACT, 1956, ON THE ACCOUNTS OF NTPC VIDYUT VYAPAR NIGAM LIMITED, NEW DELHI FOR THE YEAR ENDED, 31 MARCH, 2014

The preparation of financial statements of NTPC Vidyut Vyapar Nigam Limited, New Delhi, for the year ended 31st March 2014 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The Statutory Auditors appointed by the Comptroller and Auditors General of India under Section 619(2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with Standards on Auditing prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 17 June 2014.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under Section 619(3)(b) of the Companies Act, 1956 of the financial statements of NTPC Vidyut Vyapar Nigam Limited, New Delhi, for the year ended 31 March 2014. This supplementary audit has been carried out independently without access to the working papers of the Statutory Auditors and is limited primarily to inquiries of the Statutory Auditors and Company personnel and a selective examination of some of the accounting records. On the basis of my audit, nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditors' Report under Section 619(4) of the Companies Act, 1956.

For and on behalf of the
Comptroller & Auditor General of India

(Tanuja S. Mittal)
Principal Director of Commercial Audit & Ex-officio
Member Audit Board-III,
New Delhi

Place : New Delhi
Dated: 22 July, 2014