

MAHARASHTRA STATE ELECTRICITY TRANSMISSION COMPANY LIMITED

4th Annual Report for the period of 2008-2009

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M.S.E.T.C. LTD

**MAHARASHTRA STATE ELECTRICITY
TRANSMISSION CO. LTD.**

BOARD OF DIRECTORS

R.M. PREMKUMAR

Chairman w.e.f. 02-01-2009

RAHUL ASTHANA

Chairman - Till - 05-08-2008

SUBRAT RATHO

MANAGING DIRECTOR

20-07-2006 to 02-02-2009

Chairman 18-08-2008 to 02-01-2009

ARVIND SINGH

MANAGING DIRECTOR

w.e.f. 21-08-2009

SANJAY SETHI

MANAGING DIRECTOR

02-02-2009 to 21-08-2009

PRAMOD KHANDALKAR

DIRECTOR (FINANCE)

ANJAN ROY

DIRECTOR (OPERATION)

W. R. ASWAR

DIRECTOR (PROJECT)

AUDITORS

CONTRACTOR NAYAK & KISHNADWALA
CHARTERED ACCOUNTANTS

REGISTERED OFFICE

Prakashganga, Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051.

DIRECTORS' REPORT

To,
The Members,

The Directors have pleasure in submitting their 4th Annual Report on the business and operations of the Company together with the Audited Statement of Accounts for the year ended on 31st March 2009.

FINANCIAL RESULTS:

The financial results of the Company for the year ended on 31st March 2009 are as follows:

	Financial Year (Rs. in Lakhs)	
Particulars	2008-09	2007-08
Revenue from operations	1,86,995	1,58,675
Add: Other income	6,135	6,662
Total Revenue	1,93,130	1,65,337
Operating expenses	39,353	24,705
Employee costs	60,358	26,037
Administration Expenses	14,322	3,949
Interest and finance charges	25,615	22,123
Total Expenditure Except Depreciation	1,39,648	76,814
Profit before Depreciation and Tax	53,482	88,524
Depreciation and Other Amortisation	32,175	49,465
Profit before Tax (PBT)	21,307	39,059
Provision for Taxes (Including provision for Fringe benefit tax)	13,137	9,790
Deferred Tax	(5,236)	-
Profit after Tax (PAT)	13,406	29,269
Short provision for earlier year's tax	(82)	-
Prior Period Items (Net)	428	(3,448)
Profit after Tax and adjustments	13,752	25,820
Add: Balance of Profit brought forward from previous year	61,464	43,472
Less: Contribution to Special reserve	937	1,077
Less: Contribution to Contingency reserve	2,302	4,573
Less: Transitional adjustments for employee benefits	-	2,178
Less: Transferred to Deferred Tax Liabilities (net)	71,038	-
Balance profit carried forward	939	61,465

FINANCIAL HIGHLIGHT

During the year the revenue increased by 17% to Rs. 193130 lakhs from Rs. 165337 lakhs over the previous year. Profit before Tax for the year 2008-09 is placed at Rs. 21307 lakhs as against

Rs. 39059 lakhs during 2007-08. Profit After Tax is placed at Rs. 13406 lakhs as against Rs. 29269 lakhs during 2007-08. Profit Before Tax has diminished by 45% mainly due to increased Operating Expenses. The major impact due provision made for wage revision in 2008-09 is Rs. 17921 lakhs. The Net Profit carried forward to Balance Sheet has decreased by 98% to Rs. 939 lakhs as against Rs. 61465 lakhs in the previous year due to the additional provision of Deferred Tax Liabilities (Net) amounting to Rs. 71038 lakhs. The same has occurred as MSETCL has changed its accounting policies from ESAAR, 1985 to comply with the provisions of Companies Act, 1956.

DIVIDEND :

MSETCL has not declared the dividend for the year 2008-09 as the amount has been utilized in various infrastructural projects.

FIXED DEPOSITS :

The Company has not accepted any fixed deposits and, as such, no amount of principal or interest was outstanding as of the balance sheet date and is therefore not required to furnish information in respect of outstanding deposits under Non Banking Non Financial Companies (Reserve Bank) Directions, 1956 and the Companies (Acceptance of Deposits) Rules, 1975.

HOLDING COMPANY :

Our Company is a subsidiary of MSEB Holding Company Limited by virtue of provisions of Section 4(1) (a) and 4(2) of the Companies Act, 1956.

JOINT VENTURE :

In the Financial Year 2008-09 , MSETCL entered into a Joint Venture with JSW Energy Ltd.

(a) Parties with whom the Company has entered into transactions during the year in the ordinary course of business :

Nature of Transactions	Name of Company – Jaigad Power Transco Limited (Rs.)
Payment towards Equity Share capital	Rs. 15,21,76,700/-
Towards Share application money	Rs. 100/-
Terminal Bay Constructions expenses	Rs. 11,60,00,000/-

(b) Balances at the year end:-

Nature of Transactions	Name of Company- Jaigad Power Transco Limited (Rs.)
Equity Share capital	Rs. 15,21,76,700/-
Share application money	Rs. 100/-

DIRECTORS

Shri R M Premkumar who was appointed as the Additional Director on 03.12.2008 held Office till the date of AGM, was appointed as the Director of the Company liable to retire by rotation on 30.12.2009.

Similarly, Shri Avinash Patil who was appointed as Additional Director on 03.12.2008 and held office till the date of AGM, was appointed as the Director of the Company liable to retire by rotation on 30.12.2009.

DIRECTORS' RESPONSIBILITY STATEMENT:

As required under Section 217 (2AA) of the Companies Act, 1956, the Directors, based on the representations received from the concerned Heads of Department 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 judgments and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the company at the end of the financial year and the profit or loss account 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 this Act 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.

CORPORATE GOVERNANCE

CODE OF CONDUCT FOR WHOLE TIME DIRECTORS:

The Board of Directors of Company has adopted the code of conduct for its Whole Time Directors. The code highlights Corporate Governance as the corner stone for sustained

management performances, for serving the Shareholders besides norms for responsibilities and disclosure requirements for the Board Members.

CORPORATE SOCIAL RESPONSIBILITY:

The goals for Corporate Social Responsibility is – Developing effective communication programme to position the Company as a responsible Corporate Citizen; Develop and implement programmes which help in building confidence and creating goodwill in the community.

OTHER DISCLOSURES

OUR NETWORK:

Cumulative total of EHV Substation, Transformation Capacity and Transmission Line lengths (CKT – Kms) in the Maharashtra State are as below:

MSETCL's infrastructure as on 31.03.09				
Sr. No.	Particulars	EHV Sub- Stations Nos	Transformations Capacity MVA	EHV Lines CKT Km
1.	500 KV HDVC	2	3582	1504
2.	400 KV	18	12350	6505
3.	220 KV	148	28049	12250
4.	132 KV	245	16969	10811
5.	110 KV	33	2015	1698
6.	100 KV	35	2014	678
7.	66 KV	34	1139	3270
	Total	515	66118	36716

OUR ROLE AS STATE TRANSMISSION UTILITY (STU):

The Load Despatch Centre has been set up for the operation, planning, monitoring and control of the power system as electricity cannot be stored and has to be produced when it is needed. Therefore, power system has been planned and operated optimally & economically.

The other objectives of Load Despatch Centre are:

- Matching the power demand with system integrity, reliability and security of generation and transmission facilities.

- ii. Regulating the system frequency.
- iii. Optimum utilization of resources.
- iv. Quick restoration of normalcy after system disturbances. Thus, the objectives of Load Despatch Centre are to co-ordinate generation, transmission and distribution of electricity from moment to moment to achieve maximum security and efficiency. The functions of Load Despatch Centre are dynamic in nature. While performing its functions the policies laid down by management are strictly followed.

PARTICULARS OF EMPLOYEES

None of the employee of the Company has drawn remuneration in excess of the limits specified in Section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975.

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

The information as required under Section 217 (1) (e) of the Companies Act, 1956 is annexed hereto and forms part of this Report and Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988.

- i. Conservation of Energy: Energy Conservation Measures have been undertaken by improving energy effectiveness/efficiency of equipments and systems, as well as by replacement of old equipments at various sub stations and also planning for installation of ABT meters towards ensuring proper metering of electricity.

ii. Technology Absorption:

- (1) Efforts made in brief towards technology Absorption, Adaptation and Innovation – EST-Max-2 Physical overhead transmission line fault analyzer system has been installed at various places in the state.
- (2) Benefits derived out of the efforts – These instruments give advance intimation of faults such as faulty insulators, open circuit of the transmission lines, loose connections, conductor damages etc. on transmission lines by comparing signature analysis data on different occasions. With this instrument, predictive/preventive maintenance can be carried out effectively and the breakdowns can be minimized, thereby leading to increased availability
- iii. Foreign Exchange Earnings and Outgo: There has been no Foreign Exchange outgo for the period ending 31st March 2009.

AUDITORS

COST AUDITORS:

As per the order of the Central Government (Ministry of Corporate Affairs), M/s. Anikhindi & Co was appointed as the Cost Auditors for the F.Y. 2008-09.

STATUTORY AUDITORS:

Ours is a Government Company as per Section 617 of the Companies Act, 1956 since entire Equity Share Capital is held by Government of Maharashtra through its 7 nominees. Hence, as per provisions of Section 619 (2), the auditors of the Government Company are appointed by the Comptroller & Auditor General of India. Accordingly, M/s. Contractor, Nayak and Kishnadwala, Chartered Accountants were appointed as Statutory Auditors for the Financial Year 2008-09 by the Comptroller & Auditor General of India (C&AG) as per provisions of Section 619 of the Companies Act, 1956.

EXPLANATION TO REMARKS OF STATUTORY AUDITORS :

As per requirements of Section 217 (3) of the Companies Act 1956, explanations to the remarks of the Statutory Auditors are enclosed at Annexure 'A' of this report.

ACKNOWLEDGMENT

The Directors express their appreciation of the continued co-operations of the Central Government and State Governments, bankers, financial institutions, dealers, suppliers and the Shareholders.

The Directors also thank all the employees for their contribution, support and co-operation throughout the year.

On behalf of the Board of Directors
MAHARASHTRA STATE ELECTRICITY TRANSMISSION CO., LTD,

Chairman
(R.M. PREMKUMAR)

Place : Mumbai
Date: 30/12/2009

MAHARASHTRA STATE ELECTRICITY TRANSMISSION COMPANY LTD.
REPLIES TO AUDITORS REPORT FOR THE YEAR 2008-2009

	STATUTORY AUDITORS REPORT	MSETCL'S REPLY
1.	We have audited the attached Balance Sheet of Maharashtra State Electricity Transmission Company Limited, (hereinafter referred to as MSETCL) as at 31 st March 2009, Profit and Loss Account for the year ended 31 st March 2009 and the Cash Flow Statement for the year annexed thereto.	Factual
2.	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.	Factual
3.	As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (amendment) Order 2004, issued by the Government of India in terms of sub section (4A) of section 227 of the Companies Act, 1956, and on the basis of such checks as we considered appropriate, and according to the information and explanations given to us, we enclose in Annexure I, a statement on the matters specified in paragraphs 4 and 5 of the said Order to the extent applicable to the company.	The replies to the relevant Paras to the annexures are separately given.
4.	We have to invite your specific attention to the following: a) As per Maharashtra Electricity Reforms Transfer Scheme,	Factual

	<p>2005 (hereinafter referred to as the Transfer' scheme) of the Government of Maharashtra notified on 4th June 2005, the Undertakings forming part of the Transmission Undertakings of the erstwhile Maharashtra State Electricity Board as set out in Schedule 'A' of the said notification were transferred and vested with effect from 6th June 2005 in MSETCL. On account of such transfer, equity shares of the value of Rs. 26,95,99,20,455 (being the excess of assets over liabilities) were to be allotted to MSEB Holding Company Limited (hereinafter referred to as the Holding Company). Pending such allotment, this amount is shown as "Share Suspense Account".</p>	
b)	<p>The amounts of assets and liabilities transferred to the company pursuant to the aforesaid Transfer scheme with effect from 6th June 2005 are subject to final approval of the Government of Maharashtra and are yet to be notified by the Government of Maharashtra. Changes in these amounts, if any, made at the time of notification may have an impact on these financial statements.</p>	<p>In this respect it is submitted that Secretary Energy vide his letter No. Reform - 2006/CR. 511/NRG-3 dated 2.6.2006 addressed to the M.D. MSEB Holding Co. Ltd. conveyed that the Provisional Transfers Scheme as notified by Government Notification dated 4.6.2005 shall continue to be provisional beyond 5th June 2006 till final order on these issues are notified by the Government.</p>
5.	<p>Balances of Secured Loans, Unsecured Loans, Sundry Debtors, Sundry Creditors, Loans and Advances and various other debit / credit balances including of the holding company and other subsidiary companies of the holding company are subject to confirmations and adjustments necessary upon reconciliation. The effect of the adjustment</p>	<p>The inter company reconciliation is under process & MSETCL has already taken up the matter with MSPGCL & MSEDCL & with the GOM for MSEB RB &</p>

	<p>arising from reconciliation and settlement of old dues and possible loss that may arise on account of non recovery or partial recovery of such dues is not ascertained. The impact of the above on the amounts as disclosed in the Balance Sheet and on the profit for the year is also not quantified. Our audit report on the financial statements for the period ended 31st March 2008 was also modified accordingly;</p>	<p>following up the matter for early settlement of inter company dues.</p>
6.	<p>Our comments as per sub-directions u/s 619(3)(a) issued to us by the office of the Accountant General (Commercial Audit) vide their letter dated 7th July 2009 are as per Annexure II to this report.</p>	<p>The replies to the relevant paras to the Annexure are separately given</p>

For and on behalf of
Contractor Nayak & Kishnadwala
Chartered Accountants

For Maharashtra State Electricity Transmission Co. Ltd.

H.V. Kishnadwala
Partner,
Membership No. 37391
Mumbai, December 30, 2009

P.G. Khandalkar
Director (Finance)
Mumbai.
Date :01/04/2010

**TO THE AUDITORS REPORT REFERRED TO IN PARAGRAPH
3 OF OUR REPORT OF EVEN DATE OF MAHARASHTRA STATE ELECTRICITY
TRANSMISSION COMPANY LIMITED FOR THE YEAR ENDED ON 31st MARCH 2009**

ANNEXURE 1

Sr. No.	AUDITORS REPORT	MSETCL REPLY
1(a)	The company has continued maintenance of fixed assets registers of the erstwhile Maharashtra State Electricity Board (MSEB) at each location. These registers (including those for recording Capital Work in Progress), however, need to be updated to show full and proper particulars, including quantitative details and situation, of the fixed assets.	Necessary instructions for maintenance of proper records regarding fixed assets was already issued to respective offices
1(b)	During 2006-07, MSEB Holding Company Limited (the Holding company) had appointed external consultants to carry out valuation of the fixed assets of the Company. As per the report of these external consultants, physical verification, to arrive at the values of these fixed assets, was conducted to cover about 90 % of the fixed assets of the Company. The assets verified by these external consultants have however not been reconciled with the fixed asset registers as maintained (as per clause 1(a) above) by the company. In the absence of such reconciliation we are unable to state whether there are any material discrepancies.	Necessary instructions for reconciliation with the Fixed Asset Register was issued to the respective offices.
1(c)	The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the company and such disposal, in our opinion, does not affect the going concern status of the company.	Factual
2(a)	As informed to us and as per reports produced before us, inventories have been physically verified by the management in March 2009 at 3 major stores circles, 5 stores centre and fabrication work shop.	Factual
2(b)	In our opinion, the procedure of physical verification of inventory followed by the management is adequate in relation to the size of the company and the nature of its business.	Factual
2(c)	On the basis of our test examination of records of inventory produced before us, in our opinion, the company has maintained proper records of inventory. As explained to us, the discrepancies noticed on such physical verification of stocks as	Factual

	compared to book records were not material in relation to the operations of the company.	
3.	On the basis of the records verified by us, the company has neither taken nor granted any loans to / from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956. Thus provisions of clause 4(iii)(a) to 4(iii)(g) of the order are not applicable to the company for the year.	Factual
4	In our opinion and according to the information and explanations given to us, internal control procedures need to be strengthened in respect of accounting of purchase of fixed assets and materials, as to commensurate with the size of the company and nature of its business. Further, on the basis of our examination, and according to the information and explanations given to us, we have neither come across nor have we been informed of any instance of major weaknesses in the aforesaid internal control system and there is no continuing failure for the same.	MSETCL has already initiated ERP/SAP and this will be taken care of by the said system.
5	According to the information and explanations given to us, there are no contracts or arrangements with companies or other parties which need to be entered in the register maintained under section 301 of the Companies Act, 1956. Hence clause 4(v)(a) and 4(v)(b) are not applicable for the year.	Factual
6	According to the information and explanations given to us, the company has not accepted deposits from the public within the meaning of the provisions of section 58 A of the Companies Act, 1956 and rules framed there under.	Factual
7	During the year the company has appointed external firms of Chartered Accountants to carry out the internal audit function. In our opinion and on the basis on the various internal audit reports perused by us, the coverage and extent of the procedures carried out by the internal auditors need to be improved to make them more timely and commensurate with the	The coverage and extent of the procedures carried out by the internal auditors will be suitably improved to make them more timely and commensurate with the

	size of the company and the nature of its business.	size of the company and the nature of its business.
8	On the basis of records produced, we are of the opinion that prima facie, the cost records and accounts prescribed by the Government of India under section 209 (1) (d) of the Act have been made and maintained by the company. However, we are not required to carry out and have not carried out any detailed examination of such records and accounts.	Factual
9(a)	According to the information and explanations given to us and according to the books and records verified by us, the company is generally regular in depositing undisputed statutory dues including Provident Fund, Employees State Insurance, Investor Education and Protection Fund, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and any other statutory dues with the appropriate authorities.	Factual
9(b)	According to the information and explanation given & representation made to us, there are no dues of income-tax, wealth-tax, sales tax, service tax, custom duty, excise duty and cess which have not been deposited on account of any dispute.	Factual
10	The Company does not have accumulated losses as at 31st March, 2009 and has not incurred cash losses during the financial year ended on that date or in the immediately preceding financial period.	Factual
11	In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to the banks, financial institutions and debentures holders during the year.	Factual
12	According to the information and explanation given to us, the company has not granted any loans or advances against pledge of shares, debentures or other securities.	Factual

13	The company is not a Chit fund company or Nidhi / Mutual Benefit Fund / Society, hence clause 4(xiii) of the order is not applicable.	Factual
14	In our opinion and according to the information and explanation given to us, the company is not dealer or trader in securities.	Factual
15	According to the information and explanation given to us, the company has not given any guarantee for loans taken by others from bank or financial institutions.	Factual
16	In our opinion and according to the information and explanations given to us, and on overall examination of the Balance sheet of the company, the term loans raised during the year have prima facie been applied for the purpose for which they were raised.	Factual
17	According to the information and explanation given to us, and on overall examination of the balance sheet of the company, in our opinion there are no funds raised on short-term basis which have been used for long term investments.	Factual
18	The company has not made any preferential allotment of shares during the year ended on 31 st March, 2009.	Factual
19	Since the company has not issued any debentures, the question of creation of securities for debentures does not arise.	Factual
20	The company has not raised any money by making a issue of shares during the year covered by our report.	Factual

21	During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have not come across any instance of fraud on or by the company noticed or reported during the year.	Factual
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For and on behalf of
Contractor Nayak & Kishnadwala
Chartered Accountants

For Maharashtra State Electricity Transmission Co. Ltd.

H.V. Kishnadwala
Partner,
Membership No. 37391
Mumbai, December 30, 2009

P.G. Khandalkar
Director (Finance)
Mumbai.
Date : 01/04/2010

**ANNEXURE-II : REFERRED IN PARAGRAPH 6 TO THE REPLIES TO
THE AUDITORS' REPORT FOR THE YEAR 2008-09**

STATUTORY AUDITOR'S COMMENT					MSETCL'S REPLY		
a)	Details regarding third party confirmations obtained by the company are as under				98.72 % of Bank balances are verified and confirmed. Remaining 1.28 % refers to the balance in bank accounts operated by field units for which necessary confirmations are already available in the respective field units. The details of Rs. 13.99 Cr. are as follows		
	Particulars	Amount as per of Balance Sheet (Rs.)	Amount for which confirmations not received	Percentage unconfirmed amounts (%)			
	Bank balance	1822535024	23349363	1.28			
	Account receivables (includes amount due from State transmission utility)	1693590415	139915415	8.26	The details of Rs. 13.99 Cr. are as follows		
					Particulars		(Rs. in Crores)
					Inter company receivables form MSEDCL during the initial period when STU mechanism was not in operation and transmission charges are settled by adjusting against the payments done by MSEDCL on behalf of MSETCL for staff, creditors, lenders etc		9.64
					Wheeling of power to Goa receivable from MSEDCL		1.48
					SLDC fees for the month of March 2009 receivable from 4 distribution licensees		1.83
					Receivables from Power Grid Corporation of India for intra - state transmission charges.		1.04
	Account Payables	9698282064	9698282064	100.00	The details of Rs. 969.83 Cr. are as follows :		
					Particulars		(Rs. in Crores)
					Transfer of Assets		75.54
					Material related		23.49
					Office Expenses related		16.84
					Others		80.28
							196.15
					Payable to MSEB HCL on account of lease rent		9.72
					Creditors for capital expenditure		301.46
					Supply of O & M materials		207.74
					Deposits for execution of jobs/works		133.81
					Provision for liability		120.94
					Total Amount Payables		969.82

STATUTORY AUDITOR'S COMMENT				MSETCL'S REPLY
Loans and Advances	7674760141	7674760141	100.00	Out of Rs. 767 Cr. 616.56 Cr. consist of receivable from MSEB Residual Board for servicing of erstwhile DPC liabilities and as on date, Rs. 553.70 crore is receivable from GoM through MSEBHCL and MSETCL has already approached GoM to release this amount through supplementary budget provision in FY 2009-10. This almost covers 80 % of loans & advances. Remaining Rs. 150.91 crore are receivable on the following accounts: Receivable from MSPGCL Rs. 4.84 Cr. Advance for O & M supplies Rs. 99.04 Cr. prepaid expenses Rs. 18.91 Cr. Interest accrued on F.D's Rs. 7.46 Cr. and other loans and advances Rs. 20.66 Cr.
b) Except for bank balances third party confirmations have been obtained by the company.				Refer replies to (a) above
c) The high value individual cases (i.e. more than 1 % of the respective account head) for				
Particulars	Amounts (Rs.)			
Account Receivables				
Maharashtra State Electricity Distribution Company	111184896			Refer replies to (a) above
Other Receivables	28730519			Refer replies to (a) above
Total	139915415			
Account Payables				
Maharashtra State Electricity Distribution Company	1961534975			Refer replies to (a) above
MSEB Holding Company Limited	97154688			Refer replies to (a) above
Other payables	7639592401			Refer replies to (a) above
Total	9698282064			
Loans and Advances				
Maharashtra State Power Generation Company	48436234			Refer replies to (a) above
MSEB Residual Board	6165553112			Refer replies to (a) above
Other Loans and advances	1460770795			Refer replies to (a) above
Total	7674760141			
Note : Since the Company's accounting system does not generate individual party				
d) The company has currently no system of obtaining third party confirmations				Factual

For Maharashtra State Electricity Transmission Co. Ltd.

P.G. Khandalkar
 Director (Finance)
 Mumbai.
 Dated : 01/04/2010

Annexure 'B'

**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619
(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF MAHARASHTRA STATE ELECTRICITY
TRANSMISSION COMPANY LIMITED, MUMBAI - FOR THE YEAR ENDED 31ST MARCH, 2009**

SR. NO.	CAG COMMENTS	MSETCL'S REPLY
	The preparation of financial statements of Maharashtra State Electricity Transmission Company Limited, Mumbai for the year ended 31 March 2009 in accordance with 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 Auditor 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 the Auditing and Assurance Standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated December 30, 2009.	FACTUAL
	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 Maharashtra State Electricity Transmission Company Limited for the year ended 31 March 2009. 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. Based on my supplementary audit, I would like to highlight the following significant matters under Section 619(4) of the Companies Act, 1956 which have come to my attention and which in my view is necessary for enabling a better understanding of the financial statements and the related Audit Report.	FACTUAL
A 1	<p>Comments on Profitability Profit and Loss Account Income</p> <p>Revenue from operation-(Schedule-11) Rs 1869.95 crore</p> <p>Open Access charges</p> <p>The above is understated by Rs.2.13 crore due to non accountal of Open Access Charges for the month of March 2009. This has resulted in understatement profit and Sundry debtors by Rs.2.13 Crore(HO)</p>	Since the Short term Open Access (STOA) charges are finalised by Regional Load Despatch Centre (RLDC), as such the amount of STOA transactions for the month of March 2009 cannot be assessed. Hence the provision of Rs 2.13 crores on account of STOA was not made for FY 2008-09.

2	<p>Other Income – (Schedule- 12) Rs 61.35 crore Other Miscellaneous Receipts</p> <p>The above is overstated by Rs.18.85 lakh due to accountal of rebate received from PFC, which pertained to MSEB Residual Board. This has resulted in overstatement of profit and Receivables each by Rs 18.85 lakh. (FMS)</p>	<p>It is to state that PFC has released the rebate on timely servicing of loans which are in the name of MSETCL. This includes one loan (Loan No. 21126001) which was taken by Erstwhile MSEB prior to 5.6.2005 and part of the loan (Rs. 205 crs) was allocated to MSEB Residual Board as per the approval of the opening balance sheet of subsidiary companies Resolution No. 2006/27, item -14 dated 24.11.2006 passed in the meeting of the Board of Directors of MSEB Holding Company Ltd. held on 26.9.2006. Since, this entire loan is in the name of MSETCL and in order to avoid default, MSETCL is servicing the loan till March 2009. As the loan is still in the name of MSETCL, PFC is remitting lump-sum rebate amount to MSETCL without providing break-up. However as pointed by Audit, necessary details will be called from PFC and on receipt of details & its verification, rectification entry will be passed in the books of Accounts.</p>
3	<p>Expenditure Operating Expenses- (Schedule-13) Rs 393.53 crore Repairs and Maintenance (R&M)</p> <p>The above is overstated by Rs. 63.55 lakh due to inclusion of cost of materials issued for repair of plant and machinery but lying at the sites as at 31 March 2009. This has resulted in understatement profit and Inventories by Rs. 63.55 lakh (EHV O&M Circle, Padgha)</p>	<p>The material was lying at site for replacement of damaged equipment but not replaced in time due to non availability of outage within time. As per normal policy followed by the company, the same was debited to Repairs and Maintenance on issue of material.</p>
4	<p>Expenditure incurred on repairs & maintenance during the year amounting to Rs. 40.65 lakh was neither paid nor provided for. This has resulted in overstatement of Profit, understatement of Operating Expenses and Current Liabilities by Rs 40.65 lakh (EHV O&M Circle Panvel Rs. 36.58 lakh and RS 4.07 lakh of EHV Padghe)</p>	<p>As regards to Panvel EHV O&M , it is to state that provision for outstanding liabilities of Rs. 36.58 Lakhs was remained to be made through oversight in March'09.</p> <p>With reference to EHV Padghe the necessary rectification J.V.No.06 is passed by the concerned division i.e. Jalna Dn.in the month of January-2010 & debited to Operating expenditure prior period head instead of Repairs & Maintenance head.</p>

5 (i)	<p>Employee costs - (Schedule-14) - Rs 603.58 crore Salaries, allowances, bonus etc.</p> <p>The Company has not made provision for Arrears of gratuity payable to retired employees during the year amounting to approximately Rs.4.93 crore (HO)</p>	<p>The pay revision provision of Rs. 72.08 Crores made by MSETCL in the FY 2008-09 contains various components such as Basic, DA, PF, Gratuity and other allowances which are provided on broad estimates of overall pay revision impact which also includes gratuity provision for the retired employees. It is not possible that the actual payment for the above components will exactly match with the each component of provision made.</p>
5 (ii)	<p>The Company has not made provision for gratuity for 63 employees amounting to approximately Rs. 1.92 crore.</p> <p>This has resulted in understatement of employee cost and overstatement of profit by Rs. 6.85 crore each</p>	<p>It is to state that the information for gratuity provision is collected from all zones and consolidated at the Corporate Office. The actuarial valuation would take care of such liability also.</p>
6	<p>The Company has made provision for gratuity liability based on actuarial calculation with one of the assumption viz. retirement age as 60 whereas it is actually 58. The impact of this incorrect assumption on gratuity provisions & consequently on profit could not be ascertained for want of actuarial calculations with factual assumption regarding age of retirement.</p>	<p>As per AS 15 Employee Benefits, the valuation of the provision for gratuity of existing employee is to be done on Actuarial basis as on 31.03.2009 based on data submitted by the company. MSETCL is consistently making this provision as per the actuarial valuations in order to comply with the requirement of AS-15.</p>
7 (i)	<p>Administration and Other Expenses- (Schedule -15) Rs 143.22 crore</p> <p>The above is understated by Rs. 1.04 crore due to short provision for rent payable to MSEB Holding Company Ltd with consequent overstatement of profit and understatement of current liabilities by Rs. 1.04 crore each (H O).</p>	<p>MSETCL has made provision of Rs. 9.53 crore towards Lease rent payable by MSETCL to MSEB HCL as per the monthly lease rent payable of Rs. 79.46 lakh as per new MOU signed between MSEB HCL and subsidiary companies on 08/06/2009. It is stated that as per the said MOU service tax, if levied, by the authorities, the same shall be paid by MSETCL to MSEB HCL in addition to lease rent. In this respect it is submitted that the IBA's for service tax payable on lease rent was not received by MSETCL till finalisation of accounts for FY 2008-09 and hence the same was not accounted for. However, since MSEB HCL has now forwarded said IBAs in the month of December 2009, the same has been accounted for in the accounts of MSETCL for FY 2009-10.</p>
7(ii)	<p>The above is understated by Rs. 53.62 lakh due to not making provision for Company's share of expenses which were incurred by MSEB Holding Company Limited (Rs. 25.36 lakh) and MSEDCL (Rs.28.26 lakh) with corresponding understatement of Current Liabilities and overstatement of profit by Rs. 53.62 lakh each</p>	<p>As per the lease agreement the common expenses incurred by MSEB HCL on the maintenance of the Office Premises is to be shared by all the three subsidiary companies on an predetermined basis. The portion of expenses pertaining to MSETCL was not billed by MSEB</p>

		HCL, hence the quantum of the same was not ascertainable at the time of closure of accounts . In view of this the said provision was not made in the books of accounts. The IBA for this expenditure was received from MSEDCL in Nov 2009. Hence the said expense was not accounted in FY 2008-09. The same was accounted in 2009-10.
7(iii)	Intangible assets were written off twice erroneously during the year once through "Depreciation & Other Amortization account" and again through the " Administration & Other Expenses ". This has resulted in overstatement of Administration & Other Expenses and under statement of Profit and assets by Rs. 63.29 lakh each. (HO)	It is submitted that Rs. 63.29 Lakh towards intangible assets written off was routed through Sch 5 Gross Block and Prov for Depreciation. The necessary rectification entry will be passed in FY 2009-10.
7(iv)	The above is understated due to non provision for other miscellaneous expenses of Rs. 12.77 lakh resulting in corresponding understatement of Provision and overstatement of profit by Rs. 12.77 lakh	The provision for outstanding liability of Rs. 11.16 lakh was inadvertently remained to be made . This is accounted in the FY 2009-10 as 'prior period expenses'. The provision for bills of payments to suppliers from April 2009 to July 2009 were actually received in July 2009 was remained to be made in FY 2008-09. Now, Rs.1.61 lakhs have been debited to Operating expenses for prior period vide J.V.No. 11/ Jan. 2010.
8	<p>Interest and Finances Charges–(Schedule-17) Rs 256.15 crore Interest and other Finance Charges</p> <p>The above is understated by Rs.61.10 lakh due to adjustment of rebate on interest though the rebate was not pertaining to the Company. This has resulted in overstatement of profit and Current Assets - Receivable (receivables from MSEB Residual Board) by Rs.61.10 lakh.</p>	It is to state that PFC has released the rebate on timely servicing of loans which are in the name of MSETCL. This includes one loan (Loan No. 21126001) which was taken by Erstwhile MSEB prior to 5.6.2005 and part of the loan (Rs. 205 crs) was allocated to MSEB Residual Board as per the approval of the opening balance sheet of subsidiary companies Resolution No. 2006/27, item -14 dated 24.11.2006 passed in the meeting of the Board of Directors of MSEB Holding Company Ltd. held on 26.9.2006. Since, this entire loan is in the name of MSETCL and in order to avoid default, MSETCL is servicing the loan till March 2009. As the loan is still in the name of MSETCL, PFC is remitting lump-sum rebate amount to MSETCL without providing break-up. However as pointed by Audit, necessary details will be called from PFC and on receipt of details & its verification, rectification entry will be passed in the books of Accounts.
9	The above is overstated by Rs. 72.61 lakh being the amount of excess lease rent paid to Power Finance Corporation (PFC) Limited in respect of amounts not financed by PFC Ltd. This has resulted in understatement of profit and Current Assets - receivables (Receivables from PFC) by Rs. 72.61 lakh each (FMS)	The matter regarding refund of excess lease rental charged on the unreleased amount of Rs. 45.43 lakh has already taken up with M/s Power Finance Corporation Ltd., New Delhi and they are requested to re-calculate the lease rent on the reduced value of capital cost of Lease Assets (i.e Rs. 501.42 lacs) and refund the differential lease

		rent excess charged by PFC. On receipt of refund, necessary entries will be passed in the books of Accounts.
	Net Profit after Tax: Rs. 134.05 crore.	
10	The above is understated by Rs 77.03 lakh due to excess provision for Tax on account of double disallowance of gratuity amount payable with corresponding overstatement of provision for tax.	Provision for income tax is made in the multiple of 10 Crores to take care of any adjustments after the tax audit.
B	Comments Position on Financial Balance sheet Sources of Funds Unsecured Loans (Schedule -4) - Rs. 4.12 crore	
11	Includes loan of Rs. 4.12 crore as one of the liabilities taken over by the company at the time of formation representing loan from KEC International which was already discharged prior to trifurcation. This resulted in overstatement of Unsecured Loans and understatement of Share Capital Suspense Account.	The loan liabilities allocation to all the successor entities of erstwhile MSEB is as per the approval of the opening balance sheet of subsidiary companies Resolution No. 2006/27, item -14 dated 24.11.2006 passed in the meeting of the Board of Directors of MSEB Holding Company Ltd. held on 26.9.2006. The final decision in the matter could be taken only at the time of finalization of transfer scheme. Therefore the liability of loans from Others under promissory notes issued to KEC International Rs. 4.11 crs presently allocated to MSETCL is continued be shown as such.
	Application of Funds Fixed Assets :(Schedule -5) Rs.10445.48 crores Buildings	
12	The above is understated by Rs. 20.99 lakh as the payments made in April & August - 2009 were not added to the cost of asset capitalised and commissioned in February 2009. This has resulted in understatement of fixed assets and liabilities to the extent of Rs 20.99 lakh (EHV O&M Circle, Padgha).	The necessary J.V. for capitalization of Assets is passed in the month of January 2010 vide J.V.No.06 & 08.
	Capital work in Progress	
13	The above includes materials of Rs. 3.58 crore which were not required for the work and hence the same should have been shown under stores and spares. This has resulted in overstatement of Capital Expenditure in Progress and understatement of stores and spares by Rs.3.58 crore (EHV O&M Circle, Panvel)	Due to some technical reason the said materials were not required by this circle and it was decided to divert the materials to project works . Due to March ending the above IBA's are accepted vide J.V. 150 of March'08 (S) & kept in advance to contractor's (capital) Account Head Now it is confirmed from the Store Center Panvel, the ACSR – Zebra 0.4 conductor are lifted from Store & utilized various Dn. under Zone office. After receipt of details from Store Center Panvel, the above amount which is kept in WIP (Advance to contractor's capital) is being cleared & transferred to proper Account Head.

	Current Assets, Loans and Advances- (Schedule –7) Rs 1758.12 crore Current Assets : Inventories Stores and spares	
14	The above includes old inventory of store and spares more than three year old amounting to Rs.32.98 crore. These Store & Spares were shown as issued after April 2009. Details of the works/schemes for which stores and spares were issued were not made available to audit. In the absence of above details correctness of inventory and provision for unserviceable and obsolescence loss could not be vouch safed in audit.(HO)	The amount of stores and spares shown in inventories of MS Aurangabad amounting to Rs. 32.98 crs has been issued during the FY 2009-10.
	Cash and Bank Balances - Rs 517.69 crore Bank balances with scheduled banks include	
15	Credit of Rs. 145.94 lakh in the accounts of the Company between February, 2006 and March , 2009 (SBH Rs 0.15 lakh, BOI Rs 5.63 lakh, BOB Rs 53.86 lakh, SBI Rs 14.51 lakh, BOM Rs 71.79 lakh) have not linked with the source of above credit. Thus the reconciliation between balances as per cash book and bank balances is incomplete to that extent for prolonged period(FMS).	It is to state that the remittance in transit account (24-500) is regularly credited with all the amounts credited by Banks for TT/MT/Electronic funds receipts which has been remitted by various field offices of MSETCL and on receipt of debit IBA's from these offices, necessary credit is passed on remitting Field Unit and corresponding debit is given to Remittance in transit Account (24-500). Thus this A/c is regularly credited and debited and any un-reconciled entry is automatically detected while carrying IUA Reconciliation with Field Offices, Further, if there is any wrong credit given by bank which is not pertaining to MSETCL, it remains in 24-500 until reversal of the same by the Bank. Till that time, it remains in Remittance A/c. Since, this is a Account where regular debit/credit taken place, any entry remain outstanding on a particular date (say 31.3.2009) will be linked with source of credit either on receipt of IBA from field office or on reversal of wrong credit, if any by the Bank. However, efforts will be taken up to link the source of credit for long outstanding amounts as suggested by Audit.
	Bank Balances	
16	Details of balances in current account fixed deposit accounts etc in Schedules / Non Scheduled Bank as the case may be have not been mentioned separately as required under Part I Schedule VI of the Companies Act.	It is submitted that balance with scheduled Banks and Fixed Deposits with Banks are already shown separately under Schedule No. 7 'Current Assets, Loans and advances' under the caption 'Cash and Bank Balances' in the detail schedule annexed with the Balance Sheet. It is further submitted that no such disclosure regarding cash in transit was required under part-I of Schedule VI under the Companies Act.
	C- Comments on Disclosure	
17	Details of rent paid during the year amounting to Rs 10.30 crore should have been shown separately as	It will be ensured that 'Rent' is disclosed separately from FY 2009-10.

	required under Part - II of Schedule VI of the Companies Act, 1956	
	D- Other Comments	
18	Assets not in use amounting to Rs 5.06 crore should have been shown under " Fixed Assets" instead of under "Current Assets Loans and Advances"	As per para 24 of AS - 10 "Material items retired from active use and held for disposal should be stated at the lower of their net book value and net realisable value and shown separately in the financial statements". Accordingly items of fixed assets not in active use has been removed from fixed assets and has been stated separately as per provision of AS-10 narrated above.

**Issued and signed on behalf of
The Comptroller and Auditor General of India**

**Rajib Sharma
Principal Accountant General**

**Company's Reply signed on
behalf of Board of Director's MSETCL**

**P G Khandalkar
Director (Finance)
Maharashtra State Electricity Transmission Co. Ltd.**

**Date : 30/04/2010
Place : Mumbai**

AUDITORS' REPORT

To,
The Members of
Maharashtra State Electricity Transmission Company Limited

1. We have audited the attached Balance Sheet of Maharashtra State Electricity Transmission Company Limited, (hereinafter referred to as MSETCL) as at 31st March 2009, Profit and Loss Account for the year ended 31st March 2009 and the Cash Flow Statement for the year annexed thereto.
2. 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.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (amendment) Order 2004, issued by the Government of India in terms of Sub section (4A) of Section 227 of the Companies Act, 1956, and on the basis of such checks as we considered appropriate, and according to the information and explanations given to us, we enclose in Annexure I, a statement on the matters specified in paragraphs 4 and 5 of the said Order to the extent applicable to the company.
4. We have to invite your specific attention to the following:
 - a) As per Maharashtra Electricity Reforms Transfer Scheme, 2005 (hereinafter referred to as the Transfer' scheme) of the Government of Maharashtra notified on 4th June 2005, the Undertakings forming part of the Transmission Undertakings of the erstwhile Maharashtra State Electricity Board as set out in Schedule 'A' of the said notification were transferred and vested with effect from 6th June 2005 in MSETCL. On account of such transfer, equity shares of the value of Rs. 26,95,99,20,455 (being the excess of assets over liabilities) were to be allotted to MSEB Holding Company Limited (hereinafter referred to as the Holding Company). Pending such allotment, this amount is shown as "Share Suspense Account".

- b) The amounts of assets and liabilities transferred to the company pursuant to the aforesaid Transfer scheme with effect from 6th June 2005 are subject to final approval of the Government of Maharashtra and are yet to be notified by the Government of Maharashtra. Changes in these amounts, if any, made at the time of notification may have an impact on these financial statements.
5. Balances of Secured Loans, Unsecured Loans, Sundry Debtors, Sundry Creditors, Loans and Advances and various other debit / credit balances including of the holding company and other subsidiary companies of the holding company are subject to confirmations and adjustments necessary upon reconciliation. The effect of the adjustment arising from reconciliation and settlement of old dues and possible loss that may arise on account of non recovery or partial recovery of such dues is not ascertained. The impact of the above on the amounts as disclosed in the Balance Sheet and on the profit for the year is also not quantified. Our audit report on the financial statements for the period ended 31st March 2008 was also modified accordingly;
6. Our comments as per sub-directions u/s 619(3)(a) issued to us by the office of the Accountant General (Commercial Audit) vide their letter dated 7th July 2009 are as per Annexure II to this report.
7. Further to our observations in the annexure referred to in paragraphs 4 to 6 above, we report that:
- a) Subject to our observations in paragraph 4(b) and 5 above, we have obtained all 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 accounts, as required by law have been kept by the Company in so far as it appears from our examination of such books;
 - c) The Balance Sheet and Profit and Loss Account referred to in this report are in agreement with the books of accounts;
 - d) In our opinion, the Balance Sheet and the Profit and Loss Account comply with the Accounting Standards referred in sub-section 3C of Section 211 of the Companies Act, 1956.
 - e) Pursuant to the notification number GSR 829(E) dated 21-10-2003 issued by the Government of India; the provisions of Sec 274(1)(g) of the Companies Act, 1956 are not applicable to the company.
 - f) Subject to our remarks in paragraphs 4(b) and 5 above, the total impact of which on financial statements has not been quantified by the company, in our opinion and to best of our information and according to the explanations given to us, the said accounts read together with Statement of Accounting Policies and Notes to Accounts both forming part

of the accounts, gives the information required by the Companies Act, 1956 in the manner so required and gives a true and fair view:

- (I) In the case of Balance Sheet, of the state of affairs of the company as at 31st March, 2009.
- (ii) In the case of Profit and Loss Account, of the Profit for the year ended on that date and
- (iii) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For and on behalf of
Contractor Nayak & Kishnadwala
Chartered Accountants

H.V. Kishnadwala
Partner,
Membership No. 37391
Mumbai,
Date : 30, December , 2009

ANNEXURE 1**TO THE AUDITORS REPORT REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF
EVEN DATE OF MAHARASHTRA STATE ELECTRICITY TRANSMISSION COMPANY
LIMITED FOR THE YEAR ENDED ON 31st MARCH 2009**

1(a)	The company has continued maintenance of fixed assets registers of the erstwhile Maharashtra State Electricity Board (MSEB) at each location. These registers (including those for recording Capital Work in Progress), however, need to be updated to show full and proper particulars, including quantitative details and situation, of the fixed assets.
1(b)	During 2006-07, MSEB Holding Company Limited (the Holding company) had appointed external consultants to carry out valuation of the fixed assets of the Company. As per the report of these external consultants, physical verification, to arrive at the values of these fixed assets, was conducted to cover about 90 % of the fixed assets of the Company. The assets verified by these external consultants have however not been reconciled with the fixed asset registers as maintained (as per clause 1(a) above) by the company. In the absence of such reconciliation we are unable to state whether there are any material discrepancies.
1(C)	The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the company and such disposal, in our opinion, does not affect the going concern status of the company.
2(a)	As informed to us and as per reports produced before us, inventories have been physically verified by the management in March 2009 at 3 major stores circles, 5 stores centre and fabrication work shop.
2(b)	In our opinion, the procedure of physical verification of inventory followed by the management is adequate in relation to the size of the company and the nature of its business.
2(c)	On the basis of our test examination of records of inventory produced before us, in our opinion, the company has maintained proper records of inventory. As explained to us, the discrepancies noticed on such physical verification of stocks as compared to book records were not material in relation to the operations of the company.
3.	On the basis of the records verified by us, the company has neither taken nor granted any loans to / from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 Thus provisions of clause 4(iii)(a) to 4(iii)(g) of the order are not applicable to the company for the year.
4	In our opinion and according to the information and explanations given to us, internal control procedures needs to be strengthened in respect of accounting of purchase of fixed assets and materials, as to commensurate with the size of the company and nature of its business. Further, on the basis of our examination, and according to the

	information and explanations given to us, we have neither come across nor have we been informed of any instance of major weaknesses in the aforesaid internal control system and there is no continuing failure for the same.
5	According to the information and explanations given to us, there are no contracts or arrangements with companies or other parties which need to be entered in the register maintained under section 301 of the Companies Act, 1956. Hence clause 4(v)(a) and 4(v)(b) are not applicable for the year.
6	According to the information and explanations given to us, the company has not accepted deposits from the public within the meaning of the provisions of section 58 A of the Companies Act, 1956 and rules framed there under.
7	During the year the company has appointed external firms of Chartered Accountants to carry out the internal audit function. In our opinion and on the basis on the various internal audit reports perused by us, the coverage and extent of the procedures carried out by the internal auditors need to be improved to make them more timely and commensurate with the size of the company and the nature of its business.
8	On the basis of records produced, we are of the opinion that prima facie, the cost records and accounts prescribed by the Government of India under section 209(1)(d) of the Act have been made and maintained by the company. However, we are not required to carry out and have not carried out any detailed examination of such records and accounts.
9(a)	According to the information and explanations given to us and according to the books and records verified by us, the company is generally regular in depositing undisputed statutory dues including Provident Fund, Employees State Insurance, Investor Education and Protection Fund, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and any other statutory dues with the appropriate authorities.
9(b)	According to the information and explanation given & representation made to us, there are no dues of income-tax, wealth-tax, sales tax, service tax, custom duty, excise duty and cess which have not been deposited on account of any dispute.
10	The Company does not have accumulated losses as at 31st March, 2009 and has not incurred cash losses during the financial year ended on that date or in the immediately preceding financial period.
11	In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to the banks, financial institutions and debentures holders during the year.
12	According to the information and explanation given to us, the company has not granted any loans or advances against pledge of shares, debentures or other securities.

13	The company is not a Chit fund company or Nidhi / Mutual Benefit Fund / Society, hence clause 4(xiii) of the order is not applicable.
14	In our opinion and according to the information and explanation given to us, the company is not dealer or trader in securities.
15	According to the information and explanation given to us, the company has not given any guarantee for loans taken by others from bank or financial institutions.
16	In our opinion and according to the information and explanations given to us, and on overall examination of the Balance sheet of the company, the term loans raised during the year have prima facie been applied for the purpose for which they were raised.
17	According to the information and explanation given to us, and on overall examination of the balance sheet of the company, in our opinion there are no funds raised on short-term basis which have been used for long term investments.
18	The company has not made any preferential allotment of shares during the year ended on 31 st March, 2009.
19	Since the company has not issued any debentures, the question of creation of securities for debentures does not arise.
20	The company has not raised any money by making a issue of shares during the year covered by our report.
21	During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have not come across any instance of fraud on or by the company noticed or reported during the year.

For and on behalf of
Contractor Nayak & Kishnadwala
Chartered Accountants

H. V. Kishnadwala/ Partner,
Membership No 37391
Mumbai,

Dated : 30th, December, 2009

To our report of even date
Comments as per sub-directions u/s 619(3) (a) issued by the office of the account general
(Commercial Audit) vide their letter dated 7th July 2009 (Refer paragraph 7 of our report)

a) Details regarding third party confirmations obtained by the company are as under:

Particulars	Amount as per Balance Sheet (Rs.)	Amount for which confirmations not received (Rs.)	Percentage of unconfirmed amounts (%)
Bank balances	1822535024	23349363	1.28%
Account Receivables (includes amount due from State Transmission Utility)	1693590415	139915415	8.26%
Account Payables	9698282064	9698282064	100.00%
Loans and Advances	7674760141	7674760141	100.00%

b) Except for bank balances, third party confirmations have not been obtained by the company. Hence we are unable to comment regarding variations in these balances.

c) The high value individual cases (i.e. more than 1 % of the respective account head) for which third party confirmations have not been obtained by the company are as under:

Particulars	Amount (Rs.)
Account Receivables	
Maharashtra State Electricity Distribution Co. Ltd.	111184896
Other Receivables	28730519
Total	139915415
Account Payables	
Maharashtra State Electricity Distribution Co. Ltd.	1961534975
MSEB Holding Company Limited	97154688
Other payables	7639592401
Total	9698282064
Loans and Advances	
Maharashtra State Power Generation Limited	48436234
MSEB Residual Company	6165553112
Other loans and advances	1460770795
Total	7674760141

Note: Since the company's accounting system does not generate individual party balances, the information given above is as compiled by the company and relied upon by us.

d) The company has currently no system of obtaining third party confirmations.

For and on behalf of
Contractor, Nayak & Kishnadwala
Chartered Accountant

H. V. Kishnadwala/ Partner,
Membership No 37391'
Mumbai,
Dated : 30th, December, 2009

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619 (4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF MAHARASHTRA STATE ELECTRICITY TRANSMISSION COMPANY LIMITED, MUMBAI - FOR THE YEAR ENDED 31ST MARCH, 2009

The preparation of financial statements of Maharashtra State Electricity Transmissions Company Limited, Mumbai for the year ended 31 March 2009 in accordance with 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 Auditor 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 the Auditing and Assurance Standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated December 30, 2009.

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 Maharashtra State Electricity Transmission Company Limited for the year ended 31 March 2009. 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. Based on my supplementary audit, I would like to highlight the following significant matters under Section 619(4) of the Companies Act, 1956 which have come to my attention and which in my view is necessary for enabling a better understanding of the financial statements and the related Audit Report.

**A Comments on Profitability
Profit and Loss Account
Income**

**Revenue from operation-(Schedule-11) Rs 1869.95 crore
Open Access charges**

- 1 The above is understated by Rs. 2.13 crore due to non accountal of Open Access Charges for the month of March 2009. This has resulted in understatement profit and Sundry debtors by Rs. 2.13 Crore (HO)

**Other Income – (Schedule- 12) Rs 61.35 crore
Other Miscellaneous Receipts**

- 2 The above is overstated by Rs. 18.85 lakh due to accountal of rebate received from PFC, which pertained to MSEB Residual Board. This has resulted in overstatement of profit and Receivables each by Rs 18.85 lakh. (FMS)

**Expenditure
Operating Expenses- (Schedule-13) Rs 393.53 crore
Repairs and Maintenance (R&M)**

- 3 The above is overstated by Rs. 63.55 lakh due to inclusion of cost of materials issued for repair of plant and machinery but lying at the sites as at 31 March 2009. This has resulted in understatement profit and Inventories by Rs. 63.55 lakh (EHV O&M Circle, Padgha)
- 4 Expenditure incurred on repairs & maintenance during the year amounting to Rs. 40.65 lakh was neither paid nor provided for. This has resulted in overstatement of Profit, understatement of Operating Expenses and Current Liabilities by Rs 40.65 lakh (EHV O&M Circle Panvel Rs. 36.58 lakh and RS 4.07 lakh of EHV Padghe)

**Employee costs - (Schedule-14) - Rs 603.58 crore
Salaries, allowances, bonus etc.**

- 5 (i) The Company has not made provision for Arrears of gratuity payable to retired employees during the year amounting to approximately Rs. 4.93 crore (HO)

- 5 (ii) The Company has not made provision for gratuity for 63 employees amounting to approximately Rs. 1.92 crore.

This has resulted in understatement of employee cost and overstatement of profit by Rs. 6.85 crore each

- 6 The Company has made provision for gratuity liability based on actuarial calculation with one of the assumption viz. retirement age as 60 whereas it is actually 58. The impact of this incorrect assumption on gratuity provisions & consequently on profit could not be ascertained for want of actuarial calculations with factual assumption regarding age of retirement.

Administration and Other Expenses- (Schedule-15) Rs 143.22 crore

- 7 (i) The above is understated by Rs. 1.04 crore due to short provision for rent payable to MSEB Holding Company Ltd with consequent overstatement of profit and understatement of current liabilities by Rs. 1.04 crore each (H O).

- 7 (ii) The above is understated by Rs. 53.62 lakh due to not making provision for Company's share of expenses which were incurred by MSEB Holding Company Limited (Rs. 25.36 lakh) and MSEDCL (Rs. 28.26 lakh) with corresponding understatement of current Current Liabilities and overstatement of profit by Rs. 53.62 lakh each

- 7 (iii) Intangible assets were written off twice erroneously during the year once through "Depreciation & Other Amortization account" and again through the " Administration & Other Expenses ". This has resulted in overstatement of Administration & Other Expenses and under statement of Profit and assets by Rs. 63.29 lakh each. (HO)

- 7 (iv) The above is understated due to non provision for other miscellaneous expenses of Rs. 12.77 lakh resulting in corresponding understatement of Provision and overstatement of profit by Rs. 12.77 lakh

Interest and Finances Charges–(Schedule-17) Rs 256.15 crore
Interest and other Finance Charges

- 8 The above is understated by Rs.61.10 lakh due to adjustment of rebate on interest though the rebate was not pertaining to the Company. This has resulted in overstatement of profit and Current Assets - Receivable (receivables from MSEB Residual Board) by Rs.61.10 lakh.

- 9 The above is overstated by Rs. 72.61 lakh being the amount of excess lease rent paid to Power Finance Corporation (PFC) Limited in respect of amounts not financed by PFC Ltd. This has resulted in understatement of profit and Current Assets - receivables (REceivables from PFC) by Rs. 72.61 lakh each (FMS)

Net Profit after Tax: Rs. 134.05 crore.

- 10 The above is understated by Rs 77.03 lakh due to excess provision for Tax on account of double disallowance of gratuity amount payable with corresponding overstatement of provision for tax.

B Comments Position on Financial
Balance sheet
Sources of Funds
Unsecured Loans (Schedule -4) -Rs. 4.12 crore

- 11 Includes loan of Rs. 4.12 crore as one of the liabilities taken over by the company at the time of formation representing loan from KEC International which was already discharged prior to trifurcation. This resulted in overstatement of Unsecured Loans and understatement of Share Capital Suspense Account.

Application of Funds**Fixed Assets : (Schedule - 5) Rs. 10445.48 crores****Buildings**

12

The above is understated by Rs. 20.99 lakh as the payments made in April & August - 2009 were not added to the cost of asset capitalised and commissioned in February 2009. This has resulted in understatement of fixed assets and liabilities to the extent of Rs 20.99 lakh (EHV O&M Circle, Padgha).

Capital work in Progress

13

The above includes materials of Rs. 3.58 crore which were not required for the work and hence the same should have been shown under stores and spares. This has resulted in overstatement of Capital Expenditure in Progress and understatement of stores and spares by Rs.3.58 crore (EHV O&M Circle, Panvel)

Current Assets, Loans and Advances-(Schedule –7) Rs 1758.12 crore**Current Assets : Inventories****Stores and spares**

14

The above includes old inventory of store and spares more than three year old amounting to Rs.32.98 crore. These Store & Spares were shown as issued after April 2009. Details of the works/schemes for which stores and spares were issued were not made available to audit. In the absence of above details correctness of inventory and provision for unserviceable and obsolescence loss could not be vouch safed in audit.(HO)

Cash and Bank Balances - Rs 517.69 crore**Bank balances with scheduled banks include**

15

Credit of Rs. 145.94 lakh in the accounts of the Company between February, 2006 and March , 2009 (SBH Rs 0.15 lakh, BOI Rs 5.63 lakh, BOB Rs 53.86 lakh, SBI Rs 14.51 lakh, BOM Rs 71.79 lakh) have not linked with the source of above credit. Thus the reconciliation between balances as per cash book and bank balances is incomplete to that extent for prolonged period(FMS).

Bank Balances

16

Details of balances in current account fixed deposit accounts etc in Schdeule / Non Scheduled Bank as the case may be have not been mentioned seperately as required under Part I Schedule VI of the Companies Act.

C- Comments on Disclosure

17

Details of rent paid during the year amounting to Rs 10.30 crore should have been shown separately as required under Part - II of Schedule VI of the Companies Act , 1956

D- Other Comments

18

Assets not in Use amounting to Rs 5.06 crore should have been shown under “ Fixed Assets” instead of under "Current Assets Loans and Advances"

For and or the behalf of
The Comptroller and Auditor of India

Rajib Sharma
Principal Accountant General

Date : 30-04-2010
Place : Mumbai

MAHARASHTRA STATE ELECTRICITY TRANSMISSION COMPANY LIMITED
BALANCE SHEET AS AT 31ST MARCH, 2009

	Sch No.	31-Mar-09 Rs.	31-Mar-08 Rs.
I. Sources of Funds			
(1) Shareholders funds:			
(a) Share Capital	1	500000	500000
(b) Share capital suspense A/c. (Refer Note 4 (a))		26959920455	26959920455
(c) Reserves and surplus	2	1405399635	7134069725
(2) Loan funds:			
(a) Secured loans	3	28054258183	24827917845
(b) Unsecured loans	4	41163573	41163573
(3) Deferred tax liabilities (net) (Refer Note 3(i))		6580246925	-
Total		63041488770	58963571598
II. Application of funds			
(4) (a) Fixed assets			
Gross Block	5	104454840353	98,859158872
Less Depreciation		56140163333	53180834598
Net Block		48314677020	45678324274
(b) Capital work in progress		18558898447	11748586547
(5) Investments	6	152176700	-
(6) Current Assets, Loans and Advances	7		
(a) Inventories		2319307305	1808785376
(b) Sundry Debtors		1693590415	1483138916
(c) Cash and bank balances		5176878034	5250235885
(d) Loans and advances		8391418908	6456117619
	(A)	17581194662	14998277796
(7) Less : Current Liabilities and Provision			
(a) Current Liabilities	8	16588674049	10044845178
(b) Provisions	9	4976784010	3435152565
	(B)	21565458059	13479997743
(8) Net Current Assets (A) - (B)		(3984263397)	1518280053
(9) Miscellaneous Expenditure (to the extent not written off/adjusted)	10	-	18380724
Total		63041488770	58963571598
(10) Notes to accounts	19	-	-

As per our report attached
For Contractor, Nayak & Kishnadwala
Chartered Accounts

For Maharashtra State Electricity Transmission Company Limited

(H.V. Kishnadwala)
Partner

P.G. Khandalkar
Director (Finance)

Arvind Singh
Managing Director

R.M. Premkumar
Chairman

Place : Mumbai
Date : 30.12.2009

MAHARASHTRA STATE ELECTRICITY TRANSMISSION COMPANY LIMITED
PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2009

	Schedule	2008-09	2007-08
	No.	Rs.	Rs.
INCOME			
(1) Revenue from operations	11	18699459345	15867543579
(2) Other Income	12	613516729	666195471
		19312976074	16533739050
EXPENDITURE :			
(3) Operating Expenses	13	3935332544	2470496455
(4) Employee costs	14	6035824401	2603684342
(5) Administration Expenses	15	1432239011	394923653
(6) Depreciation and other Amortisation (Refer Note 3(h))	16	3217488918	4946517909
(7) Interest and finance charges	17	2561450641	2212252082
		17182335515	12627874441
Net Profit Before Tax		2130640559	3905864609
(8) Less : Provision for Taxation			
(a) For Current Tax		1300000000	965000000
(b) For Deferred Tax		(523558471)	-
(c) For Fringe Benefit Tax		13700000	14000000
Net Profit After Tax		1340499031	2926864609
(9) Short provision for earlier year's tax		(8225668)	-
(10) Prior Period Items (Net)	18	42861943	(344823100)
Profit for the year		1375135306	2582041509
(11) Add : Balance brought forward from previous years		6146469725	4347228216
(12) Less : Contribution to Special reserve		93700000	107700000
(13) Less : Contribution to Contingency reserve		230200000	457300000
(14) Less : Transitional adjustments for employee benefits		-	217800000
(15) Less : Transferred to Deferred Tax Liabilities (net)		7103805396	-
Refer note 3 (I))			
Balance Carried to balance sheet		93899635	6146469725
Earnings per share (in Rs.) (Refer note 6 (e))			
(16) Bank Earnings per share		27503	51641
(17) Diluted Earnings per share		0.51	0.96
(18) Notes to accounts	19		

As per our report attached
For Contractor, Nayak & Kishnadwala
Chartered Accounts

For Maharashtra State Electricity Transmission Company Limited

(H.V. Kishnadwala)
Partner

P.G. Khandalkar
Director (Finance)

Arvind Singh
Managing Director

R.M. Premkumar
Chairman

Place : Mumbai
Date : 30.12.2009

MAHARASHTRA STATE ELECTRICITY TRANSMISSION COMPANY LIMITED
SCHEDULES FORMING PART OF BALANCE SHEET

Sch	Particular	2008-09 Rs.	2007-08 Rs.
1	<u>Share Capital</u>		
	Authorised 50,000 Equity shares of Rs. 10 each	500000	500000
	Issued, Subscribed and Paid up 50,000 Equity shares of Rs. 10 each fully paid-up (All the above shares are held by nominees on behalf of Government of Maharashtra pending transfer of same to MSEB Holding Co. Ltd. pursuant to transfer scheme)	500000	500000
	Total	500000	500000
2	<u>Reserves and Surplus</u>		
	(1) Contingency Reserve Fund Opening Balance Add: Addition during the year (Refer Note 4(b))	879900000 230200000 1110100000	422600000 457300000 879900000
	(2) Special Reserve Fund Opening Balance Add: Addition during the year (Refer Note 4(b))	107700000 93700000 201400000	- 107700000 107700000
	(3) Balance of Profit and Loss Account	93899635	6146469725
	Total	1405399635	7134069725
3	<u>Secured Loans</u> (Refer Note 4 (c))		
	(1) Open Market Bonds (OMB) (Amount repayable within one year Rs. 113.49 Crore, Previous Year Rs. 90.90 Crore)	3090200000	3999200000
	(2) Life Insurance Corporation of India (LIC) (Amount repayable within one year Rs. 28.78 Crore, Previous Year Rs. 34.53 Crore)	1293873072	1639211592
	(3) Rural Electrification Corporation Limited (REC) (Amount repayable within one year Rs. 63.39 Crore, Previous Year Rs. 100.44 Crore)	15218701378	10967895407
	(4) Power Finance Corporation Limited (PFC) (Amount repayable within one year Rs. 167.75 Crore, Previous Year Rs. 172.29 Crore)	8451483733	8221610846
	Total	28054258183	24827917845
4	<u>Unsecured Loans</u>		
	Loan from a Company (Amount repayable within one year Rs. Nil (Nil))	41163573	41163573
	Total	41163573	41163573

MAHARASHTRA STATE ELECTRICITY TRANSMISSION COMPANY LIMITED

SCHEDULE FORMING PART OF BALANCE SHEET

Schedule 5: Fixed assets

Assets	Gross Block (At cost)		Depreciation/ Amortisation		Net Block		
	As at 01.04.2008	Additions / Adjustments	As at 31.03.2009	As at 01.04.2008 Depreciation for the period	Deductions / Adjustments	As at 31.03.2009	As at 31.03.2008
<u>Tangible Assets</u>							
Land	687,711,679	72,115,551	759,827,230	-	-	759,827,230	687,711,679
Leasehold Land including development	457,491,294	18,750,146	467,458,002	56,049,508	5,702,647	405,705,847	401,441,786
Buildings	2,752,908,046	125,057,719	2,874,338,360	1,314,653,168	109,383,940	1,447,308,931	1,438,254,878
Hydraulic Works	222,778,876	11,145,257	233,422,489	72,412,631	6,278,177	154,430,269	150,366,245
Other Civil Works							
Railway Sidings	27,162,665	-	27,162,665	6,204,026	1,000,792	19,957,847	20,958,639
Roads and Others	2,857,954,256	283,841,372	3,040,416,096	766,929,170	61,388,490	2,212,529,915	2,091,025,086
Plant, Machinery & Equipments	52,559,495,555	6,868,098,854	56,721,512,070	31,521,877,671	1,932,589,928	23,478,820,196	21,037,617,884
Lines & Cable Networks	38,917,822,670	2,216,898,907	39,934,588,307	19,181,322,573	1,076,237,005	19,720,648,351	19,736,500,097
Vehicles	143,125,303	574,185	141,723,037	127,612,586	1,740,415	14,074,863	15,512,717
Furniture & Fixtures	101,882,145	4,176,181	105,642,889	81,297,769	3,090,606	21,718,849	20,584,376
Office Equipments (Including computers)	93,756,477	11,830,214	104,158,874	49,891,098	3,457,928	47,822,544	43,865,379
Capital Expenditure resulting in Assets not belonging to the Company	30,717,066	7,520,428	38,237,494	2,559,756	3,845,560	31,832,178	28,157,310
<u>Intangible Assets</u>							
Software Development Expenses	6,352,840		6,352,840	24,642	6,328,198	-	6,328,198
Total	98,859,158,872	9,620,008,814	104,454,840,353	53,180,834,598	258,160,183	48,314,677,020	45,678,324,274
Add: Adjustment							
Previous Year	90,164,708,474	8,705,688,434	98,859,158,872	48,005,940,671	(217,710,841)	45,678,324,274	42,158,767,803

MAHARASHTRA STATE ELECTRICITY TRANSMISSION COMPANY LIMITED
SCHEDULES FORMING PART OF BALANCE SHEET

6	<u>Investments (Unquoted, at Cost)</u>		
	Trade Investment - Long Term Jaigad Power Transco Ltd (Joint Venture) (1,52,17,670 Equity Shares of Rs. 10 each, Previous Year Nil)	152176700	-
	Total	152176700	-
7	<u>Current Assets, Loans & Advances</u>		
	<u>Current Assets</u>		
	(a) Inventories (At cost) (As certified by the management) Stores & Spares Less: Provision for unservicable and obsolescence loss	2333945284 (14637979)	1823387612 (14602236)
	Total	2319307305	1808785376
	<u>(b) Sundry debtors</u> (Unsecured, considered good)		
	- Debts outstanding for more than six months (Refer Note 4(f)) - Other debts	96359062 1597231353	96359062 1386779854
	Total	1693590415	1483138916
	<u>(c) Cash and Bank balances</u>		
	(1) Cash and Stamps on hand (2) Cheques in hand (3) Bank balances	2543010 3351800000	604433206
	(a) with Scheduled banks (b) Fixed Deposit with Banks	652535024 1170000000	498402679 4147400000
	Total	5176878034	5250235885
	<u>(d) Loans and Advances</u> (Unsecured, considered good unless otherwise specified)		
	(1) Inter corporate deposits (Refer Note 4 (d)) (2) Advances for O & M supplies / works (3) Deposits (4) Prepaid expenses (5) Interest accrued on fixed deposits (6) Claims receivable and other current assets (7) Assets not in use (8) Taxes paid in advance (Net of Provisions) (9) Other loans and advances	6213989346 990473443 43343009 189136150 79759813 140595789 50587273 476935344 206598741	5792887970 411720934 42643369 279338074 57074542 23780529 13181159 (310509799) 146000841
	Total	8391418908	6456117619

MAHARASHTRA STATE ELECTRICITY TRANSMISSION COMPANY LIMITED
SCHEDULES FORMING PART OF BALANCE SHEET

8	<u>Current liabilities</u>		
	(1) Sundry Creditors		
	For Capital Expenditure		
	Due to Micro, Small and Medium Enterprises (Refer Note 5(j))	-	-
	Due to Others	3014624529	634130341
	For other than capital Expenditure		
	Due to Micro, Small and Medium Enterprises (Refer Note 5(j))	-	-
	Due to Others	4624987872	2479904743
	(2) Payable to companies under same management	2058689663	2039079417
	(3) Consumer Contribution (Refer Note 3(f))	3042159396	2283678481
	(4) Government Grant (Refer Note 3 (g))	1758193904	1485800000
	(5) Interest accrued but not due on loans	538909056	541173519
	(6) Staff related liabilities and provisions	1501591733	600904886
	(7) Other liabilities and provisions	49517896	(19826209)
	Total	16588674049	10044845178
9	<u>Provisions</u>		
	Provision for Gratuity	3143476846	2133452565
	Provision for Leave encashment	1833307164	1301700000
	Total	4976784010	3435152565
10	<u>Miscellaneous Expenditure to the extent not written off /adjusted</u>		
	(To the extent not written off / adjusted)		
	Loss to Fixed Assets pending Investigation	-	9561556
	Other Deferred Revenue Expenditure	-	8559300
	Expenditure on Survey/feasibility studies of Projects not yet sanctioned	-	259868
	Total	-	18380724

MAHARASHTRA STATE ELECTRICITY TRANSMISSION COMPANY LIMITED
SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT

Sr. No.	Particulars	31 March 09 Rs.	31 March 08 Rs.
11	<u>Revenue from Operations</u>		
	Transmission charges recoveries	18143284910	15473615000
	Transmission charges recoveries (Goa)	88955004	88955004
	Open Access Charges	287646231	156909575
	SLDC Charges	149810000	148064000
	Supervision Charges (Refer Note 3(f)(iv))	29763200	-
		18699459345	15867543579
12	<u>Other income</u>		
	Interest income (TDS Rs. 5,15,31,669 Previous Year Rs. 6,63,40,283)	207916681	288621711
	Rent	3839768	3390327
	Profit on sale of fixed assets	25233071	39275199
	Sale of tender forms	36443609	17930476
	Other Miscellaneous receipts	340083600	303630421
	Exchange Rate Variation (Net)	-	13347337
		613516729	666195471
13	<u>Operating Expenses</u>		
	Repairs and Maintenance		
	Plant & machinery	3387685928	2065488977
	Building	195906687	206304522
	Others	336539655	217747600
		3920132270	2489541099
	Less: Repairs and maintenance expenses capitalised	(15200274)	19044644
		3935332544	2470496455
14	<u>Employee costs</u>		
	Salaries, allowances, Bonus etc.	3477829731	2628072437
	Staff welfare expenses	23816067	22864673
	Other staff costs	173663663	72640611
	Leave encashment	655576469	235043367
	Gratuity	1248609309	239324653
	Contribution to Provident & Other Funds	354244731	280153655
	Shortfall/(Excess) in Plan Assets	(18900000)	8900000
	Provision for interest shortfall on PF liability	71779082	-
		5986619052	3486999396
	Less: Employees cost capitalised (Refer Note 3©)	(49205349)	883315054
		6035824401	2603684342
15	<u>Administration and Other Expenses</u>		
	Water charges	35873807	26863547
	Rent Rates & Taxes	229381683	195717770
	Insurance charges	8930399	9927236
	Legal and professional charges	39618339	12821090

MAHARASHTRA STATE ELECTRICITY TRANSMISSION COMPANY LIMITED
SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT

16	Statutory Auditors Remuneration (Refer Note 5(d))	1158150	898880
	Other administrative expenses	566479057	467139736
	Intangible Assets written-off (Refer Note 4(g))	6328198	1622191
	Write-off of Deferred Revenue Expenditure (Refer Note 3(l))	6123880	5477100
	Miscellaneous losses and write off /provided for	16311486	108028777
		910204999	828496327
	Less: Administration and HOS expenses capitalised (Refer Note 3 (b)&(c))	(522034012)	433572674
		1432239011	394923653
	<u>Depreciation and Other Amortisation</u>		
	Depreciation/Amortisation	3218619215	4954694381
17	Less: Depreciation capitalised	1130297	8176472
		3217488918	4946517909
	<u>Interest and finance charges</u>		
	<u>Interest on fixed loans</u>		
	Open Market Bonds	387226679	519618836
	Rural Electrification Corporation Limited	1438902627	823365246
	Life Insurance Corporation of India	158036979	192183896
	Power Finance Corporation Limited	930416844	779739345
	Foreign Currency Loans from Banks	-	3955241
		2914583129	2318862564
	Interest on other loans	323836	154196
	<u>Finance Charges</u>		
	Guarantee charges	179556367	247596164
	Bank charges	2218122	3689910
	Loan processing charges	3672970	9289928
		3100354424	2579592762
	Less: Interest and Finance Charges Capitalised (Refer Note 3 (d))	538903783	367340680
		2561450641	2212252082

MAHARASHTRA STATE ELECTRICITY TRANSMISSION COMPANY LIMITED
SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT

18	<u>Prior period Items (Net)</u>		
	<u>Incomes</u>		
	Supervision charges (Refer Note 3(f)(iii))	170127503	-
	Other income	61277254	128374401
	Excess provisions written back	60167068	62756695
		291571825	191131096
	<u>Expenses</u>		
	Operating expenses	52032894	151889267
	Employee costs	8651213	20186118
	Administration and other expenses	93258753	62034346
	Depreciation (Net)	94763861	299266023
	Interest and other finance charges	3161	2578442
		248709882	535954196
		42861943	(344823100)

MAHARASHTRA STATE ELECTRICITY TRANSMISSION COMPANY LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2009

Particulars	2008-09		2007-08	
	Amount Rs.		Amount Rs.	
Net Profit before tax after prior period items		2165276834		3561041509
Add/(Less) : Adjustments				
Depreciation	3217488918		5174918569	
Deferred Revenue Expenditure /	18380724		362575544	
Intangible asset written off			(217800000)	
Transitional adjustment for employee benefits	3100354424		2579592762	
Interest and finance charges	(1749001282)		(2093227077)	
Increase in Current Assets	8085460316		2308052288	
Increase in Current Liabilities	12672683100		8114112086	
Income Tax Paid	(2220973435)	10451709665	(417912423)	7696199663
Cash flow from Operating Activities		12616986499		11257241172
Cash flow from Investing Activities				
Increase in Capital Expenditure (including interest capitalisation of Rs. 53,89,03,783 (Previous year Rs. 36,73,40,680))	(12664153564)		(11130961115)	
Increase in Investment	(152176700)	(12816330264)		(11130961115)
Cash flow from Financing Activities				
Loans	3226340338		5457282550	
Interest and finance charges	(3100354424)		(2579592762)	
		125985914		2877689788
Net increase/(Decrease in Cash Flow)		(73357851)		3003969845
Opening Cash and Cash equivalents		5250235885		2246266040
Closing Cash and Cash equivalents		5176878034		5250235885

Note:

Cash and Cash equivalents include		2008-09 (Rs.)		2007-08 (Rs.)
(1) Cash and Stamps on hand		2543010		604433206
(2) Cheque in hand		3351800000		-
(3) Bank balances				
(a) with Scheduled banks		652535024		498402679
(b) Fixed Deposit with Banks		1170000000		4147400000
Total		5176878034		5250235885

As per our report attached
For Contractor, Nayak & Kishnadwala
Chartered Accountants

For Maharashtra State Electricity Transmission Company Limited

(H. V. Kishnadwala)
Partner

P. G. Khandalkar
Director (Finance)

Arvind Singh
Managing Director

R M Premkumar
Chairman

Mumbai
Date: 30.12.2009

MAHARASHTRA STATE ELECTRICITY TRANSMISSION COMPANY LIMITED
Schedules forming part of accounts for year ended 31st March, 2009
SCHEDULE 19 – NOTES TO ACCOUNTS

1	Background:
a)	<p>Maharashtra State Electricity Transmission Company Limited (MSETCL) was incorporated under the Companies Act, 1956 on 31st May, 2005. The Certificate of Commencement of Business was received on 15th September, 2005 from the Registrar of Companies. The Company was incorporated as per provisions of the notification of Maharashtra State Electricity Reforms Transfer Scheme, 2005 (hereinafter referred to as the Transfer Scheme) which was issued on 4th June, 2005. As per the aforesaid notification, assets and liabilities forming part of the Transmission Undertaking of erstwhile Maharashtra State Electricity Board as set out in 'Schedule A' of the said Notification were transferred and vested to the company with effect from 6th June, 2005. The transfer of Assets and Liabilities under the above Transfer Scheme was made by the Government of Maharashtra. The consideration for the transfer of undertaking being excess of assets over liabilities will be discharged by issue of Equity Shares of Rs. 26,95,99,20,455/- to MSEB Holding Company Limited.</p> <p>The assets and liabilities of the company as on June 06, 2005 contain balances, which are transferred under the Maharashtra Electricity Reforms Transfer Scheme, 2005 (Transfer Scheme). Accordingly, these balances are approved by MSEB Holding Company Ltd. The Final Transfer Scheme is yet to be notified by the Government of Maharashtra, which may have an impact on the financial statements of the Company.</p>
b)	Up to Financial year 2007-08, the Company had maintained the accounts and compiled its Annual Statement of Account as prescribed by Electricity (Supply) (Annual Accounts) Rules, 1985 (ESAAR 1985) in accordance with Section 185 (2) (d) of the Electricity Act, 2003.
c)	Financial statements for the year ended 31st March, 2009 are prepared in compliance with the Companies Act, 1956, as against the Company's earlier practice of preparing the 'Annual Statement of Accounts' as prescribed under Rule 5(1) of The Electricity Supply Annual Accounts Rules, 1985. Accordingly previous year's figures have been regrouped/reclassified wherever necessary to confirm to current year classification.
2	Statement of Significant Accounting Policies:
2a)	<p><u>Basis of preparation of financial statements:</u> The Company is a Public Limited Company registered under the Companies Act, 1956. The Company is governed by The Electricity Act, 2003. The provisions of the Electricity Act, 2003 read with the rules made there under prevails wherever the same are</p>

	<p>inconsistent with the provisions of the Companies Act, 1956 in terms of section 174 of the Electricity Act, 2003.</p> <p>The financial statements have been prepared on the basis of going concern concept and under the historical cost convention. The Company adopts accrual basis in preparation of its accounts to comply in all material aspects with Generally Accepted Accounting Principles (GAAP) and the accounting standards issued by the Companies (Accounting Standards) Rules, 2006 as per notification no. G.S.R.739 (E) dated 7th December, 2006.</p> <p>Assets and liabilities created under applicable electricity laws continue to be depicted under appropriate heads.</p>
2 b)	Use of Estimates:
	<p>The preparation of financial statements in conformity with generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amounts of assets and the liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Differences between actual results and estimates are recognized in the period in which results are known / materialized.</p>
2 c)	Fixed Assets and Capital Work In Progress:
i)	Fixed assets of the company are recorded in the books of accounts and disclosed in annual accounts at historical cost. Fixed assets are stated at cost of acquisition or construction less accumulated depreciation.
ii)	Cost of acquisition is inclusive of freight, duties and taxes (other than those subsequently recoverable from taxing authorities), levies, borrowing costs in case of qualifying assets & all incidental costs attributable to bring the assets to its working condition.
iii)	In case of assets constructed by construction division of the Company, all costs incurred by the said division including employee, administration cost and depreciation on construction equipments are capitalized.
iv)	Capital Expenditure incurred by the company, resulting in creation of fixed assets for which company does not have ownership rights is reflected as a distinct item.
v)	In case of Capital Work in Progress for work against deposits / work contract where the final settlement of bills with the contractor is yet being effected, capitalisation is done on provisional basis subject to necessary adjustment in the year of final settlement.

vi)	Claims for price variation in case of capital contracts are accounted for on acceptance thereof by the Company.
vii)	The total cost incurred by the company at project and planning units for the period are apportioned to respective capital Work-in-progress accounts on the basis of accretions thereto.
viii)	Costs incurred on identification, survey and feasibility studies of a project under sanction are shown as a distinct item in capital work in progress till the period of its rejection or three years, whichever is earlier. In case of rejection, the expenses are charged to revenue in the year of rejection.
ix)	Fixed Assets costing individually up to Rs. 5,000/- are written off to Profit & Loss Account.
x)	Intangible Assets are capitalized at cost if it is probable that the future economic benefits that are attributable to the assets will flow to the Company and the cost of these assets can be measured reliably.
xi)	Fixed assets are shown in the books of accounts net of any government grants / Consumers Contribution / Subsidies received in respect of those fixed assets.
xii)	Expenditure incurred on Renovation or Modernization of Fixed Assets / Life Extension scheme (LES) is capitalized where both the following conditions are fulfilled viz ;
(a)	Such expenditure results in creation of new asset or increasing output or capacity or efficiency equivalent to that of the new asset;
(b)	The cost of the replaced asset is removed from the Gross block along with its accumulated depreciation.
2 d) Government Grant and Subsidy:	
	Government grants/Subsidy related to specific fixed asset are deducted from gross value of such fixed asset. Government Grants/Subsidy received in respect of incomplete Projects are retained in Current Liabilities till such Fixed assets are capitalized. On capitalization of such fixed assets, the relevant Government Grant/Subsidy is deducted against the specific fixed assets in respect of which it is received.

2 e)	Borrowing Costs:														
	Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that takes substantial period of time to get ready for its intended use or sale. Other borrowing costs not attributable to the acquisition or construction of qualifying capital asset are recognized as expenses in the period in which they are incurred.														
2 f)	Impairment of Assets:														
	The Company, at the Balance Sheet date, assesses individual fixed assets and groups of assets constituting 'Cash Generating Units' (CGU) for impairment, if circumstances indicate a possibility or warrant such assessment. Provision is made for impairment of state of assets or CGU if carrying cost is higher than recoverable amount as at the Balance Sheet date.														
2 g)	Depreciation / Amortization:														
	<p>i) Tangible Assets:-</p> <p>The Company provides depreciation on straight line method to the extent of 90% of the cost of asset following the rates notified by the Central Electricity Regulatory Commission (CERC) pursuant to tariff policy issued on January 6, 2006.</p> <p>Depreciation on additions/deletions of assets is provided on pro-rata basis from/up to the month in which the asset is available for use/disposal.</p> <p>ii) Intangible Assets:</p> <p>Leasehold land is amortized over the period of lease.</p> <p>iii) Depreciation rates used for various classes of assets are as under:</p> <table border="1"> <thead> <tr> <th>Particulars</th><th>Rate</th></tr> </thead> <tbody> <tr> <td>Hydraulic Works</td><td>2.57 % to 03.60 %</td></tr> <tr> <td>Buildings & Other Civil Works</td><td>1.80 % to 18.00 %</td></tr> <tr> <td>Plant & Machinery</td><td>1.80 % to 18.00 %</td></tr> <tr> <td>Transmission lines, Cable Network etc.</td><td>1.80 % to 06.00 %</td></tr> <tr> <td>Furniture, Fixtures and Office Equipments</td><td>06.00%</td></tr> <tr> <td>Vehicles</td><td>18.00%</td></tr> </tbody> </table>	Particulars	Rate	Hydraulic Works	2.57 % to 03.60 %	Buildings & Other Civil Works	1.80 % to 18.00 %	Plant & Machinery	1.80 % to 18.00 %	Transmission lines, Cable Network etc.	1.80 % to 06.00 %	Furniture, Fixtures and Office Equipments	06.00%	Vehicles	18.00%
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Furniture, Fixtures and Office Equipments	06.00%														
Vehicles	18.00%														

2 h)	Inventories:
	<p>The Stock of materials, stores and spare parts are valued on cost or net realizable value whichever is lower. Cost is determined as per weighted average cost method. Cost comprises of cost of purchase and other costs incurred in bringing inventory to its present location and condition.</p> <p>Losses towards unserviceable and obsolete stores and spares identified on review are provided in the accounts.</p>
2 i)	Revenue Recognition:
	<p>i) Transmission income:</p> <p>(a) Revenue from Transmission of electricity is accounted for based on Monthly Intra State Transmission Tariff Order issued by the Maharashtra Electricity Regulatory Commission (MERC), subsequent to the approval of Annual Performance Review (APR) for the current year and Aggregate Revenue Requirement (ARR) for the subsequent year. In the said Order the final true up for the Previous Year based on the Audited Accounts is also considered. Thus the said Order contains the Final True up for the Previous Year plus Provisional True up for the Current Year and Projected ARR for the subsequent year, including adjustments, if any.</p> <p>(b) The excess / under recovery, if any, is adjusted in the subsequent ARR Orders approved by MERC and based on these ARR Orders, the new Monthly Intra State Transmission Tariff Order are issued by MERC. Thus the effect of earlier period's shortfall/excess recovery is adjusted in Monthly Intra State Transmission Tariff Orders issued by the MERC.</p> <p>ii) Other income is recognized on accrual basis except when ultimate realization of such income is uncertain.</p> <p>iii) Sale of scrap is accounted when the same is contracted to be sold.</p>
2 j)	Investments:
	Long term investments are carried at cost, less provision for diminution other than temporary, if any, in the value of such investments.
2 k)	Foreign Currency transactions:
	A Foreign currency transaction is initially recognized in the reporting currency, by

	<p>applying the foreign currency amount exchange rate between the reporting currency and the foreign currency prevailing on the date of the transaction.</p> <p>The gain or loss arising on account of exchange rate differences between the payment date and transaction date is transferred to the Profit and Loss Account for the year.</p> <p>At the Balance Sheet date, foreign currency monetary items are reported using the closing rate. Gain or loss, if any, is recognized in the Profit and Loss Account for the year.</p>
2 I)	Employee Benefits:
	<p>i) Short Term Employees Benefits:</p> <p>The Company recognizes the undiscounted amount of short term employee benefits expected to be paid in exchange for services rendered as liability (accrued expense) after deducting any amount already paid.</p> <p>ii) Post-employment benefits:</p> <p>(a) Defined contribution plans:</p> <p>Defined contribution plans are post-employment benefits plans under which Company recognizes fixed contributions as a liability (accrued expense) after deducting any contribution already paid. The Company's contribution to defined contribution plans are recognized in the profit and loss statement in the financial year to which they relate.</p> <p>(b) Defined Benefit Plan:</p> <p>(i) Gratuity and Leave encashment:</p> <p>Provision for accruing liability for gratuity and leave encashment on retirement is made on the basis of the liability as actuarially determined as at the year end.</p> <p>(ii) Provident Fund:</p> <p>Company pays fixed contribution to Provident Fund at predetermined rates along with employee's contribution to a separate trust which also manages funds of other group companies, making it a Multi Employer Defined Benefit Plan. The funds are then invested in permitted securities. The contribution to the fund for the period is recognized as expense and is charged to the profit & loss account.</p>

	<p>The cost of providing defined benefits is determined using the Projected Unit Credit Method with actuarial valuations being carried out at each balance sheet date. Past service cost is recognized immediately to the extent that the benefits are already vested, else is amortized on a straight-line basis over the average period until the amended benefits become vested.</p> <p>The defined benefits obligations recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized gains and losses and unrecognized past service costs, and as reduced by the fair value of plan assets, if applicable. Any defined benefit asset (negative defined benefit obligations resulting from this calculation) is recognized representing the unrecognized past service cost plus the present value of available refunds and reductions to the plan.</p>
(iii)	Other long term Employee benefits:
	<p>Entitlements to annual leave and sick leave are recognised when they accrue to employees. The Company determines the liability for accumulated leave using the Projected Units Credit Method with Actuarial valuation being carried out at each Balance Sheet date.</p>
2 m)	Leases:
	<p>i) Finance Lease:</p> <p>In respect of assets acquired on finance lease, which are transferred under the Maharashtra Electricity Reforms Transfer Scheme, 2005 (Transfer Scheme), the lease rentals are charged to profit and loss account as and when the same accrue.</p> <p>Assets acquired subsequent to June 5, 2005 are classified as Finance Lease, where the risks and rewards of the ownership of assets are transferred in substance to the Company. Such assets are capitalized at the inception of the lease at the lower of fair value or the present value of minimum lease payments and a liability is created for an equivalent amount. Lease rentals paid are allocated between the liability and interest cost, so as to obtain a constant periodic rate of interest on outstanding liability for each period.</p> <p>ii) Operating Lease:</p> <p>Assets taken on lease under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating lease. Lease payments under operating leases are recognized as expense on straight line basis.</p>

2 n)	Taxation:
	<p>i) Income Tax:</p> <p>Current tax is determined as per the provisions of the Income Tax Act, 1961 in respect of Taxable Income for the year, after considering permissible tax exemption, reduction / disallowance.</p> <p>ii) Deferred Tax:</p> <p>Deferred tax is recognized 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, subject to consideration of prudence by applying the tax rate and laws enacted or substantially enacted by Balance Sheet date.</p>
2 o)	Prior Period Items:
	Adjustments arising due to errors or omissions in the financial statements of earlier years are counted under the separate head 'Prior Period items'.
2 p)	Provisions, Contingent Liabilities and Contingent Assets:
	<p>Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as result of past events and it is probable that there will be an outflow of resources.</p> <p>Contingent liabilities are not recognized but are disclosed in the notes. Financial effect of contingent liabilities is disclosed based on information available up to the date on which financial statements are approved.</p> <p>Contingent assets are neither recognized nor disclosed in the financial statements.</p>
3	Following are the changes in accounting policies to comply with the Companies Act, 1956, as against ESAAR, 1985 read with Section 185 (2) (d) of the Electricity Act, 2003:
3 a)	Depreciation:
	Up to financial year 2007-08, the Company was providing Depreciation on fixed assets as per straight line method in accordance with Electricity (Supply) (Annual Accounts) Rules, 1985 and at the rates approved by Ministry of Power, Government of India vide notification No. S.O. 266 (E) dated 29th March, 1994 and rates of depreciation as approved by Government of Maharashtra pursuant to circulars issued by Ministry of Power and Non conventional Energy Sources (Department of Power).

	<p>During the year, the depreciation policy of the company has been changed to provide depreciation on Straight Line method at the rates prescribed by Central Electricity Regulatory Commission (CERC) – a body constituted under erstwhile Electricity Regulatory Commission Act, 1998 and recognized under the Electricity Act, 2003 pursuant to tariff policy issued on January 6, 2006. Ministry of Power has already notified tariff policy which provides that the rate of depreciation as notified by CERC would be applicable for the purpose of tariff as well as accounting.</p> <p>The company has also provided depreciation on fixed assets starting from the month in which assets are put to use as against earlier policy of providing depreciation on fixed assets from the year subsequent to the year in which the asset was put to use. The policy has been applied retrospectively to all the additions to fixed assets since the inception of the Company.</p>
3 b)	Capitalization of Head Office Supervision Charges (HOS):
	<p>As per the earlier practice, the company used to capitalize Head Office Supervision charges to Capital work in progress (CWIP) and Fixed Assets on an ad-hoc predetermined percentage basis.</p> <p>To fall in line with the applicable Accounting Standards, the company has revised its accounting policy to capitalize only the expenses incurred at the Project and Planning department (P&P section) over scheme having maximum Investment Outlay.</p> <p>The cost of the fixed assets has been accordingly adjusted by giving effect to the revised policy. As a result an amount of Rs. 85,29,74,365/- ((Net) without considering effect on Depreciation) which was capitalized has been reversed and is now charged to profit and loss account for the year.</p>
3 c)	Capitalization of General Establishment Charges (GEC) :
	<p>As per the earlier practice, the company used to capitalize GEC which included Employee and Administration Cost on additions to capital work in progress (CWIP) during the year on predetermined percentage basis at Civil Construction Cum Maintenance (CCCM) and Operation and Maintenance (O&M) units.</p> <p>To fall in line with the applicable Accounting Standards, the company has revised its accounting policy and the cost of the fixed assets has been accordingly adjusted by</p>

	giving effect to the revised Policy. As a result, an amount of Rs. 1,22,00,82,593/- ((Net) without considering effect on Depreciation)) which was capitalized has been reversed and is now charged to profit and loss account for the year.
3 d)	Capitalization of Borrowing Costs:
	Earlier, the Company had a policy of capitalizing borrowing costs to Capital Work in progress and fixed assets as per procedure specified under clause 1.42 and 1.43 of Annexure V to ESAAR, 1985 on predetermined basis. During the year the company has revised its policy of recognizing borrowing costs. Only those borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets. The cost of the fixed assets has been accordingly adjusted by giving effect to the revised policy. As a result, an amount of Rs 53,89,03,783/- ((Net) without considering effect on Depreciation) which was short-capitalized has been capitalized during the year.
3e)	Accounting for Grant received from Maharashtra Energy Development Agency (MEDA):
	As per Government of Maharashtra's policy for promotion of generation of energy from non conventional sources, 50% of cost of such power evacuation project developed by Private Developers shall be borne by the Company and remaining 50% will be reimbursed by MEDA to the developers. Accordingly, Assets worth Rs. 1,16,40,00,658 (net of MEDA subsidy) has been accounted as fixed assets during the year.
3 f)	Treatment of Outright Consumers Contribution:
	<p>Outright Consumers Contribution of Rs. 1,72,87,35,391/- received from Consumers since inception of the company was being treated as Capital receipt and was credited to Capital Reserve. Pursuant to change in accounting policy, following effects have been given during the year:</p> <ul style="list-style-type: none"> i) Rs. 53,87,50,465/- has been reduced from relevant fixed Assets. ii) Rs. 99,00,94,223/- has been included in current liability being advance received towards expenditure still to be incurred on Fixed Assets. iii) Rs. 17,01,27,503/- have been treated as prior period income being Supervision charges received for the earlier years. iv) Rs. 2,97,63,200/- has been included in current year's income.
3 g)	Capitalization of Government Grant:
	Government Grants received from Government of Maharashtra Rs. 2,38,58,00,000/- since inception of the company was being treated as Capital receipt and were credited

	to Capital Reserve. Government grants related to specific fixed assets have been deducted from the gross value of the completed fixed assets amounting to Rs. 62,76,06,096/- during the year. In respect of incomplete assets as at year end, the corresponding amount has been transferred to Current Liabilities.
3 h)	<p>The cost of the fixed assets has been accordingly adjusted by giving effect to the revised policy as discussed from (a) to (g) above.</p> <p>Had the Company continued its earlier policies related to depreciation, depreciation charge for the year would have been higher by Rs. 2,53,14,77,332/- (net) for the year.</p>
3 i)	Deferred Revenue Expenditure:
	<p>The company had a policy of recognizing identification, survey and feasibility expenses incurred on the projects under sanction as deferred revenue expenditure, till the time of its sanction. In case of rejection of the said projects the deferred revenue expenditure was charged to Profit & Loss Account in the year of its rejection. The Company has changed its policy to show such expenditure as distinct item under Capital Work in Progress up to period of its rejection or three years, whichever is earlier. Accordingly, the Company has written off Rs. 4,17,680/- being earlier years' unamortized balances.</p> <p>During the earlier years, the company had capitalized major expenditure on Repairs to Machinery as Deferred revenue expenditure. The company has written off unamortized portion of said expenditure amounting to Rs. 57,06,200/-.</p>
3 j)	Deferred Tax Asset/Deferred Tax Liability:
	<p>During the year, the company has adopted Accounting Standard-22 'Accounting for Taxes on Income'. As per transitional provisions of the standard, the company has accounted for timing difference that had been accumulated prior to the adoption of the standard as deferred tax asset/liability (net) by charging the same to revenue reserves. Accordingly an amount of Rs. 7,10,38,05,396/- being credit on account of Deferred tax liability as on 1st April, 2008, has been directly adjusted against Opening surplus in profit and loss account. Thus on account of adoption of the standard for the first time, the profit for the current year is increased by Rs. 52,35,58,471/-.</p>
3 k)	Details of withdrawal of expenses from fixed assets:
	<p>Pursuant to change in Accounting policy, total amount ought to be withdrawn from capitalization of HOS/GEC and Interest as per Accounts was Rs. 309,11,43,194</p>

whereas actual amount withdrawn is Rs. 286,30,63,563. As a result, there is short withdrawal of Rs. 22,80,79,631 which could not be identified against the specific fixed assets. The same is adjusted from Lines and Cables being major item of fixed assets. Detailed statement is as follows:

Account Head	Amount ought to be withdrawn (Rs.)	Amount actually withdrawn (Rs.)	Adjusted from Lines & Cables (Rs.)
Head Office Supervision Charges	923564935	911528705	12036230
General Establishment Charges	1311662166	1133167893	178494273
Interest	855916093	818366965	37549128
Total	3091143194	2863063563	228079631

3l) Impact of changes from (a) to (k) above on the Profit for the year:

Particulars	Increase in Profit (Rs.)	Decrease in Profit (Rs.)
Depreciation	2531477332	-
HOS (Net)	-	852974365
GEC (Net)	-	1220082593
Borrowing Cost (Net)	538903783	-
Outright Consumers Contribution	199890703	-
Write off of Deferred Revenue Expenditure		6123880
Deferred tax	523558471	
Total	3793830290	2079180838
Net increase in Profit for the year	--	1714649451

4 Additional Disclosures for Schedules:

4 a) Share Suspense Account:

The amount of Rs. 26,95,99,20,455 shown under Share Suspense account represents the excess of assets over liabilities transferred to the company pursuant to the transfer scheme of the erstwhile MSEB framed for the purpose of restructure the electricity board. As per the scheme the company is required to issue equity shares of the said amount to MSEB Holding Company Limited. However, the transfer scheme is subject to the final approval of Government of Maharashtra.

4b) Contingency Reserve and Special Contingency Reserve:

As per directions of M.E.R.C. vide their order No.114 of 2008 dated 28th May, 2009 and Order No. 67 of 2006 dated 02nd April 2007, the Company has appropriated, an amount of Rs. 23,02,00,000/- (Previous Year Rs.457,300,000) towards Contingency Reserve and Rs. 9,37,00,000/- (Previous Year Rs.107,700,000) towards Special Contingency Reserve.

4 c) Secured Loans:-

Loan secured by	Loan Agency			
	REC (Rs.)	PFC (Rs.)	LIC (Rs.)	*OMB (Rs.)
Guarantee from State Government	2292367475	4908051740	-	3090200000
Hypothecation against future assets	12926333903	3543431993	-	-
Mortgage against existing assets	-	-	1293873072	-
Total	15218701378	8451483733	1293873072	3090200000

* Details about Rate of Interest and Redemption schedule of Open Market Bonds is furnished below:

Particulars	Year of Redemption	Rate of Interest (p.a.)	Outstanding Amount (Rs.)
M.S.E.B. Bonds 2009 (II) 20 years	2009	11.50 %	1079900000
M.S.E.B. Bonds 2010 (I) 20 years	2010	11.50%	42500000
M.S.E.B. Bonds 2010 (II) 20 years	2010	11.50%	12500000
M.S.E.B. Bonds 2010 (III) 20 years	2010	11.50%	931100000
M.S.E.B. Bonds 2011 20 years	2011	12.00%	1024200000
Total			3090200000

4 d) Loans and Advances include amounts recoverable from the Companies under the same management within the meaning of Section 370 (1B) of the Companies Act, 1956 as under:

	<table><tr><th>Name of the Company</th><th>2008-09 (Rs.)</th><th>2007-08 (Rs.)</th></tr><tr><td>Maharashtra State Power Generation Co Ltd</td><td>222191231</td><td>261120571</td></tr><tr><td>Maharashtra State Electricity Distribution Co Ltd</td><td>2193593666</td><td>1983920490</td></tr><tr><td>MSEB Holding Company Limited</td><td>116963595</td><td>190847990</td></tr><tr><td>MSEB Residual Co (From Government of Maharashtra to MSEB Holding Company)</td><td>6165553112</td><td>5515117688</td></tr><tr><td>Total</td><td>8698301604</td><td>7951006739</td></tr></table>	Name of the Company	2008-09 (Rs.)	2007-08 (Rs.)	Maharashtra State Power Generation Co Ltd	222191231	261120571	Maharashtra State Electricity Distribution Co Ltd	2193593666	1983920490	MSEB Holding Company Limited	116963595	190847990	MSEB Residual Co (From Government of Maharashtra to MSEB Holding Company)	6165553112	5515117688	Total	8698301604	7951006739
Name of the Company	2008-09 (Rs.)	2007-08 (Rs.)																	
Maharashtra State Power Generation Co Ltd	222191231	261120571																	
Maharashtra State Electricity Distribution Co Ltd	2193593666	1983920490																	
MSEB Holding Company Limited	116963595	190847990																	
MSEB Residual Co (From Government of Maharashtra to MSEB Holding Company)	6165553112	5515117688																	
Total	8698301604	7951006739																	
4 e)	The Company has continued to service various liabilities related to erstwhile Dabhol Power Company on behalf of MSEB Residual Board / MSEB Holding Company Ltd. Out of the total receivable amounting to Rs. 616.55 crores as on 31 st March, 2009, towards the same, the company has received Rs. 96.14 crores till date during the FY 2009-10. Further the company has also made payment of Rs. 33.29 crores till date during the FY 2009-10. The Company has approached Government of Maharashtra to release balance sum of Rs. 553.70 crores through supplementary budget provision in FY 2009-10.																		
4 f)	Sundry Debtors include Rs.9,63,59,062/- (Previous Year Rs.9,63,59,062/-) recoverable from M/s. Maharashtra State Electricity Distribution Company Limited – A company under the same management within the meaning of Section 370 (1B) of The Companies Act, 1956.																		
4 g)	The intangible asset capitalized by the company included expenditure on software amounting to Rs. 63,28,198/- (Net of amortization). Since the project has been abandoned, the company has provided for unamortized amount during the year.																		
4 h)	The company had not provided for Loss to fixed assets pending approval by Competent Authority. As a matter of prudence, a provision has been made amounting to Rs. 94,16,097/- for the same.																		
4 i)	Provision on account of pay revision: The Board of Directors, vide resolution No. 44/10 dated 24.08.2009, has approved revision of pay scales w.e.f 01/04/2008. Accordingly, the Company has made additional provision of Rs. 1,79,21,64,124/- (Net of Capitalisation of Rs. 7,89,70,636/-) as part of employee costs.																		
5	Disclosures as per Schedule VI:																		
5 a)	Capital Commitments : Estimated amount of contracts remaining to be executed on capital account and not																		

	provided for is Rs. 553.89 Crore (Net of Advances Rs. 131.44 Crore) (Previous Year-Not ascertainable).
5 b)	Contingent Liabilities: (In excess of Rs. Ten Lakhs individually in value)
	<p>i) The contract of Construction of gantry equipment foundation and other works at 220 KV S/Stn, MIDC, Jalna was awarded to M/s. Balraje Construction, Geroi by erstwhile MSEB vide order no. SE/EHV/CIVIL/ABAD/S48 dated 09/04/2002. The contractor failed to execute the assignment as per terms and conditions of the Contract, hence its payment was withheld. The Contractor opted to resolve dispute with then MSEB through arbitration. Sole Arbitrator, Mr. M. D. Tambekar declared to pay Rs. 33,37,651 to Contractor with interest @15% per annum thereon. Total liability being Rs. 53,01,769. The company after taking legal opinion, has filed appeal in the Hon. High Court, Bombay (Bench at Aurangabad), against the award declared by the sole arbitrator. Decision of Hon. High Court, Bombay is awaited.</p> <p>ii) 132 KV Shahada-Taloda line erection work was awarded to M/s Mistry Construction Co., at cost of Rs 9.25 Lakhs. But the contractor did not complete the work. Hence the work was completed departmentally. The contractor has submitted the final bill for completed work, which was actually not carried out by him and hence, his claim was refused. Thereafter, the contractor filed the case with Jalgaon Court for the payment of unexecuted work.</p> <p>The Jalgaon Court on 23.03.2001 passed the order against erstwhile MSEB to pay Rs 6,96,980/- to the contractor towards final bill. The MSEB had deposited Rs 5,32,000/- in the court by deducting Rs 1,64,676/- against the dues regarding supply of water, risk & cost from the total amount decreed by the Hon. Court. After receipt of certified copy of the judgment, the MSEB approached Aurangabad High Court on 03.03.2002 against the decision of Hon. Senior Division Court, Jalgaon. The case is now pending at Aurangabad High Court for decision.</p> <p>iii) M/s H T Associates was awarded work of excavation, foundation, erection and stringing etc for 132 KV Chikhli-Dhad Transmission line. Since the contractor could not complete assigned task in time, the balance work was allotted to another contractor by calling tender. M/s. H T Associates, aggrieved by this arrangement, appealed in Hon Court and brought stay on the said tender. M/s. H T Associates has claimed Rs. 81,14,594/- from MSETCL for loss suffered by them. MSETCL has made counterclaim of Rs. 57,73,465/- with interest@ 18% per annum.</p> <p>iv) M/s. Ganesh Engg. Company, Nagpur has filed a suit claiming dues of Rs. 80,95,925/- against tender No.T-13, T-16, T-17 & two work orders issued in the year 1987-88 for the sub setting & erection of 400KV Chandrapur-Parli D. C. Line.</p>

Counter claim of Rs. 3,08,426/- was filed by erstwhile MSEB against above agency towards recovery of charges of T&P, Material, Vehicle etc. Hon. Court has decided the aforesaid matter in favour of M/s. Ganesh Engg. Co. and directed to pay the claim with interest. The Counter claim was dismissed. However, on application of the MSTCL, Hon. Court granted stay on decree after deposit of Rs. 60, 85,410/- in the Court.

v) Gram Panchayat Tax (GPT), of Rs. 85,456/- per annum was being paid by MSETCL upto 2003-04. The Sarpanch Gram Panchayat (SGP) revised GPT to Rs. 3,23,315/- as per government circular dated 03/12/1999. The MSTCL denied to pay revised GPT.

The SGP issued notice to seal the 220 KV Malharpeth S/S. The matter was then referred to BDO, Patan, who asked MSETCL to pay the taxes as per the rate of Hilly Area. SGP revised demand as per Hilly area but the rates of taxes are on higher side. MSETCL appealed against the demand to Gramvikas Mantralaya, Mumbai.

vi) Superintending Engineer, EHV Construction Circle, Aurangabad had accepted tender of M/s S K Sahani for construction of gantry, equipment foundation, control room building, G. I. Pipe line, water pump, providing metal spreading etc at 132/33 KV S/s, Sindewahi, Dist. Chandrapur. M/s S K Sahani has claimed Rs. 19,27,057/- from MSETCL on following counts.

Loss on account of idling of camp labour, work done but not paid, price escalation, interest on claim etc. The dispute is pending before court.

vii) Property tax of Demand of Rs. 617.68 lacs in respect of EHV Civil Construction Cum Maintenance Circle, Airoli has been raised by the Municipal Authorities has been disputed by the Company. .

viii) The dispute regarding additional compensation payable for land acquired for the following substations is pending before court. Interest and other charges that may be payable after court's decision are not considered here.

Name of sub station	Expected Cash Outflow (Rs in lacs)
132 KV Chopda S/s, Jalgaon	19.48
132 KV Raver S/s, Jalgaon	75.00
400 KV Dhule S/s, Dhule	25.00
220 KV Shahada S/s, Nandurbar	64.00
132 KV Mhasrul S/s	24.00
132 KV Sangammer S/s	18.03
132 KV Manmad S/s	24.00
100 KV Nerul S/s	10.00

5 c) Managerial Remuneration:

Particulars	2008-09 (Rs.)	2007-08 (Rs.)
Salary & Allowance	4146741	1201260
Contribution to PF & Other Funds	670384	199744
Total	4817125	1401004

5 d) Remuneration to Statutory Auditors:

Particulars	2008-09 (Rs.)	2007-08 (Rs.)
For Audit	800000	600000
Reimbursement of out of pocket expenses	250000	200000
Service Tax	108150	98880
Total	1158150	898880

5 e) Value of Imports on C.I.F. Basis:

Particulars	2008-09 (Rs.)	2007-08 (Rs.)
Components and Spare Parts	Nil	Nil
Capital Goods	Nil	Nil

5 f) Expenditure/Earning in Foreign Currency:

Particulars	2008-09 (Rs.)	2007-08 (Rs.)
Interest on foreign currency Bank loan	Nil	3955241

5 g)	Amount remitted during the year in foreign currencies on account of Dividend: Rs. Nil (Previous year- Rs. Nil)		
5 h)	Particulars of income derived from Transmission of Electricity:		
	Particulars	2008-09	2007-08
	Total Energy Transmitted (in Million Units) (Net)	90815816	89189876
	Income from operations (Rs.)	18723347702	15867543579
5 l)	Repairs and Maintenance to machinery includes stores and spares consumed.		
5 j)	The Company generally makes payments to its creditors within a period of 45 days as stipulated in Micro, Small and Medium Enterprises Act, 2006. The Company is in the process of identifying Micro, Small & Medium Enterprises as defined in above referred Act. Hence, relevant disclosure is not made. The Company has neither received any claims for interest nor provided any interest payable to Micro and Small enterprises, as required by the aforesaid Act. In the absence of information, however, such interest payable is not expected to be of material nature.		
5 k)	Since the Company is in Service industry, disclosures required in respect of manufacturing company like Licensed Capacity, Installed Capacity, Production, Sales, Inventories and other related disclosures as required by Part II of Schedule VI are not made.		
6	Disclosures required by Accounting Standards:		
6 a)	Employee Benefits (As required by AS 15):		
	i) Short Term Employee Benefits:		
	Short term employee benefits like salaries, wages, allowances, perquisites, bonus, incentives, medical expenses reimbursements, contribution to group insurance schemes, leave travel assistance and other benefits which fall due within twelve months after the end of the period in which the employee render the related services are accounted as expenses in the period in which services rendered.		

**ii) Post Employment Benefits:
Defined Benefit Plan:**

(a) Provident Fund:

The Company makes contributions towards provident fund to a defined benefit retirement plan. The provident fund is administered by the Trustees of The Maharashtra State Electricity Board's Contributory Provident Fund Trust (CPF Trust). Under the Scheme, the Company is required to contribute a specified percentage of salary to the retirement benefit schemes to fund the benefit.

In keeping with the guidance on implementing Accounting Standard (AS) 15 (Revised) on Employee Benefits notified by the Companies (Accounting Standards) Rules, 2006, employer established provident funds are treated as Defined Benefit Plans, since the Company is obliged to meet interest shortfall, if any, with respect to covered employees.

According to the Management, the Actuary has opined that actuarial valuation can not be applied to reliably measure provident fund liabilities in absence of guidance from the Actuary Society of India. Accordingly, the company is currently not in a position to provide the other related disclosures as required by the aforesaid AS 15 read with the Accounting Standards Board Guidance. However, the actuary has certified an amount of Rs. 7,17,79,082 as shortfall in interest payable on PF liability to beneficiaries as at year end. Accordingly, the company has made provision for the same. While making above valuation, the actuary has assumed incremental rate of salary at 5% p.a. and rate of discount at 7%.

Deficit / Surplus, if any, having regard to the position of the fund as compared to aggregate liability is additionally contributed by the company and recognized as expense/income. Accordingly provision of Rs. 1.89 crores (P.Y. Deficit of Rs. 0.89 crores) has been reduced towards gain of planned assets as compared to aggregate liability towards employee's subscription and interest for the year.

The amount recognized in balance sheet in respect of Company's share of assets and liabilities of the fund managed by the CPF Trust are as under:

(Rs. in Crore)			
	Particulars	For the year ended 31st March, 2009	For the year ended 31st March, 2008
1	Liability for subscriptions and interest payable to employees at the end of year.	718.01	678.21
2	Fair Value of Plan Assets at the end of year	697.23	655.54
	Net Liability	20.78	22.67

Description of Plan Assets:			
	Particulars	For the year ended 31st March, 2009 (In %)	For the year ended 31st March, 2008 (In %)
1	Special Deposit Schemes.	44.60	47.93
2	Bonds issued by public sector enterprises and Financial institutions.	25.00	22.97
3	State Government Securities	16.90	16.81
4	Central Government Securities	11.45	10.10
5	Mutual Fund Units.	0.62	0.54
6	Others	1.43	1.66
(b)	Gratuity (Unfunded Defined Benefit Plan):		
	<p>The Company has an obligation towards gratuity, a defined benefit retirement plan covering eligible employees. The Plan provides a lump sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount equivalent of 15 days salary for each year of service subject to maximum of 20 months salary or in terms of the provisions of the payment of gratuity (amendment) act, 1997 whichever is more beneficial. Vesting occurs upon completion of five years of service. The calculation is made on Projected Benefit Obligation has been based on Unit Credit method. Actuarial gains and losses are recognized in the Profit and Loss account, based on valuation made as at the year end.</p>		
(c)	Leave Encashment Benefit (Unfunded Defined Benefit Plan):		
	<p>Leave Encashment is payable to employees as per the Company's scheme. The whole of privilege leave (PL) / Half Average Pay (HAP) Leave to the credit of employee can however be encashed at the time of super Annuation / final settlement of his account. Encashment of leave is done only on the applicable PL/HAP salary.</p>		
(d)	Defined Benefit Plans:		
	<p>Gratuity and Long Term Compensated Absences – as per actuarial valuations as on March 31, 2009 and recognized in the financial statement in respect of Employee Benefit Schemes:</p>		

Expenses recognized in the Profit and Loss Account:

(Rs. in Crore)

	Particulars	For the year ended 31st March, 2009		For the Year ended on 31 st March, 2008	
	Components of Employer Expense	Gratuity	Leave Encashment	Gratuity	Leave Encashment
		Unfunded	Unfunded	Unfunded	Unfunded
1	Current Service Cost	8.13	4.07	8.33	9.00
2	Interest Cost	16.76	7.60	17.00	3.58
3	Actuarial Losses / (Gains)	99.96	120.01	(1.40)	14.49
	Total employee expense recognized in the Statement of Profit and Loss Account	124.85	131.68	23.93	27.07

Reconciliation of Defined Benefit Obligation

(Rs. in crore)

	Particulars	For the year ended 31st March, 2009		For the Year ended on 31 st March, 2008	
	Change in Defined Obligations Benefit	Gratuity	Leave Encashment	Gratuity	Leave Encashment
		Unfunded	Unfunded	Unfunded	Unfunded
1	Present Value of Defined Benefit Obligation at the beginning of period.	213.34	130.17	213.71	116.36
2	Current Service Cost.	8.13	4.07	8.33	9.00
3	Interest Cost	16.76	7.60	17.00	3.58
4	Less : Benefits Paid	23.85	78.52	24.30	13.26
5	Actuarial Gains / (Losses)	(99.96)	(120.01)	1.40	(14.49)
	Present Value of Defined Benefit Obligation at the end of period.	314.34	183.33	213.34	130.17

The gratuity provision has been recognized as 'Provision for Gratuity' and Provision for Leave Encashment as 'Provision for Leave Encashment' in "Provisions" under schedule 9.

Summary of Actuarial Assumptions:

		For the year ended 31st March, 2009		For the year ended 31st March, 2008	
Actuarial Assumptions		Gratuity	Leave	Gratuity	Leave
			Encashment		Encashment
		Unfunded	Unfunded	Unfunded	Unfunded
1	Increment Rate	5%	5%	5%	5%
2	Rate of Discounting	7%	7.75%	8%	8%
3	Attrition rate	Age Related (2%)	Age Related (2%)	Age Related (2%)	Age Related (2%)
4	Mortality Table	LIC (1994-96) Ultimate	LIC (1994-96) Ultimate	LIC (1994-96) Ultimate	LIC (1994-96) Ultimate

6 b) Segment Reporting

i) Business Segment:

Transmission of Electricity is the principal business activity of the Corporation. There are no other activities which form a reportable segment as per the Accounting Standard – 17 Segment Reporting.

ii) Secondary Segment:

The operations of the Company are mainly carried out within the state of Maharashtra and therefore geographical segments are not applicable.

6c) Disclosures of transactions with Related Parties as required by the Accounting Standard –18:

In view of the paragraph 9 of AS 18, no disclosure is required as regards related party relationships with other state-controlled enterprises and transactions with such enterprises. Other disclosure as required by AS 18 is as under:

i) List of Related Parties :

List of Joint Ventures :

Jaigad Power Transco Ltd (JPTL)

ii) Key Management Personnel :

Shri Subrat Ratho	Managing Director (upto 02/02/2009)
Shri Sanjay Sethi	Managing Director (w.e.f. 03/02/2009)
Shri Anjan Roy	Director (Operations)
Shri W. R. Aswar	Director (Projects)
Shri Vinayak Rao	Director (Finance) (upto 03/05/2007)
Shri P.G. Khandalkar	Director (Finance)

iii) Transactions with Related Parties at (i) above are as follows :

- (a) Parties with whom the Company has entered into transactions during the year in the ordinary course of business :

Nature of Transactions	Name of Company – Jaigad Power Transco Limited (Rs.)
Payment towards Equity Share capital	Rs. 152176700/-
Towards Share application money	Rs. 100/-
Terminal Bay Constructions expenses	Rs. 116000000/-

(b) Balances at the year end:-

Nature of Transactions	Name of Company- Jaigad Power Transco Limited (Rs.)
Equity Share capital	Rs. 152176700/-
Share application money	Rs. 100/-

iv) Remuneration paid to Directors. (Ref Note 5 (c))

Name of Related Party	2008-09 (Rs.)	2007-08 (Rs.)
Shri Subrat Ratho	412214	543537
Shri Sanjay Sethi	838759	Nil
Shri Anjan Roy	1121128	129528
Shri W. R. Aswar	890612	61000
Shri Vinayak Rao	-	41747
Shri P.G. Khandalkar	1554412	625192
TOTAL	4817125	1401004

6d) Disclosures regarding leases (AS 19) :

(Only Leases of significant nature have been considered for the purpose of disclosure under this clause)

i) Operating Leases:

	Particulars	2008-09 (Rs.)	2007-08 (Rs.)
	Disclosure in respect of significant non cancellable agreements for office/residential premises and guest house taken on lease from MSEB Holding Co. Ltd.		
(I)	Lease payments recognized in the Profit and Loss Account	98088494	85000000
(ii)	Significant leasing arrangements The Company has not given any security deposits under the agreement. The lease agreement is for a period of 24 months from 01/04/2008 and the same is not cancellable for the above mentioned period.		
	The agreement do not provided for increase in rent.		
(iii)	Future minimum lease payment.		
	Not later than one year	98088494	98088494
	Later than one year and not later than five years	2734250	98088494
	Later than five years	Nil	Nil

ii) Finance Leases:

The Company has not entered into any material financial lease.

Note:

The Lease Agreement has been entered with Power Finance Corporation Limited, (PFC Limited) New Delhi on 21st May, 1997 with erstwhile Maharashtra State Electricity Board, Certain equipments have been leased by PFC Limited (Lessor) which is in the nature of Fixed Non cancellable Period of Lease. Although, the Terms and conditions of Lease agreement indicate it to be in the nature of a Finance Lease, it has been treated as an Operating Lease for the purpose of Accounting as it is entered into by erstwhile MSEB before the incorporation of the company and before AS -19 was made mandatory.

6 e) Earnings Per Share (AS 20):

Particulars	2008-09	2007-08
Profit After Tax as per Accounts (For Basic and Diluted Earnings Per Share) – (A) (Rs.)	1375135306	2582041509
Weighted Average number of shares outstanding during the year for Basic EPS (Nos.)- (B)	50000	50000
Add : Effect of potential equity shares on issue of shares against share suspense account	2695992045	2695992045
Weighted Average number of shares outstanding during the year for Diluted EPS (Nos.) –(C)	2696042045	2696042045
Basic Earnings Per Share (Rs.) (A)/(B)	27503	51641
Diluted Earnings Per Share (Rs.) (A)/(C)	0.51	0.96

6 f) Current Taxation:

The Company has made Provision of Income tax for the current year for Rs. 130.00 crores and Provision for Fringe Benefit tax Rs. 1.37 crores.

6 g) Deferred Taxation (AS 22):

The item-wise details of cumulative Deferred Tax Liability are as under :

(Amount in Rs.)

	Deferred Tax Asset/ Liability as at 01.04.2008	Debit/Credit for the Current year debited/credited to Profit and Loss Account	Deferred Tax Asset / Liability as at 31.3.2009
a) Deferred Tax Liabilities			
Fixed assets / Depreciation	8349968848	59388053	8409356901
Total	8349968848	59388053	8409356901
b) Deferred Tax Asset			
i) Gratuity	725160527	343307253	1068467780
ii) Items covered u/s 43 B	521002,925	239639271	760642196
Total	1246163452	582946524	1829109976
Deferred Tax Liabilities / Asset (Net)	7103805396*	(523558471)	6580246925

* Adjusted against Opening Reserve

6 h) Joint Venture Operations (AS 27):

Jaigad Power Transco Ltd (JPTL), a joint venture between MSETCL (26%) and JSW Energy Ltd. (74%), was incorporated on 23rd April 2008 and awarded Transmission license on 8th February, 2009 by Maharashtra Electricity Regulatory Commission (MERC) under Section 14 of Electricity Act, 2003.

The object of the jointly controlled entity is to establish 400 kV D/C Jaigad - New Koyna Transmission Line and 400 kV D/C Jaigad - Karad Transmission Line. Since the project is under implementation and yet to commence commercial operations, no Profit & Loss account has been prepared by JPTL.

During the FY 2008-09, the MSETCL have paid Rs. 15,21,76,700 to acquire 1,52,17,670 Nos. of equity shares of JPTL.

The Company's interest in joint venture is reported as Long Term Investment and stated at cost less provision for diminution other than temporary, if any, in the value of such investment.

The above joint venture company is incorporated in India. MSETCL share of assets and liabilities as on 31st March, 2009 and income and expenses based on audited financial statements for the year ended on that date are given below:

	Particulars	31-03-2009 (Rs.)
1	Assets	
	Long Term Assets	548448124
	Current Assets	2306585
	Total	550754709
2	Liabilities	
	Long Term Liabilities	Nil
	Current Liabilities and Provisions	361168740
	Total	361168740
3	Contingent Liabilities	Nil
4	Capital Commitments	692198000
5	Income	Nil
6	Expenses	Nil

6 i) Impairment of Assets (AS 28):

In accordance with AS-28 'Impairment of Assets', impairment analysis of assets of transmission activity of the company by evaluation of its cash generating units, was carried out by an outside agency in the year 2006-07 and since recoverable amount

	was more than the carrying amount thereof, no impairment loss was recognised. In the current year, there is no indication of impairment which requires re-estimating the recoverable amount of the assets.
7	Other Notes:
7a)	Service Tax:
	Service Tax authorities have issued notices claiming service tax on wheeling of electricity by the Company under 'Business Auxiliary Services / Business Support Services' category. Since there are ambiguities in the various notices, the Company have approached the Jt. Secy., Service Tax authority, New Delhi for clarification about the category and applicability of service tax to the Company. However, the clarification from the service tax authorities is still awaited.
7b)	Taxation:
	<p>Pursuant to unbundling of erstwhile MSEB, the Company has been formed as one of the resulting companies. Consequently and in terms of the provisions of Section 72A (4) of the Income Tax Act, 1961, the company inherited the business loss of Rs. 308.90 Crores and unabsorbed depreciation of Rs. 1141.12 Crores.</p> <p>The Final Transfer Scheme is yet to be notified by the Government of Maharashtra, which may have an impact on the inheritance of the above business loss and unabsorbed depreciation.</p> <p>Subject to this, balances out of inherited amount of carry forward of business losses and unabsorbed depreciation for the Company have been applied to work out the current tax liabilities.</p>
7c)	Balances of sundry debtors, loans and advances are subject to confirmation and reconciliation if any. The Company is taking necessary steps for reconciliation and confirmation of the same.
7d)	In the opinion of the board, the current assets, loans and advances are good and recoverable and are approximately of the values, if realized in the ordinary course of business unless and to the extent stated otherwise in the Accounts.
7e)	At the end of financial year, the company does not have any outstanding foreign Currency exposure.
7f)	Previous year's figures have been re-grouped wherever necessary for appropriate Presentation of Financial Statements.

As per our report attached

For Contractor, Nayak & Kishnadwala
Chartered Accountants

(H. V. Kishnadwala)
Partner

For Maharashtra State Electricity Transmission Co. Ltd.

P. G. Khandalkar
Director (Finance)

Arvind Singh
Managing Director

R M Premkumar
Chairman

Place : Mumbai
Date : 30.12.2009

(As per Schedule VI, Part IV of the Companies Act, 1956)

State Code	1	1
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Registration No.	U 40109 MH 2005 PLC 153646					
Balance Sheet Date	3	1	0	3	0	9
	Date		Month		Year	

Public Issue

Rights Issue

Bonus Issue

Private Placement

Total Liabilities

Total Assets

Paid up Capital

Reserves & Surplus

Secured Loans

Unsecured Loans

Deferred Tax Liability

Net Fixed Assets

Investments

Net Current Assets

Misc. Expenditure

Accumulated Losses

Turnover **

Total Expenditure

** includes Other Income

+ -

Profit/Loss Before Tax

+ -

Profit/Loss After Tax

(Please tick appropriate box + for profit, -for Loss)

Earning Per Share in Rs.

Dividend Rate %

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

Item Code No.

N	I	L
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Product Description

T	R	A	N	S	M	I	S	S	I	O	N		O	F					
E	L	E	C	T	R	I	C	I	T	Y									
D	E	V	E	L	O	P		T	R	A	N	S	M	I	S	S	I	O	N
F	A	C	I	L	I	T	I	E	S										
C	O	N	S	U	L	T	A	N	C	Y		R	E	G	A	R	D	I	N
G	T	R	A	N	S	M	I	S	S	I	O	N							

For Maharashtra State Electricity Transmission Company Limited

P. G. Khandalkar
Director (Finance)

Arvind Singh
Managing Director

R.M. Premkumar
Chairman