

MAHARASHTRA STATE ELECTRICITY TRANSMISSION COMPANY LIMITED
5th Annual Report for the period of 2009-2010
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BOARD OF DIRECTORS

S.No.	Name
1.	Shri. Arvind Singh Chairman & Managing Director
2.	Shri. R. M. Premkumar Chairman (Ceased w.e.f. 11 th June, 2010)
3.	Shri. Subrat Ratho Secretary Energy Director (Appointed w.e.f. 22 nd June, 2010)
4.	Shri. P. G. Khandalkar Director (Finance) (Ceased w.e.f. 7 th May, 2010)
5.	Shri. D. D. Wavhal Director (Finance) In Charge (w.e.f. 7 th May, 2010)
6.	Shri. G. S. Limaye Director (Operations) (Ceased w.e.f. 31 st March, 2010)
7.	Shri. Uttam Gopinathrao Zalte Director (Operations) (Appointed w.e.f. 5 th August, 2010)
8.	Shri. W. R. Aswar Director (Projects)
9.	Shri. Avinash Patil Independent Director
10.	Dr. Jyoti Arora Company Secretary (Appointed w.e.f. 18 th February, 2010)

AUDITORS

SHAH & TAPARIA

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 5th Annual Report on the business and operations of the Company together with the Audited Statement of Accounts for the year ended on 31st March 2010.

FINANCIAL RESULTS :

The financial results of the Company for the year ended on 31st March 2010 are as follows :

Financial Year		
(₹ In Lakhs)		
Particulars	2009-10	2008-09
Revenue from operations	1,59,973	1,86,995
Add : Other income	10,837	6,135
Total Revenue	1,70,810	1,93,130
Operating expenses	30,433	39,353
Employee costs	39,397	60,358
Administration Expenses	10,344	14,322
Interest and finance charges	20,999	25,615
Total Expenditure Except Depreciation	1,01,173	1,39,648
Profit before Depreciation and Tax	69,637	53,482
Depreciation and Other Amortisation	29,962	32,175
Profit before Tax (PBT)	39,675	21,307
Provision for Taxes (Including provision for Fringe benefit tax)	6,400	13,137
Deferred Tax	5,902	(5,236)
Profit after Tax (PAT)	27,373	13,406
Short provision for earlier year's tax	--	(82)
Prior Period Items (Net)	(2,871)	428
Profit after Tax and adjustments	24,502	13,752
Add : Balance of Profit brought forward from previous year	939	61,464
Less : Contribution to Special reserve	1,352	937
Less : Contribution to Contingency reserve	2,454	2,302
Less : Transitional adjustments for employee benefits	---	---
Less : Transferred to Deferred Tax Liabilities (net)	---	71,038
Balance profit carried forward	21,635	939

FINANCIAL HIGHLIGHT

During the year the revenue decreased by 12% to ₹ 170810/- lakhs from ₹ 193130/- lakhs over the previous year due to decrease in tariff. Profit before Tax for the year 2009-10 is placed at ₹ 39675/-

lakhs as against ₹ 21307/- lakhs during 2008-09. Profit After Tax is placed at ₹ 24502/- lakhs as against ₹ 13752/- lakhs during 2008-09.

JOINT VENTURE

Our Company has invested 26% in the Jaigad Power Ltd. Joint Venture between Maharashtra State Electricity Transmission Company Limited (MSETCL) & JSW Energy Limited (JSWEL) to develop Transmission system in the state of Maharashtra.

The JV Company was formed to take up development of Transmission system for evacuation of power from 1200 MW Jaigad Thermal Power Project of JSW Energy (Ratnagiri) Limited (JSWERL) being set up in Ratnagiri district in Maharashtra.

The JV Company had been awarded Transmission license dated 8th February, 2009 by Maharashtra Electricity Regulatory Commission (MERC) under Section 14 of the Electricity Act, 2003. The License is the first of its kind to be granted to a JV Company between the State Transmission Utility and the private company in Transmission sector. The License authorizes the company to establish, operate & maintain 400 kV Jaigad - New Koyna & Jaigad - Karad Transmission lines for 25 years.

The JV Company had also awarded Engineering Procurement Construction (EPC) contract to Larsen & Toubro Ltd., ECC Division through National level competitive bidding process for arriving at least cost option to minimize the project cost. Tested 400 kV towers & foundation designs / drawings were sourced from Power Grid Corporation of India. Powerlinks Transmission Ltd. with relevant expertise of executing 400 kV Transmission lines in India, were appointed as Project Management Consultants to ensure quality of work and timely implementation of the project.

MSETCL has taken up, on behalf of the JV Company, the work of erection of Terminal Bays to facilitate termination of transmission lines at MSETCL's EHV substations at New Koyna & Karad. MSETCL Board has accorded their approval for the same and work of erection of Terminal Bays at New Koyna has been successfully completed. Land acquisition at Karad EHV substation is also completed and erection of Terminal Bays at Karad has been taken up.

The 400kV D/C Jaigad - New Koyna Transmission Line has been successfully charged on 6th April 2010 from the New Koyna end and on completion of GIS work on 1200 MW Jaigad Power Project, the Transmission Line is transmitting the startup power from New Koyna EHV substation to Jaigad for commissioning activities of 1st 300 MW Unit of 1200MW Jaigad Power Project w.e.f. 16th April 2010.

DIVIDEND :

MSETCL has not declared the dividend for the year 2009-10 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 subsidiary of MSEB Holding Company Limited by virtue of provisions of Section 4(1) (a) and 4 (2) of the Companies Act, 1956.

DIRECTORS

A) Composition

The Board comprises of 5 Directors

B) Retirement by Rotation

In accordance with the requirements of the Companies Act, 1956 and the Articles of Association of the Company Shri Subrat Ratho and Shri Uttam Gopinathrao Zalte, Directors of the Company retire by rotation and being eligible offer themselves for re-appointment.

C) Changes during the year

Shri R. M. Premkumar, resigned from Chairman of the Company w.e.f. 11th June, 2010.

Shri. P. G. Khandalkar, was transferred to his parent organization consequent to the expiry of the term of his deputation w.e.f. 7th May, 2010.

Shri. G. S. Limaye resigned as Director (Operations) w.e.f. 31st March, 2010 and Shri. Uttam Gopinathrao Zalte was appointed as additional director w.e.f. 5th August, 2010.

Shri. Subrat Ratho, Secretary Energy was appointed as Additional Director w.e.f. 22nd June, 2010.

D) Board Meetings

The Board met 13 times during the year ended 31st March 2010.

AUDIT COMMITTEE

The Audit Committee was constituted on 30th September, 2009.

Thereafter, Audit Committee was re-constituted in the Board Meeting held on 24th August, 2010 and presently comprises of following Directors;

Shri. Avinash Patil - Chairman

Shri. Subrat Ratho

Shri. Uttam Gopinathrao Zalte

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.

ADEQUACY OF INTERNAL CONTROLS

The Company has a proper and adequate system of internal controls to ensure that all assets are safeguarded and protected against loss from unauthorized use or disposition and that transactions are authorized, recorded, and reported correctly.

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 31-03-2010				
Sr.No.	Particulars	EHV Sub-Stations Nos.	Transformation Capacity MVA	EHV Lines CKT Km
1.	500 KV	2	3582	1504
2.	400 KV	21	13165	6562
3.	220 KV	149	31585	12356
4.	132 KV	246	19852	11065
5.	110 KV	33	2095	1698
6.	100 KV	35	2373	678
7.	66 KV	34	1139	3270
	Total	520	73791	37133

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.

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 ABT meters have been installed on T to D, T to G interface location for energy accounting. Meters have also been installed on various feeders, transformers in various EHV sub-stations for calculating sub-station losses, transformers losses for energy management and accounting.
- ii. **Technology Absorption** :
 - 1) Efforts made in brief towards technology Absorption, Adaptation and Innovation -
 - i. Various state-of-the art testing and diagnostic equipments have been provided to field offices.
 - ii. Modernization of existing old protection system. Existing old & outdated protection schemes have been / are being replaced by state-of-the-art numerical protection systems.
 - iii. Substation Monitoring Systems (SMS) have been provided at all 400 KV & critical EHV substation. Also, now-a-days full fledged Substation Automation Systems (SAS) are being provided at new substations.
 - iv. Execution of Life Extension Schemes (LES) for replacement of age old equipment at EHV substations.
 - v. Transformers are provided with fire protection system to prevent fire to transformers.
 - 2) Benefits derived out of the efforts -
 - i. Predictive and preventive maintenance can be carried out effectively
 - ii. Improved reliability of fault detection and isolation.
 - iii. Proper and correct analysis of trippings / occurrences to pin point the root cause.
 - iv. Minimized interruptions.
 - v. Improved Reliability, Availability & Stability of System.
- iii. **Foreign Exchange Earnings and Outgo** : There has been no Foreign Exchange earnings during the year 2009-10 and foreign exchange outgo during the year was ₹ 22,95,819/-

AUDITORS

COST AUDITORS :

As per the order of the Central Government (Ministry of Corporate Affairs), M/s. Rohit J. Vora was appointed as the Cost Auditors for the F.Y. 2009-10.

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. Shah & Taparia, Chartered Accountants were appointed as Statutory Auditors for the Financial Year 2009-10 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.

CAG comments on accounts are awaited and shall be circulated as addendum as and when received.

ACKNOWLEDGEMENT

Your Directors express their grateful appreciation for the cooperation and assistance received from the Government of Maharashtra, the Maharashtra Electricity Regulatory Commission, various Government Departments and authorities, Banks, Consultants, Vendors and JSW Energy Limited during the year under review and look forward to their continued support.

**ON BEHALF OF THE BOARD OF DIRECTORS
MAHARASHTRA STATE ELECTRICITY TRANSMISSION CO. LTD.,**

**Sd/-
Chairman & Managing Director
(ARVIND SINGH)**

Place : Mumbai

Date : 23/09/2010

MAHARASHTRA STATE ELECTRICITY TRANSMISSION COMPANY LTD.
REPLIES TO AUDITORS REPORT FOR THE YEAR 2009-10

	STATUTORY AUDITORS REPORTS	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 31st March 2010, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.	Factual
2	We conducted our audit in accordance with Auditing Standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.	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 Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, 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 are separately given.
4	We have to invite your specific attention to the following :	Factual

	<p>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 ₹ 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 show as "Share Suspense Account".</p>	
	<p>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.</p>	<p>In this respect it is submitted that Secretary Energy vide his letter No. Reform-2006/CR511/NRG-3 dated 2.6.2006 addressed to the M.D.MSEB Holding Co. LTD. conveyed that the Provisional Transfer 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 arising from reconciliation and</p>	<p>Balances of Secured Loans, Unsecured Loans and Advances and various other debit/ credit balances have been asked to concerned Financial Institutes, Banks and Companies i.e. REC, PFC, LIC, BOM and Holding,</p>

	<p>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.</p>	<p>MSEDCL, MSPGCL. Out of which the confirmation of balances from REC, LIC, BOM and JICA have been received. As regards confirmation of balances of the Sundry debtors it is stated that majority of it pertains to transmission charges of ₹114.78 crores which is collected from State Transmission Utility (STU) in April 2010.</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 03-09-2010 shall be forwarded separately.</p>	<p>No Comments</p>
7	<p>Further to our observations referred to in paragraph 4 and 5 above, we report that :</p> <p>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;</p>	<p>Factual</p>
	<p>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 book;</p>	<p>Factual</p>
	<p>c) The Balance Sheet and Profit and Loss Account referred to in this report are in agreement with the books of accounts.</p>	<p>Factual</p>
	<p>d) In our opinion, the Balance Sheet and the Profit</p>	<p>Factual</p>

<p>and Loss Account comply with the Accounting Standards referred in sub-section 3C of Section 211 of the Companies Act, 1956.</p>	
<p>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.</p>	<p>Factual</p>
<p>f) Subject to our remarks in paragraphs 4(b), 5 and 6 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 :</p> <p>(i) In the case of Balance Sheet, of the state of affairs of the company as at 31st March, 2010;</p> <p>(ii) In the case of Profit and Loss Account, of the Profit for the year ended on that date and</p> <p>(iii) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.</p>	<p>Factual</p>

**MAHARASHTRA STATE ELECTRICITY TRANSMISSION
COMPANY LIMITED REPLIES TO AUDITORS REPORT FOR
THE YEAR 2009-10 FOR THE YEAR ENDED ON 31ST MARCH 2010**

ANNEXURE-1

S.No.	AUDITORS REPORTS	MSETCL'S 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.	During the preparation for implementation of ERP, an exercise was carried out to update the Fixed Assets Registeres data incorporating the quantitative details and the same is under scrutiny.
1(b)	During 2006-07, MSEB Holding Company Limited (the Holding Company) had appointed external consultants to carry out valuation of the fixed assets for 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 registeres 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.	MSETCL has engaged a specialised agency to physically verify the fixed assets of all the Circles and divisions with the data collected as above and their observations on the same are awaited.
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 2010 at 3 major stores circles, 5 stores centre and fabrication work shop.	Factual
2(b)	In our opinion, the procedure of physical verification	Factual

	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.	Factual
3	On the basis of the records verified by us, Company has neither granted nor taken any loans, secured or unsecured to / from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.	Factual
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 & Inter Unit Transactions 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	Factual

	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 58A 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 the make them more timely and commensurate with the size of the Company and the nature of its business.	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.
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, IEPF, Sales Tax, Wealth Tax, Service Tax, Custom duty, Excise duty, Cess with the appropriate authorities except Tax Deduction at Source amounting to ₹ 25,41,003.00 and works Contract Tax amounting to ₹ 7,64,415.00	TDS and WCT has regularly been paid by MSETCL on due date however reconciliation will be completed shortly.

9(b) The disputed Statutory dues aggregating ₹ 701.44 crores, that have not been deposited on account of disputed matters pending before appropriate authorities are as under :						
Sr. No	Name of the Statute	Nature of dues	Amount (₹ in Crores)	Period to which the amount relates	Forum where dispute is pending	
1	Employees States Insurance Act, 1948.	Employees State Insurance	0.22	Various yrs. from F.Y.(68-96)	Employee State Insurance Court, Pune	The matter was pertaining to the Pune Urban Zone of Erstwhile M.E.S.B. regarding applicability of ESIC scheme. The amount is pertaining to RS O & M Division Pune transferred by Pune Urban Zone M.S.E.B. The ESIC authority appealed in 2006 in Mumbai High Court against the ESIC Court Pune order which was in favour of M.S.E.B. At present the matter is pending at Mumbai High Court.
2	Income Tax Act, 1961.	Income Tax	44.16	A.Y.(08-09)	Rectification appeal u/s 154 before Dy. CIT	Income Tax department in Nov 2009 has not considered MAT credit of ₹ 51.05 crs which was paid in FY 2005-06 and FY 2006-07 in addition to short consideration of TDS credit by ₹ 5.90 crs. Consequentially interest has been charged excess by ₹ 14.97 crs. Hence MSETCL has filed a rectification letter in Apr. 2010. However

						Income Tax department in June 2010 has considered it partially and reduced the demand to ₹ 38.85 crs. Therefore MSETCL has filed and Appeal in Aug 2010 with CIT (A) against this order which is pending.
3*	Central Board of Excise and Customs	Service Tax	657.06	Various yrs. from F.Y. (05-06) to F.Y.(09-10)	Commissioner of Service Tax Mumbai	As per notification no. 11/2010-Service Tax dated 27th Feb 2010 and 45/2010-Service Tax dated 20th July 2010, Transmission of Electricity has been exempted from Service Tax. DGCE I had raised a show cause cum demand notice of ₹ 657.06 crs in Mar 2010 considering the Transmission of Electricity liable to Service Tax under Business Support Services for the period May 2006 to Oct. 2009 @ 12% upto feb 2009 and 10% from Mar 2009 onwards. MSETCL had replied to this notice on 29th May 2009 clarifying that it is not falling under the Business Support Service. Subsequently intimation has come from Service Tax authority directing to present details and documents about the applicability of above mentioned notification in this case. In this regard the matter was heard
	TOTAL		₹ 701.44			
<p>* However, as per Notification no. 45/2010-ST dated 22/07/2010, service tax is not payable on services relating to transmission of electricity, but still the commissioner has not passed the order to that effect.</p>						

		before Commissioner of Service tax on 14th Sept. 2010 and vide his order dated 17th Sept. 2010 (received 23rd Sept. 2010) the commissioner has dropped the Proceeding initiated vide the above mentioned show cause notice.
10	The Company does not have accumulated losses as at 31st March, 2010 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 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 give 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 31st March, 2010.	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

as per our report attached
For Shah & Taparia
Chartered Accountants
(Registration No. 109463W)
Rakesh Joshi
Partner
Membership No. : 102880
Place : Mumbai
Date : 23/09/2010

For Maharashtra State Electricity Transmission Company Limited

Sd/-
D. D. Wavhal
Director (Finance) (In Charge)
Mumbai

**ADDENDUM TO THE DIRECTOR REPORT 2009-10 CAG COMMENTS ON THE ACCOUNTS OF
MAHARASHTRA STATE ELECTRICITY TRANSMISSION COMPANY LIMITED, MUMBAI
UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956
FOR THE YEAR ENDED 31 MARCH, 2010**

The preparation of financial statements of Maharashtra State Electricity Transmission Company Limited, Mumbai for the year ended 31 March 2010 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 14 September 2010

"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 2010. 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. "

COMMENTS ON PROFITABILITY

Profit and Loss Account

Income

Revenue from operations (Schedule-12) ~ 1599.73 crore.

Open Access charges- ~ 108.36 crore

- 1 This does not include ₹ 89.17 lakh Open Access charges accrued during 2009-10 which has been collected by State Load Despatch Centre (SLDC) Kalwa during 2010-11. Not accounting the same on accrual basis for the year 2009-10 resulted in under-statement of income, receivables and profit by ₹ 89.17 lakh.

Other income (Schedule-13) : ~ 108.37 crore.

Other Miscellaneous Receipts: ~ 67.97 crore.

- 2 This includes ₹ 3.09 crore being the deposit received for execution of works. The deposits received for works to be executed should have been accounted for as Current Liabilities instead of revenue receipt. Inclusion of deposits in revenue receipt resulted in overstatement of income, surplus and understatement of Other Current Liabilities by ₹ 3.09 crore.

- 3 The above includes ₹ 1.28 crore being the non-refundable deposit received from Chhatrapati Shahu SSK for evacuation of power from bagasse co-generation plant towards cost of works to be executed. The work has been completed and capitalized during the year without adjusting the deposit. Non-adjustment of deposit against fixed assets resulted in overstatement of other income, surplus and overstatement of fixed assets by ₹ 1.28 crore
- 4 Similarly, the EHV Constn. Circle, Kalwa received non-refundable deposit of ₹ 1.25 crore including 15 per cent supervision charges from Siemens Limited for the work of additional power supply for its plant at Kalwa. The Circle office credited the entire amount of ₹1.25 crore to other income instead of crediting ₹ 0.16 crore to supervision charges. Crediting the whole deposit to other income resulted in overstatement of income and profit by (₹ 1.25 crore – ₹ 0.16 crore) ₹1.09 crore.
- 5 The above includes ₹ 29.48 lakh being the deposit received from T. S. Wind Power Developers (₹ 14.74 lakh) and Waluj Aundh Wind Farm Infrastructure Developers (₹ 14.74 lakh) for execution of work. The work has been completed and capitalized during the year without adjustment of deposit. This has resulted in overstatement of income and fixed asset by ₹ 29.48 lakh.
- 6 This does not include ₹ 84.50 lakh being the supervision charges received for execution of works. Inclusion of revenue receipt in other current liabilities resulted in understatement of other income, profit and overstatement of other current liabilities to that extent.
- 7 This does not include ₹ 21.50 lakh being the supervision charges received from Reliable Fashions Private Limited and ₹ 12.51 lakh from Ministry of Shipping Road Transport and Highway Project Implementation Unit, Nasik. Inclusion of supervision charges in deposit instead of crediting to income resulted in overstatement of deposit, understatement of income and profit by ₹ 34.01 lakh

Expenditure

Operating Expenses (Sch.14): ~ 304.33 crore

Repairs and Maintenance on

Plant & Machinery: - ~ 244.30 crore.

- 8 This does not include ₹ 1.46 crore, being contractor's charges for conversion of existing 50 MVA 220/132 kv BHEL make power transformer (220 kv Tarapur Sub-Station) to 220/32/22 kv paid to M/s Aditya Vidyut Appliances Ltd. The Circle Office has transferred the expenditure to EHV Construction Circle, Kalwa, which in turn wrongly capitalized the expenditure instead of treating the same as revenue expenditure.

This has resulted in understatement of Expenditure and overstatement of profit by ₹ 1.46 crore and overstatement of Fixed Assets by the same amount.

Administration and Other Expenses (Sch. 16):- ₹ 103.44 crore

- 9 This does not include Electricity Charges for the period April 2009 to March 2010 of 400 KV Sub-Station Kalwa which works out to ₹ 54.00 lakh (approximately @ ₹ 4.50 lakh/month). This has resulted in understatement of expenditure, liability and overstatement of profits by ₹ 54.00 lakh.
- 10 This includes ₹ 32.32 lakh being the freight paid on capital equipment. Inclusion of capital expenditure in revenue expenditure resulted in understatement of fixed assets and overstatement of expenditure, understatement of profit by ₹ 32.32 lakh.
- 11 This includes ₹ 41.39 lakh being the octroi paid on three transformers installed during the year 2009-10. The expenditure was incurred for acquisition of assets which should have been capitalized along with the cost of transformers. Inclusion of capital expenditure in revenue expenditure resulted in overstatement of revenue expenditure and understatement of fixed assets and profit to that extent.

Legal and professional charges ₹ 5.02 crore

- 12 The above includes an amount of ₹ 8.80 lakh payable to PC Hansotia & Co., towards Professional services rendered for IT matters pertaining to period the 1999-2000 to 2006-07 which should have been booked as Prior Period Expenses. This has resulted in understatement of prior period charges and overstatement of other professional charges for the year.

Prior Period Charges (Net) (Sch.19): ₹ 28.71 crore

- 13 The Company paid lease rent of ₹ 70 lakh to PFC towards lease finance in respect of an amount of ₹ 45.43 lakh which was not released to the Company. Subsequently in 2009-10, the principal lease amount of ₹ 45.43 lakh was released to the Company. However, the payment made towards interest amounting to ₹ 24.58 lakh (₹ 70,00,315 - ₹ 45,42,714) is yet to be accounted for as prior period income which resulted in understatement of prior period income and receivables and profit by ₹ 24.58 lakh

Depreciation and other amortisation (Sch.17):- ₹ 299.62 crore

- 14 The EHV O&M Division, Nasik charged depreciation of ₹ 37.45 lakh instead of ₹ 58.46 lakh for the year 2009-10 on the assets valuing ₹ 63.37 crore capitalised during the year. This has resulted in understatement of depreciation, over statement of profit and overstatement of net block of fixed assets by ₹ 21.01 lakh.
- 15 The EHV O&M Division, Nasik charged depreciation of ₹ 1.23 crore on the asset valuing

₹ 1.33 crore which is in excess by ₹ 3.09 lakh (in excess of 90 per cent of cost of assets). This has resulted in overstatement of depreciation and understatement of net block of fixed assets and profit by ₹ 3.09 lakh.

- 16 This is understated by ₹ 1.62 crore due to short provision of depreciation by Sangli Division (₹ 89.47 lakh), Kalwa Division (₹ 33.88 lakh), Kolhapur Division (₹ 33.12 lakh) and Latur Division (₹ 5.24 lakh) during the year resulting in overstatement of net block and net profit by ₹ 1.62 crore.

Interest and Finance charges (Sch.18) ~ 209.99 crore Commitment charges

- 17 This does not include ₹ 2.71 lakh being Commitment Charges for not following the drawal schedule prescribed for PFC loan No.21603052 and 21603060. This has resulted in understatement of expenditure, liability and profit by ₹ 2.71 lakh.

Other Bank Charges

- 18 The Company closed the Bank account with Canara bank and Syndicate bank and transferred the available balance to another bank account as per the balance indicated in pass book. The Company's cash book exhibited credit balance amounting to ₹ 0.46 lakh and the Company transferred this balance to the credit of Other Bank Charges. The transfer and closure of cash/bank balance should have been done only after reconciliation. The impact of this adjustment could not be ascertained in the absence of reconciliation.

COMMENTS ON FINANCIAL POSITION

Balance Sheet

Application of funds

Fixed Assets

Gross block of Fixed Assets (Schedule 5) - ~ 11569.65 crore.

- 19 This includes ₹ 0.70 lakh being the lease premium paid to MIDC for acquiring the land at Ahmednagar on lease basis for 95 years with effect from January 1976. As the land has been acquired on lease basis, it should have been amortised over a period of 95 years which has not been done. Non amortisation of lease hold land resulted in understatement of depreciation, amortisation, expenditure, deficit and overstatement of net block of fixed asset and profit by ₹ 0.25 lakh.
- 20 The EHV O&M Division, Nasik withdrew asset valuing ₹ 10.85 crore being not in use and the accumulated depreciation thereon of ₹ 9.70 crore was also withdrawn. The accumulated depreciation of ₹ 9.45 crore only should have been withdrawn instead of ₹ 9.70 crore. This has resulted in understatement of asset not in use, accumulated depreciation and overstatement of net block of fixed assets by ₹ 25.15 lakh.

- 21 This includes ₹ 4.86 crore due to wrong debit given to work in respect of Elichpur sub-station. Excess capitalization resulted in overstatement of fixed assets and understatement of capital work in progress to that extent.
- 22 This includes ₹ 10.70 lakh being the value of crane (₹ 2.68 lakh) and seven vehicles (₹ 8.02 lakh), which were not in use from 1984-85 onwards. Same should have been classified as 'assets not in use'. This has resulted in overstatement of fixed assets and understatement of assets not in use to that extent

Advance paid for lease finance project ~ 153.78 crore.

- 23 This represents assets acquired through lease finance (financial lease) from ILFS and created an equal amount of liability to be discharged through payment of lease rentals. The company discharged lease finance liability and no liability exists towards lease rentals as on March 2010.
The company booked the entire lease rentals through profit & loss a/c (Interest & Finance Charges) instead of liability account to the extent of principal repayment and Profit and loss account to the extent of interest finance charges and therefore the liability account remained unsettled. Similarly, the leased asset was also not depreciated and therefore depreciation up to the period of 31 March 2010 was overstated to that extent. In the absence of details of lease agreement and repayments made, the impact of this transaction in the P&L account and Balance Sheet could not be ascertained

Capital work in progress (Schedule 6) ~ 3,095.14 crore

- 24 This includes ₹ 3.37 crore being the replacement of various assets (replacement of indoor switchgear by new outdoor switchgear at 132 KV Ahmednagar and Kopergaon Sub-stations) and completion/commencement of works of seven sub-stations costing ₹ 40.21 crore at Aurangabad Division on 31.03.2010 but not capitalized during the year. Non capitalization of replaced and completed assets resulted in overstatement of capital work in progress and understatement of fixed assets by ₹ 43.58 crore.

Advances to suppliers: - ~ 113.10 crore

- 25 This includes ₹ 4.17 crore being the credit balance in respect of Kolhapur Division, which needs to be reconciled

ASSET NOT IN USE: - ~ 12.79 crore

- 26 The O&M Circle, Karad exhibited ₹ 1.76 crore as assets not in use i.e. net block of fixed assets not in use. However, as per calculation the net block of assets not in use worked

out to ₹ 1.60 crore. The calculation error resulted in overstatement of assets not in use and understatement of net fixed assets by ₹ 16.19 lakh

Current Assets, Loans and Advances (Sch.8) :- ₹ 1381.58 crore

Inventories: - ₹ 198.99 crore

- 27 This does not include ₹ 2456.78 lakh being the value of material received in stores and under inspection upto 29.03.2010 but not accounted in the Annual Accounts due to non-preparation of SR notes. This has resulted in understatement of Stock – Material Pending Inspection (Capital) to the extent of ₹ 2456.78 lakh and liabilities to that extent.
- 28 This includes ₹ 74.02 lakh being the value of 76.059 KM 0.2 ACSR Panther conductor supplied by M/s. Modern Instruments Private Limited, which is defective/rejected and not usable. Inclusion of value of defective conductor in stock resulted in overstatement of stock, understatement of expenditure (provision for defective material) and overstatement of profit to that extent.
- 29 This includes ₹ 2.72 lakh being the Works Contract Tax paid by the Company on behalf of the contractor M/s. Active Engineers. As the above expenses have remained unadjusted/unsettled inspite of lapse of more than five years, the same should have been classified as bad and doubtful debts. This has resulted in overstatement of current assets and understatement of bad and doubtful debts to that extent and overstatement of profit by ₹ 2.72 lakh

Receivable from MSPGCL ₹ 29.77 lakh.

- 30 MSETCL in 2006 paid fees of ₹ 29.77 lakh towards restructuring the Non-Convertible Debentures of IFCL. The loan was subsequently transferred to MSPGCL and the Company claimed the restructuring fee from MSPGCL which has not been accepted by them.

This has resulted in overstatement of Sundry Receivable and understatement of expenditure and profit by ₹ 29.77 lakh

Cash and Bank Balance ₹ 359.07 crore

- 31 This does not include a stale cheque amounting to ₹ 0.43 lakh issued by Bhandup Dn but not presented by payee. This has resulted in understatement of cash and Bank Balance and understatement of liabilities by ₹ 0.43 lakh).

Prepaid expenses: - ₹ 10.13 crore

- 32 This represents expenditure incurred for restructuring of long term loans and remained

to be written off. The expenditure is in the nature of Deferred Revenue expenditure and it should have been classified accordingly.

Sources of Funds

Current Liabilities and Provisions

Current Liabilities (Sch. 9): ~ 1955.02 crore

Due to Others: - ~ 552.60 crore.

Deposit for execution of jobs/works

- 33 The EHV O & M Division, Nasik credited an amount of ₹ 57.85 lakh as miscellaneous receipt during the year and debited to Outright Contribution (ORC) deposit from consumers. This is not excess deposit and should not have been credited to miscellaneous receipt. This has resulted in overstatement of income and profit, understatement of current liabilities by ₹ 57.85 lakh.
- 34 This includes ₹ 1.71 lakh being the deposit received for Urmodi Dam S/S scheme. The scheme has been completed and capitalized before 31.03.2010, However, the deposit has not been adjusted. Non-adjustment of deposit against fixed asset resulted in overstatement of other current liabilities and fixed assets to that extent.

Consumer Contribution: ~ 484.43 crore

- 35 This includes ₹ 4.82 crore being the grants received during 2007-08 and 2008-09 for Nivli Phata S/S scheme and ₹ 7.43 crore in respect of 11 works which have been completed and commissioned before 31.03.2010. However, the grants have not been adjusted against the fixed assets. Non-adjustment of grants against fixed assets resulted in overstatement of grants and fixed assets to that extent.

Retention Money from Contractors/Suppliers.

- 36 This includes ₹ 3.20 crore being the money retained by the Panvel Division from the bills of the contractors / suppliers upto March 2010. The contractor wise / supplier wise suspense register maintained, however, shows a balance of ₹ 3.49 crore. The difference of ₹ 28.87 lakh has not been reconciled.

Interest accrued but not due on loans ~ 54.65 crore

Private Bond Interest accrued but not due: - ~ 14.88 crore.

- 37 This represents provisions made in earlier years for accrued interest on bonds. The company made the payments as and when it was due and booked the entire payment as expenditure in the respective years and the provision made for ₹ 1488.25 lakh remained to be adjusted. This has resulted in overstatement of interest and finance charges, liabilities and understatement of profit by ₹ 14.88 crore.

**Interest accrued but not due on Indian Currency loan –
IL & FS, Mumbai:- ₹ 0.42 crore.**

- 38 This represents liabilities created for payment of interest to IL & FS Mumbai for loan raised in 1996 for erection of Nagothane - Wadkal 400 KV transmission line. The company had discharged the entire liabilities of the loan including interest and therefore this liability was required to be withdrawn.

This has resulted in overstatement of liability and understatement profit by ₹ 0.42 crore

Staff related liabilities and provisions:- ₹ 93.25 crore.

Provision for short fall in Plan Assets: - ₹ 7.92 crore.

- 39 The company has provided on amount of ₹ 7.92 crore for short fall in plan assets of CPF trust based on the valuation report of consultant appointed for the purpose. A scrutiny of the valuation report revealed that working in the valuation report is incorrect since the interest accrued and not due. ₹ 303.52 crore on investment as on 31st March, 2010 was not considered in the total value of assets available. As a result the valuation of assets was lower by ₹ 303.52 crore which necessitated the maintenance of provision of ₹ 7.92 crore. This has resulted in over statement of expenses, liability and understatement of profit by ₹ 7.92 crore

Other Liabilities and Provisions: ₹ 6.54 crore

- 40 This does not include liabilities of ₹ 59.20 Lakh pertaining to 2009-10 which resulted in understatement of liabilities by ₹ 59.20 Lakhs and correspondingly understatement of Fixed Assets, Capital WIP and Administrative Expenses to the extent of ₹ 5.78 Lakh, ₹ 48.76 Lakh and ₹ 4.66 Lakh respectively.
- 41 This does not include ₹ 80.35 lakh being the cost of material received during 29.03.2010 to 31.03.2010 at Osmanabad store. Non-accounting of material received before 31.03.2010 resulted in understatement current liabilities and stock to that extent.
- 42 This does not include ₹ 3.46 lakh being the transportation charges paid to M/s. M Farhat Abbas in May 2010 for transportation of power transformers in May 2009. Non-accounting of transportation charges resulted in understatement of other liabilities and fixed assets to that extent.

43 This does not include ₹ 6.68 lakh being the outstanding liability towards expenses for the year 2009-10. Non-provision for outstanding liability resulted in understatement of current liabilities, expenditure and deficit by ₹ 6.68 lakh.

Provisions (Sch. 10) : ₹ 484.98 crore

Provision for leave encashment : ₹ 179.17 crore.

44 This does not include ₹ 7.02 lakh being the leave encashment due/paid to employees in 2009-10 but paid in 2010-11. Non-provision resulted in understatement of other current liabilities, expenditure and overstatement of surplus by ₹ 7.02 lakh

COMMENTS ON DISCLOSURE

Notes to accounts

Liability towards Income Tax for the assessment year 2007-08

45 The Income Tax department vide letter dated 16 September 2010 demanded additional amount of Income Tax of ₹ 7.42 crore for assessment year 2007-08. The Company has neither provided for the same nor disclosed it in the accounts

Contingent Liability

46 The Micro and Small Enterprises Facilitation Council (MSEFC) passed the order dated 28 January 2010 directing MSETCL to pay interest of ₹ 1.46 crore and ₹ 54.82 lakh for the delay in payments made to Minerva Switchgears & Controls, Nagpur and Sigma Transformers Pvt. Limited, Nagpur respectively in respect of purchases made from them. Though the Company is in the process of filing appeal by depositing 75 per cent of the award, neither provision has been made nor the fact has been disclosed in the accounts.

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

**Sd/-
S. Jafa
Accountant General
(Commercial Audit)**

Place : Mumbai
Date : 30/12/2010

**COMMENTS ON THE ACCOUNTS OF MAHARASHTRA STATE ELECTRICITY TRANSMISSION
COMPANY LIMITED, MUMBAI UNDER SECTION 619(4) OF THE COMPANIES ACT,1956
FOR THE YEAR ENDED 31 MARCH, 2010**

S.No.	CAG COMMENTS	MSETCL'S REPLY
	<p>The preparation of financial statements of Maharashtra State Electricity Transmission Company Limited, Mumbai for the year ended 31 March 2010 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 14 September 2010</p>	<p align="center">Factual</p>
	<p>"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 2010. 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</p>	<p align="center">Factual</p>

	<p>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. "</p>	
	<p>COMMENTS ON PROFITABILITY</p> <p>Profit and Loss Account</p> <p>Income</p> <p>Revenue from operations (Schedule-12) \sim 1599.73 crore.</p> <p>Open Access charges- \sim 108.36 crore</p>	
1	<p>This does not include ₹ 89.17 lakh Open Access charges accrued during 2009-10 which has been collected by State Load Despatch Centre (SLDC) Kalwa during 2010-11. Not accounting the same on accrual basis for the year 2009-10 resulted in under-statement of income, receivables and profit by ₹ 89.17 lakh.</p>	<p>The amount of ₹ 89.17 lakhs is for the period of March 2010. Since the Short Term Open Access(STOA) charges are finalised by the Regional Load Despatch Centre, as such the amount of STOA transactions for the month of March 2010 cannot be assessed. Hence the provision of ₹ 89.17 lakhs on account of STOA was not made for FY2009-10.</p>
	<p>Other income (Schedule-13) \sim 108.37 crore.</p> <p>Other Miscellaneous Receipts: \sim 67.97 crore.</p>	
2	<p>This includes ₹ 3.09 crore being the deposit received for execution of works. The deposits received for works to be executed should have been accounted for as Current Liabilities instead of revenue receipt.</p>	<p>Due to unavailability of Technical details it was credited to revenue receipts, now rectified and credited to deposit for execution of jobs/works Cost of Material of ₹ 0.95 crores vide JV no. 25 dt.</p>

	<p>Inclusion of deposits in revenue receipt resulted in overstatement of income, surplus and understatement of Other Current Liabilities by ₹ 3.09 crore.</p>	<p>30.10.2010 and after completion of asset it will be adjusted against the asset capitalization. (EHV. Const. Div. Sangli). Due to unavailability of Technical details ₹ 0.29 crores for modification of Miraj -Jat line was credited to revenue receipts now rectified and credited to liability for supply of materials vide JV no21 dt.31.10.2010 (EHV. Const. Division Sangli). Due to unavailability of Technical details previously ₹ 1.84 crores was credited to Income now rectified and credited to Deposits for execution jobs/works though JV No.20 31.10.2010 (EHV Const. Division Kolhapur)</p>
3	<p>The above includes ₹ 1.28 crore being the non-refundable deposit received from Chhatrapati Shahu SSK for evacuation of power from bagasse co-generation plant towards cost of works to be executed. The work has been completed and capitalized during the year without adjusting the deposit. Non-adjustment of deposit against fixed assets resulted in overstatement of other income, surplus and overstatement of fixed assets by ₹ 1.28 crore</p>	<p>Due to unavailability of Technical details previously amount was credited to Income now rectified and credited to Deposit for execution of Jobs/Works though JV No. 20 Dt. 31.10.2010 (EHV Const. Division Kolhapur). The Asset is capitalized partly whenever 100% capitalization will completed the non refundable amount will be adjusted against cost of the asset.</p>
4	<p>Similarly, the EHV Constn. Circle, Kalwa received non-refundable deposit of ₹ 1.25 crore including 15 per cent supervision charges from Siemens Limited for the work of additional power supply for its plant at Kalwa. The Circle office credited the entire amount of ₹ 1.25 crore to other income instead of crediting ₹ 0.16 crore to supervision charges. Crediting the whole deposit to other income resulted in</p>	<p>The total amount of ₹ 1.25 Crore is now adjusted under supervision charges of ₹ 0.16 Crore and towards deposits for execution of works of ₹ 1.09 Crore.</p>

	overstatement of income and profit by (₹ 1.25 crore – ₹ 0.16 crore) ₹ 1.09 crore.	
5	The above includes ₹ 29.48 lakh being the deposit received from T. S. Wind Power Developers (₹ 14.74 lakh) and Waluj Aundh Wind Farm Infrastructure Developers (₹ 14.74 lakh) for execution of work. The work has been completed and capitalized during the year without adjustment of deposit. This has resulted in overstatement of income and fixed asset by ₹ 29.48 lakh.	₹ 29.48 lakh deposit received from M/s T.S. Wind Power Developer & Vaduj Aundh farm infrastructure developer for execution of work ₹ 1474000/- each. In this case the deposit was not adjusted against the fixed asset. Now the same has been rectified in the FY2010-11 vide JV no. 11/Nov-2010 & corresponding withdrawal of depreciation has made in depreciation there on vide JV no.12/Nov-2010.
6	This does not include ₹ 84.50 lakh being the supervision charges received for execution of works. Inclusion of revenue receipt in other current liabilities resulted in understatement of other income, profit and overstatement of other current liabilities to that extent.	Due to unavailability of Technical details previously amount was credited to Deposit for execution of jobs/works now rectified and credited to Prior period income vide JV No. 19 dtd. 30.10.2010 of ₹ 84.50 Lakh.
7	This does not include ₹ 21.50 lakh being the supervision charges received from Reliable Fashions Private Limited and ₹ 12.51 lakh from Ministry of Shipping Road Transport and Highway Project Implementation Unit, Nasik. Inclusion of supervision charges in deposit instead of crediting to income resulted in overstatement of deposit, understatement of income and profit by ₹ 34.01 lakh	The actual amount of supervision charges is ₹ 21.50 Lakh and the same has been accounted as income vide JV No.7 dtd.31.07.2009. The deposit of ₹ 12.51 Lakh has now been debited by giving credit to prior period income vide JV No 6 dtd.30.11.2010.
	Expenditure Operating Expenses (Sch.14): ~ 304.33 crore Repairs and Maintenance on	

8	<p>Plant & Machinery: - ₹ 244.30 crore.</p> <p>This does not include ₹ 1.46 crore, being contractor's charges for conversion of existing 50 MVA 220/132 kv BHEL make power transformer (220 kv Tarapur Sub-Station) to 220/32/22 kv paid to M/s Aditya Vidyut Appliances Ltd. The Circle Office has transferred the expenditure to EHV Construction Circle, Kalwa, which in turn wrongly capitalized the expenditure instead of treating the same as revenue expenditure.</p> <p>This has resulted in understatement of Expenditure and overstatement of profit by ₹ 1.46 crore and overstatement of Fixed Assets by the same amount.</p>	<p>₹ 1.46 Crore. pertaining to repairs to transformers which was transferred to Kalwa construction circle and used in the scheme which is not yet completed as such the said expenditure is not booked to the repairs & maintenance expenditure.</p>
9	<p>Administration and Other Expenses (Sch. 16):- ₹ 103.44 crore</p> <p>This does not include Electricity Charges for the period April 2009 to March 2010 of 400 KV Sub-Station Kalwa which works out to ₹ 54.00 lakh (approximately @ ₹ 4.50 lakh/month). This has resulted in understatement of expenditure, liability and overstatement of profits by ₹ 54.00 lakh.</p>	<p>During the year 2009-10 IBA for electricity charges is not received from MSEDCL. Hence the expenditure was remained to be accounted for in FY 2009-10. Now the same has been accounted vide JV no.16 in November 2010.</p>
10	<p>This includes ₹ 32.32 lakh being the freight paid on capital equipment. Inclusion of capital expenditure in revenue expenditure resulted in understatement of fixed assets and overstatement of expenditure, understatement of profit by ₹ 32.32 lakh.</p>	<p>Freight paid on capital equipment for JICA scheme earlier debited to revenue expenditure now rectified vide JV No. 08 dt.30.09.10.</p>
11	<p>This includes ₹ 41.39 lakh being the octroi paid on three transformers installed during the year 2009-10. The expenditure was</p>	<p>This is pertaining to the three transformers used in the municipal corporation areas and for those transformers</p>

	incurred for acquisition of assets which should have been capitalized along with the cost of transformers. Inclusion of capital expenditure in revenue expenditure resulted in overstatement of revenue expenditure and understatement of fixed assets and profit to that extent.	MSETCL has incurred an expenditure on account of octroi of ₹ 41.39 Lakh and the said expenditure was not capitalised. Now the same has been rectified.
	Legal and professional charges ~ 5.02 crore	
12	The above includes an amount of ₹ 8.80 lakh payable to PC Hansotia & Co., towards Professional services rendered for IT matters pertaining to period the 1999-2000 to 2006-07 which should have been booked as Prior Period Expenses. This has resulted in understatement of prior period charges and overstatement of other professional charges for the year.	The sharing of the professional fees of ₹ 8.80 Lakh for services rendered for Income Tax by M/s P. C. Hansotia & Co, raised vide invoice Dt. 31.03.2010 related to assessment of erstwhile MSEB for the period of A.Y. 1999-2000, 2000-2001 and from A.Y. 2002-03 to A.Y. 2006-07 was decided on 15th July 2010 on the basis of percentage in which carried forward business losses and unabsorbed depreciation is passed to and claimed by successor companies as such the same has been booked as the professional charges for the FY 2009-10.
	Prior Period Charges (Net) (Sch.19): ~ 28.71 crore	
13	The Company paid lease rent of ₹ 70 lakh to PFC towards lease finance in respect of an amount of ₹ 45.43 lakh which was not released to the Company. Subsequently in 2009-10, the principal lease amount of ₹ 45.43 lakh was released to the Company. However, the payment made towards interest amounting to ₹ 24.58 lakh (₹ 70,00,315 - ₹ 45,42,714) is yet to be accounted for as prior period income which	The matter regarding refund of excess lease rental charged on unreleased amount of ₹ 45.43 lakhs 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 and refund the differential lease rent excess charged by PFC. On receipt of refund, necessary entries will be passed in the

	resulted in understatement of prior period income and receivables and profit by ₹ 24.58 lakh	books of accounts.
	Depreciation and other amortisation (Sch.17):- ₹ 299.62 crore	
14	The EHV O&M Division, Nasik charged depreciation of ₹ 37.45 lakh instead of ₹ 58.46 lakh for the year 2009-10 on the assets valuing ₹ 63.37 crore capitalised during the year. This has resulted in understatement of depreciation, over statement of profit and overstatement of net block of fixed assets by ₹ 21.01 lakh.	The differential depreciation of ₹ 21.01 Lakh has now been accounted vide JV no.9 Dt 31.08.2010.
15	The EHV O&M Division, Nasik charged depreciation of ₹ 1.23 crore on the asset valuing ₹ 1.33 crore which is in excess by ₹ 3.09 lakh (in excess of 90 per cent of cost of assets). This has resulted in overstatement of depreciation and understatement of net block of fixed assets and profit by ₹ 3.09 lakh.	The excess depreciation of ₹ 3.09 Lakh has now been withdrawn vide JV no.7 Dt 31.08.2010.
16	This is understated by ₹ 1.62 crore due to short provision of depreciation by Sangli Division (₹ 89.47 lakh), Kalwa Division (₹ 33.88 lakh), Kolhapur Division (₹ 33.12 lakh) and Latur Division (₹ 5.24 lakh) during the year resulting in overstatement of net block and net profit by ₹ 1.62 crore.	<p>Shortfall in depreciation of ₹ 83.14 Lakh due to non-charging depreciation on fixed assets transferred to other units during the year for the period from 01.04.2009 to date of transfer has been accounted vide JV. No.23 Oct.10</p> <p>Shortfall in depreciation of ₹ 33.88 lakh due to charging of depreciation on days basis instead of month basis in respect of assets capitalised has now been accounted.</p> <p>Shortfall in depreciation of ₹ 39.45 Lakh</p>

		<p>due to charging of depreciation on days basis instead of month basis in respect of assets capitalised has now been accounted vide JV. No. 23 (₹ 6.33 Lakh) & 19 (₹ 33.12 Lakh) in Oct. 2010.</p> <p>Shortfall in depreciation of ₹ 5.24 Lakh due to charging of depreciation on days basis instead of month basis in respect of assets capitalised has now been accounted vide JV. No.6 in Nov. 2010.</p>
	<p>Interest and Finance charges (Sch.18) ~ 209.99 crore</p>	
17	<p>Commitment charges</p> <p>This does not include ₹ 2.71 lakh being Commitment Charges for not following the drawal schedule prescribed for PFC loan No.21603052 and 21603060. This has resulted in understatement of expenditure, liability and profit by ₹ 2.71 lakh.</p>	<p>The matter is under correspondence with PFC to waive the commitment charges considering the meagre amount.</p>
18	<p>Other Bank Charges</p> <p>The Company closed the Bank account with Canara bank and Syndicate bank and transferred the available balance to another bank account as per the balance indicated in pass book. The Company's cash book exhibited credit balance amounting to ₹ 0.46 lakh and the Company transferred this balance to the credit of Other Bank Charges. The transfer and closure of cash/bank balance should have been done only after reconciliation. The impact of this adjustment could not be ascertained in the absence of reconciliation.</p>	<p>Bank accounts with Canara Bank and syndicate Bank have been closed therefore remittance in transit for Canara Bank(245062) and Syndicate Bank (245186) has also been closed but while closing this accounts there was credit balance of amounting to ₹ 46345 and hence the said amount was credited to bank charges.</p>

19	<p>COMMENTS ON FINANCIAL POSITION Balance Sheet Application of funds Fixed Assets Gross block of Fixed Assets (Schedule 5) - ₹ 11569.65 crore.</p> <p>This includes ₹ 0.70 lakh being the lease premium paid to MIDC for acquiring the land at Ahmednagar on lease basis for 95 years with effect from January 1976. As the land has been acquired on lease basis, it should have been amortised over a period of 95 years which has not been done. Non amortisation of lease hold land resulted in understatement of depreciation, amortisation, expenditure, deficit and overstatement of net block of fixed asset and profit by ₹ 0.25 lakh.</p>	<p>The amortisation of ₹ 0.25 lakh for the elapsed period of 24 years has been made vide JV No. 13 dtd.30.09.2010.</p>
20	<p>The EHV O&M Division, Nasik withdrew asset valuing ₹ 10.85 crore being not in use and the accumulated depreciation thereon of ₹ 9.70 crore was also withdrawn. The accumulated depreciation of ₹ 9.45 crore only should have been withdrawn instead of ₹ 9.70 crore. This has resulted in understatement of asset not in use, accumulated depreciation and overstatement of net block of fixed assets by ₹ 25.15 lakh.</p>	<p>Necessary rectification has been made vide JV No. 6 dtd.31.08.2010.</p>
21	<p>This includes ₹ 4.86 crore due to wrong debit given to work in respect of Elichpur sub-station. Excess capitalization resulted in overstatement of fixed assets and understatement of capital work in progress to that extent.</p>	<p>The necessary rectification has been made for withdrawal of excess capitalisation along with depreciation vide JV no. 15 & 16 dtd.30.09.2010.</p>

22	<p>This includes ₹ 10.70 lakh being the value of crane (₹ 2.68 lakh) and seven vehicles (₹ 8.02 lakh), which were not in use from 1984-85 onwards. Same should have been classified as 'assets not in use'. This has resulted in overstatement of fixed assets and understatement of assets not in use to that extent</p>	<p>One crane & other 3 vehicle are not in use with panvel division. Out of which crane & other two jeeps scrap proposal are sanctioned and remaining vehicle proposal for scrap is being initiated soon and rectification JV passed to transfer these fixed assets along with depreciation to assets not in use. In respect of three vehicles of construction circle Kalwa the proposal for scrapping one crane is approved and the proposal for scrapping of two jeeps is under process and the necessary rectification JV for the approved proposal is passed.</p>
	<p>Advance paid for lease finance project ~ 153.78 crore.</p>	
23	<p>This represents assets acquired through lease finance (financial lease) from ILFS and created an equal amount of liability to be discharged through payment of lease rentals. The company discharged lease finance liability and no liability exists towards lease rentals as on March 2010. The company booked the entire lease rentals through profit & loss a/c (Interest & Finance Charges) instead of liability account to the extent of principal repayment and Profit and loss account to the extent of interest finance charges and therefore the liability account remained unsettled. Similarly, the leased asset was also not depreciated and therefore depreciation up to the period of 31 March 2010 was overstated to that extent. In the absence of details of lease agreement and repayments made, the impact of this transaction in the P&L account and Balance</p>	<p>This is as per opening balance of the transfer scheme received from erstwhile MSEB (Advance paid lease finance project account code 27.870 ₹153.78 Crore. Dr. HVDC ILFS Account, account code 27.880 ₹153.78 Crore. Cr.).The relevant details pertaining to this being sought from MSEDCL and based on the response further action will be taken.</p>

	Sheet could not be ascertained	
	Capital work in progress (Schedule 6) ` 3,095.14 crore	
24	This includes ₹ 3.37 crore being the replacement of various assets (replacement of indoor switchgear by new outdoor switchgear at 132 KV Ahmednagar and Kopargaon Sub-stations) and completion/commencement of works of seven sub-stations costing ₹ 40.21 crore at Aurangabad Division on 31.03.2010 but not capitalized during the year. Non capitalization of replaced and completed assets resulted in overstatement of capital work in progress and understatement of fixed assets by ₹ 43.58 crore.	The EHV O&M Nasik has completed and commissioned assets of ₹ 3.37 crores on 31.03.2010 but the same has now been capitalised vide JV No.8 Dt. 30.04.2010. The WCR of ₹ 40.21 crore was not received by Aurangabad Division till 31.03.2010 now the same has been received and assets are capitalised and depreciation is provided on the same.
	Advances to suppliers: - ` 113.10 crore	
25	This includes ₹ 4.17 crore being the credit balance in respect of Kolhapur Division, which needs to be reconciled	In case of advance to suppliers it is showing credit balance . The details of advance to suppliers groupwise is as follows. Total of 25 group shows ₹ 4,16,86,596/- Cr. 25-400-2 7,30,000/- Dr. 25-500-9 4,24,16,596/- Cr. (₹ 6,22,98,165/-Cr. & ₹1,98,81,569/- Dr.) This credit balance is appearing because the advance is given by HO and recovered by EHVTL Division Kolhapur but Dr and Cr IBA's are not transferred by both the units. So Advance recovered account shows Cr. Balance. The rectification has been done by passing this credit balance to HO Account through JV. No. 22 Oct. 2010.

	ASSET NOT IN USE: - ₹ 12.79 crore	
26	The O&M Circle, Karad exhibited ₹ 1.76 crore as assets not in use i.e. net block of fixed assets not in use. However, as per calculation the net block of assets not in use worked out to ₹ 1.60 crore. The calculation error resulted in overstatement of assets not in use and understatement of net fixed assets by ₹ 16.19 lakh	Necessary rectification has been made vide JV No 19 Dt. 31.10.2010.
	Current Assets, Loans and Advances (Sch.8) :- ₹ 1381.58 crore Inventories: - ₹ 198.99 crore	
27	This does not include ₹ 2456.78 lakh being the value of material received in stores and under inspection upto 29.03.2010 but not accounted in the Annual Accounts due to non- preparation of SR notes. This has resulted in understatement of Stock – Material Pending Inspection (Capital) to the extent of ₹ 2456.78 lakh and liabilities to that extent.	In the month of March 2010 the physical Inventory of material was carried out on 29.03.2010 to 31.03.2010 (Three days). For preparation work i.e. counting/labelling/restacking of material the S.R Notes could not be released during 22.03.2010 to 06.04.2010. All the SR Notes have been released and material is taken to stock in FY 2010-11.
28	This includes ₹ 74.02 lakh being the value of 76.059 KM 0.2 ACSR Panther conductor supplied by M/s. Modern Instruments Private Limited, which is defective/rejected and not usable. Inclusion of value of defective conductor in stock resulted in overstatement of stock, understatement of expenditure (provision for defective material) and overstatement of profit to that extent.	The matter is under correspondence and hence SR notes is not prepared and it is not account in stocks in Major stores, Aurangabad.
29	This includes ₹ 2.72 lakh being the Works Contract Tax paid by the Company on	There was uncertainty in tender & work order in respect of contract price with or

	<p>behalf of the contractor M/s. Active Engineers. As the above expenses have remained unadjusted/unsettled inspite of lapse of more than five years, the same should have been classified as bad and doubtful debts. This has resulted in overstatement of current assets and understatement of bad and doubtful debts to that extent and overstatement of profit by ₹ 2.72 lakh</p>	<p>without WCT. In general practice contract price is inclusive of WCT. The matter is under examination and necessary accounting will be ensured.</p>
30	<p>Receivable from MSPGCL ~ 29.77 lakh.</p> <p>MSETCL in 2006 paid fees of ₹ 29.77 lakh towards restructuring the Non-Convertible Debentures of IFCL. The loan was subsequently transferred to MSPGCL and the Company claimed the restructuring fee from MSPGCL which has not been accepted by them.</p> <p>This has resulted in overstatement of Sundry Receivable and understatement of expenditure and profit by ₹ 29.77 lakh</p>	<p>MSETCL paid an amount of ₹ 29.77 lakh in 2006 towards fees for restructuring the Non-Convertible Debentures of IFCI. The loan was subsequently transferred to MSPGCL and the Company claimed the restructuring fees from MSPGCL and the matter is still under correspondence.</p>
31	<p>Cash and Bank Balance ~ 359.07 crore</p> <p>This does not include a stale cheque amounting to ₹ 0.43 lakh issued by Bhandup Dn but not presented by payee. This has resulted in understatement of cash and Bank Balance and understatement of liabilities by ₹ 0.43 lakh).</p>	<p>₹ 0.43 Lakh has been accounted in FY2010-11 in May & July 2010.</p>
32	<p>Prepaid expenses: - ~ 10.13 crore</p> <p>This represents expenditure incurred for restructuring of long term loans and</p>	<p>The Company is writing off the portion of premium paid on restructuring of LIC, PFC</p>

	<p>remained to be written off. The expenditure is in the nature of Deferred Revenue expenditure and it should have been classified accordingly.</p>	<p>and REC loans as in the past years and the balance amount of restructuring premium paid is shown as deferred cost under Schedule 23. However as per the opinion of Expert Advisory Committee of The Institute of Chartered Accountants of India (ICAI) in similar case, the premium paid for restructuring of high interest carrying loans can be deferred and the cost can be spread over the period during which the benefit of low interest is being enjoyed by the Company i.e. in the tenure of loans. In such cases, the restructuring premium may be treated as Prepaid Expenses and may be written off over the period as per the existing treatment of charging of the portion to Revenue A/c.</p>
<p>33</p>	<p>Sources of Funds</p> <p>Current Liabilities and Provisions</p> <p>Current Liabilities (Sch. 9): ~ 1955.02 crore</p> <p>Due to Others: - ₹ 552.60 crore.</p> <p>Deposit for execution of jobs/works</p> <p>The EHV O & M Division, Nasik credited an amount of ₹ 57.85 lakh as miscellaneous receipt during the year and debited to Outright Contribution (ORC) deposit from consumers. This is not excess deposit and should not have been credited to miscellaneous receipt. This has resulted in overstatement of income and profit, understatement of current liabilities by ₹ 57.85 lakh.</p>	<p>The amount of ₹ 57.85 Lakh is debited to Account code 55.103 and credited to asset Account code 10.543 vide JV No. 98 dtd.31.03.2009 being adjustment of consumers contribution against the assets at the time of migration of accounts in FY 2008-09.</p>

34	This includes ₹ 1.71 lakh being the deposit received for Urmodi Dam S/S scheme. The scheme has been completed and capitalized before 31.03.2010, However, the deposit has not been adjusted. Non-adjustment of deposit against fixed asset resulted in overstatement of other current liabilities and fixed assets to that extent.	The deposit of ₹ 1.71 Lakh has now been adjusted against the fixed assets vide JV No 10 dtd.30.11.2010.
35	<p>Consumer Contribution: ~ 484.43 crore</p> <p>This includes ₹ 4.82 crore being the grants received during 2007-08 and 2008-09 for Nivli Phata S/S scheme and ₹ 7.43 crore in respect of 11 works which have been completed and commissioned before 31.03.2010. However, the grants have not been adjusted against the fixed assets. Non-adjustment of grants against fixed assets resulted in overstatement of grants and fixed assets to that extent.</p>	Due to unavailability of Technical details the amount was not adjusted against fixed asset. Now the same has been adjusted against respective asset vide JV. No. 21 dt.31.10.10.
36	<p>Retention Money from Contractors/ Suppliers.</p> <p>This includes ₹ 3.20 crore being the money retained by the Panvel Division from the bills of the contractors / suppliers upto March 2010. The contractor wise / supplier wise suspense register maintained, however, shows a balance of ₹ 3.49 crore. The difference of ₹ 28.87 lakh has not been reconciled.</p>	The difference of ₹ 28.87 Lakh is occurred in suspense register due to wrong carry forward of amount now the same has been rectified.

37	<p>Interest accrued but not due on loans ~ 54.65 crore Private Bond Interest accrued but not due: - ~ 14.88 crore.</p> <p>This represents provisions made in earlier years for accrued interest on bonds. The company made the payments as and when it was due and booked the entire payment as expenditure in the respective years and the provision made for ₹ 1488.25 lakh remained to be adjusted. This has resulted in overstatement of interest and finance charges, liabilities and understatement of profit by ₹ 14.88 crore.</p>	<p>This is to state that this is as per the opening balances of Transfer Scheme received from erstwhile MSEB. The said amount appears in the a/c code 46.746 (private bonds int. accrued but not due)- ₹ 14.88 crore. This will be cleared at the time of finalization of Transfer Scheme.</p>
38	<p>Interest accrued but not due on Indian Currency loan – IL & FS, Mumbai:- ~ 0.42 crore.</p> <p>This represents liabilities created for payment of interest to IL & FS Mumbai for loan raised in 1996 for erection of Nagothane - Wadkal 400 KV transmission line. The company had discharged the entire liabilities of the loan including interest and therefore this liability was required to be withdrawn.</p> <p>This has resulted in overstatement of liability and understatement profit by ₹ 0.42 crore</p> <p>Staff related liabilities and provisions:- ~ 93.25 crore.</p> <p>Provision for short fall in Plan Assets: - ~ 7.92 crore.</p>	<p>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 presently allocated to MSETCL is continued be shown as such.</p>

39	<p>The company has provided on amount of ₹ 7.92 crore for short fall in plan assets of CPF trust based on the valuation report of consultant appointed for the purpose. A scrutiny of the valuation report revealed that working in the valuation report is incorrect since the interest accrued and not due. ₹ 303.52 crore on investment as on 31st March, 2010 was not considered in the total value of assets available. As a result the valuation of assets was lower by ₹ 303.52 crore which necessitated the maintenance of provision of ₹ 7.92 crore. This has resulted in over statement of expenses, liability and understatement of profit by ₹ 7.92 crore</p>	<p>It is to state that as per AS-15 (Employee Benefits), the provision for shortfall in plan assets was done as per the valuation report given by M/s Contractor, Nayak and kishnadwala. MSETCL is consistently making this provision as per the valuation report in order to comply with the requirements of AS-15 (Employee Benefits).</p>
40	<p>Other Liabilities and Provisions: ` 6.54 crore</p> <p>This does not include liabilities of ₹ 59.20 Lakh pertaining to 2009-10 which resulted in understatement of liabilities by ₹ 59.20 Lakhs and correspondingly understatement of Fixed Assets, Capital WIP and Administrative Expenses to the extent of ₹ 5.78 Lakh, ₹ 48.76 Lakh and ₹ 4.66 Lakh respectively.</p>	<p>The said provision for liability was made in FY 2010-11.</p>
41	<p>This does not include ₹ 80.35 lakh being the cost of material received during 29.03.2010 to 31.03.2010 at Osmanabad store. Non-accounting of material received before 31.03.2010 resulted in understatement current liabilities and stock to that extent.</p>	<p>The same has been accounted in FY 2010-11.</p>
42	<p>This does not include ₹ 3.46 lakh being the transportation charges paid to M/s. M</p>	<p>The bill amounting to ₹ 3.46 Lakh towards transportation charges in r/o M/s M.Farhat</p>

	Farhat Abbas in May 2010 for transportation of power transformers in May 2009. Non-accounting of transportation charges resulted in understatement of other liabilities and fixed assets to that extent.	Abbas was forwarded by Aurangabad Division to Circle office for payment. Liability for above payment was to be provided by the said division but the bill was sent back to the subdivision for certain clarification. The bill is resubmitted by Sub-Division after compliance on 20.04.10 to Aurangabad Division and Aurangabad Division resubmitted the same to Circle office on 22.04.2010. Since the bill was pending for compliance, inadvertently outstanding liability was not provided for the said bill.
43	This does not include ₹ 6.68 lakh being the outstanding liability towards expenses for the year 2009-10. Non-provision for outstanding liability resulted in understatement of current liabilities, expenditure and deficit by ₹ 6.68 lakh.	The provision of ₹ 6.68 Lakh remains to be made. Now the same has been accounted in FY 2010-11 vide JV No.44 dtd. 31.10.2010.
44	<p>Provisions (Sch. 10): ~ 484.98 crore Provision for leave encashment: ~ 179.17 crore.</p> <p>This does not include ₹ 7.02 lakh being the leave encashment due/paid to employees in 2009-10 but paid in 2010-11. Non-provision resulted in understatement of other current liabilities, expenditure and overstatement of surplus by ₹ 7.02 lakh</p>	<p>The provision for leave encashment was remained to be made. The provision of ₹ 1.52 lakhs has been accounted in FY 2010-11 vide JV No. 22 dtd. 30.10.2010 by Kolhapur Cosnt Circle.</p> <p>The provision for leave encashment was remained to be made. The provision of ₹ 5.50 lakhs has been accounted in FY 2010-11by Karad O&M Circle</p>

	<p>COMMENTS ON DISCLOSURE Notes to accounts Liability towards Income Tax for the assessment year 2007-08</p>	
45	<p>The Income Tax department vide latter dated 16 September 2010 demanded additional amount of Income Tax of ₹ 7.42 crore for assessment year 2007-08. The Company has neither provided for the same nor disclosed it in the accounts</p>	<p>The Income Tax demand Notice for AY2007-08 of ₹7.42 Crore., from the Income Tax Department was received by MSETCL on 14 th October 2010 i.e. after the finalisation of the accounts of MSETCL, i.e. 23rd September 2010. Hence the same was neither provided nor disclosed.</p>
46	<p>Contingent Liability</p> <p>The Micro and Small Enterprises Facilitation Council (MSEFC) passed the order dated 28 January 2010 directing MSETCL to pay interest of ₹ 1.46 crore and ₹ 54.82 lakh for the delay in payments made to Minerva Switchgears & Controls, Nagpur and Sigma Transformers Pvt. Limited, Nagpur respectively in respect of purchases made from them. Though the Company is in the process of filing appeal by depositing 75 per cent of the award, neither provision has been made nor the fact has been disclosed in the accounts.</p>	<p>As per directives of the Court ,amount has been deposited in the Nagpur District Court.The matter is under process in the Court and not yet finalised.</p>

Issued and signed on behalf of
The Comptroller and Auditor General of India
Sd/-
S. Jafa
Accountant General
(Commercial Audit)

For Maharashtra State Electricity
Transmission Company Limited

Sd/-
Arvind Singh
Chairman & Managing Director
Mumbai

Place : Mumbai
Date : 30/12/2010

Place : Mumbai
Date : 30/12/2010

AUDITOR'S 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 2010, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2 We conducted our audit in accordance with 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 Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, 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 ₹ 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 show 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.
- 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 03-09-2010 shall be forwarded separately.
- 7 Further to our observations referred to in paragraph 4 and 5 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 book;
- 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), 5 and 6 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, 2010;

(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.

as per our report attached
For Shah & Taparia
Chartered Accountants
(Registration No. 109463W)

Rakesh Joshi
Partner
Membership No. : 102880

Place : Mumbai
Date : 23/09/10

**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 2010**

ANNEXURE-1

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 for 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 2010 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, Company has neither granted nor taken any loans, secured or unsecured to / from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.

4	In our opinion and according to the information and explanations given to us, internal control procedures needs to be strengthened in respect of accounting of purchase of fixed assets and materials & Inter Unit Transactions 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 58A 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 the 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, IEPF, Sales Tax, Wealth Tax, Service Tax, Custom duty, Excise duty, Cess with the appropriate authorities except Tax Deduction at Source amounting to ₹ 25,41,003.00 and works Contract Tax amounting to ₹ 7,64,415.00

9(b)	The disputed Statutory dues aggregating ₹ 701.44 crores, that have not been deposited on account of disputed matters pending before appropriate authorities are as under :				
Sr. No	Name of the State	Nature of dues	Amount (₹ in Crores)	Period to which the amount relates	Forum where dispute is pending
1	Employees States Insurance Act, 1948.	Employees State Insurance	0.22	Various yrs. from F.Y.(68-96)	Employee State Insurance Court, Pune
2	Income Tax Act, 1961.	Income Tax	44.16	A.Y.(08-09)	Rectification appeal u/s 154 before Dy. CIT
3*	Central Board of Excise and Customs	Service Tax	657.06	Various yrs. from F.Y. (05-06) to F.Y.(09-10)	Commissioner of Service Tax Mumbai
TOTAL			₹ 701.44		
* However, as per Notification no. 45/2010-ST dated 22/07/2010, service tax is not payable on services relating to transmission of electricity, but still the commissioner has not passed the order to that effect.					
10	The Company does not have accumulated losses as at 31st March, 2010 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 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 give 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 31st March, 2010.
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.

as per our report attached

For Shah & Taparia

Chartered Accountants

(Registration No. 109463W)

Rakesh Joshi

Partner

Membership No. : 102880

Place : Mumbai

Date : 23/09/10

MAHARASHTRA STATE ELECTRICITY TRANSMISSION COMPANY LIMITED
BALANCE SHEET AS AT 31st MARCH, 2010

	Sch. No.	2009-10	2008-09
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	3855534321	1405399635
(2) Loan Funds :			
(a) Secured loans	3	38552516089	28054258183
(b) Unsecured loans	4	1111163573	41163573
(3) Deferred tax liabilities (net) (Refer Note 3 (j))		7170460580	6580246925
Total		77650095018	63041488770
II. Application of Funds			
(4) (a) Fixed assets			
Gross Block	5	115696540964	104454840353
Less : Depreciation		58693699901	56140163333
Net Block		57002841063	48314677020
(b) Capital work-in progress	6	30951421574	18558898447
(c) Assets not in use		127901038	50587273
(5) Investments	7	152176800	152176700
(6) Current Assets, Loans and Advances	8		
(a) Inventories		1989991709	2319307305
(b) Sundry debtors		1338985823	1693590415
(c) Cash and bank balances		3590778708	5176878034
(d) Loans and advances		6896010636	8421085826
(7) Less : Current Liabilities and Provisions	(A)	13815766876	17610861580
(a) Liabilities	9	19550234755	16668928240
(b) Provisions	10	4849777578	4976784010
(8) Net Current Assets (A) - (B)	(B)	24400012333	21645712250
		(10584245457)	(4034850670)
(9) Miscellaneous Expenditure (to the extent not written off / adjusted)	11	--	--
Total		77650095018	63041488770
(10) Notes to accounts	20		

as per our report attached
For Shah & Taparia
Chartered Accountants
(Registration No. 109463W)
Rakesh Joshi
Partner
Membership No. : 102880
Place : Mumbai
Date : 23/09/10

For Maharashtra State Electricity Transmission Company Limited

Sd/-
D. D. WAVHAL
Director (Finance) (In Charge)

Sd/-
ARVIND SINGH
Chairman & Managing Director

Sd/-
U. G. ZALTE
Director (Operations)

Sd/-
Dr. JYOTI ARORA
Company Secretary

MAHARASHTRA STATE ELECTRICITY TRANSMISSION COMPANY LIMITED
PROFIT & LOSS ACCOUNT FOR THE YEAR 31st MARCH, 2010

	Sch. No.	2009-10	2008-09
INCOME			
(1) Revenue from operations	12	15997315638	18699459345
(2) Other Income	13	1083674559	673683797
		17080990197	19373143142
EXPENDITURE			
(3) Operating expenses	14	3043315213	3935332544
(4) Employee costs	15	3939735960	6035824401
(5) Administration Expenses	16	1034432455	1432239011
(6) Depreciation and Other Amortisation	17	2996154777	3217488918
(7) Interest and finance charges	18	2099865230	2561450641
		13113503635	17182335515
Net Profit Before Tax		3967486562	2190807627
(8) Less : Provision for Taxation			
(a) For Current Tax		640000000	1300000000
(b) For Deferred Tax		590213655	(523558471)
(c) For Fringe Benefit Tax		--	13700000
Net Profit After Tax		2737272907	1400666099
(9) Short provision for earlier year's tax			(8225668)
(10) Prior Period Charges (Net)	19	(287138221)	(17305125)
Profit for the year		2450134686	1375135306
(11) Add : Balance brought forward from previous years		93899635	6146469725
(12) Less : Contribution to Special reserve		135200000	93700000
(13) Less : Contribution to Contingency reserve		245400000	230200000
(14) Less : Transferred to Deferred Tax Liabilities (net)		--	7103805396
Balance carried to balance sheet		2163434321	93899635
Earnings Per Share (in Rs.) (Refer note 6 (e))			
(16) Basic Earnings Per Share		49003	27503
(17) Diluted Earnings Per Share		0.91	0.51
(18) Notes to accounts	20		

as per our report attached

For Shah & Taparia

Chartered Accountants
(Registration No. 109463W)

Rakesh Joshi

Partner

Membership No. : 102880

Place : Mumbai

Date : 23/09/10

For Maharashtra State Electricity Transmission Company Limited

Sd/-

D. D. WAVHAL

Director (Finance) (In Charge)

Sd/-

U. G. ZALTE

Director (Operations)

Sd/-

ARVIND SINGH

Chairman & Managing Director

Sd/-

Dr. JYOTI ARORA

Company Secretary

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

Sch. No.		2009-10	2008-09
1	Share Capital		
	Authorised 50,000 Equity shares of ₹ 10 each (Previous Year 50,000 Equity Shares)	500000	500000
	Issued, Subscribed and Paid up 50,000 Equity shares of ₹ 10 each fully paid-up (Previous Year 50,000 Equity Shares) (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	Reserves and Surplus		
	(1) Contingency Reserve Fund		
	Opening Balance	1110100000	879900000
	Add : Addition during the year (Refer Note 4(b))	248100000	230200000
	Less : Excess provided in FY 2008-09 withdrawn (Refer Note 4(b))	(2700000)	---
		1355500000	1110100000
	(2) Special Reserve Fund		
	Opening Balance	201400000	107700000
	Add : Addition during the year (Refer Note 4(b))	135200000	93700000
		336600000	201400000
	(3) Balance of Profit and Loss Account	2163434321	93899635
	Add : Addition During the year		
	Total	3855534321	1405399635
3	Secured Loans (Refer Note 4(c))		
	(1) Open Market Bonds (OMB) (Amount repayable within one year ₹ 93.11 Crore, Previous Year ₹ 113.49 Crore)	1955300000	3090200000
	(2) Life Insurance Corporation of India (LIC) (Amount repayable within one year ₹ 24.70 Crore, Previous Year ₹ 28.78 Crore)	1006099997	1293873072
	(3) Rural Electrification Corporation Limited (REC) (Amount repayable within one year ₹ 84.41 Crore, Previous Year ₹ 63.39 Crore)	22690188604	15218701378
	(4) Power Finance Corporation Limited (PFC) (Amount repayable within one year ₹ 196.28 Crore, Previous Year ₹ 167.75 Crore)	9500393690	8451483733
	(5) Loan from Japan Int Coop Agency (JICA) (Amount repayable within one year ₹ Nil)	3400533798	--
	Total	38552516089	28054258183
4	Unsecured Loans		
	Loans from Commercial Banks (Bank of Maharashtra) for electrification schemes (Amount repayable within one year ₹ 107.00 crs)	1070000000	
	Loan from a KEC International (Amount repayable within one year ₹ (Nil))	41163573	41163573
	Total	1111163573	41163573

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

Schedule 5: Fixed assets

Assets	Gross Block (At cost)			Depreciation / Amortisation			Net Block		
	As at 01-04-2009	Additions	Deductions/ Adjustments	As at 31-03-2010	As at 01-04-2009	Depreciation for the period	Deductions/ Adjustments	As at 31-03-2010	As at 31-03-2009
Tangible Assets									
Land	759827230	182414902	(990633)	941251499	---	---	---	941251499	759827230
Leasehold Land including developed	467458002	79237339	4310142	551005483	61752155	5662420	(1059227)	66355348	484650135
Buildings	2874338360	47067322	---	2921405682	1427029429	100523605	(865914)	1526687120	1447308931
Hydraulic Works	233422489	2002564	401663	235826716	78992220	6653316	(407595)	85237941	154430269
Other Civil Works									
Railway Sidings	27162665	1036136	---	28198801	7204818	507581	(505101)	7207298	19957847
Roads and Others	3040416096	297276351	(2591420)	3335101027	827886181	58528872	4457064	890872117	2212529915
Plant, Machinery & Equipments	56721512070	9622672474	(576050195)	65768134349	33242691874	1879497724	(494854900)	34627334698	23478820196
Lines & Cable Networks	39934588307	1874077840	(342766385)	41465899762	20213939956	951386325	45328893	21210655174	19720648351
Vehicles	141723037	272112	(1195359)	140799790	127648174	308376	(2121139)	125835411	140748663
Furniture & Fixtures	105642889	18816343	312860	124772092	83924040	3564976	(2661260)	84827756	39944336
Office Equipments (Including computers)	104158874	42456567	(707172)	145908269	56336330	5097843	(425650)	61008523	84899746
Capital Expenditure resulting in Assets not belonging to the Company	38237494	---	---	38237494	6405316	2559505	(1286306)	7678515	30558979
Intangible Assets									
Software Development Expenses	6352840	---	---	---	6352840	---	---	---	---
Total	104454840353	12167329950	(919276499)	115696540964	56140163333	3014290543	(454401135)	58693699901	48314677020
Previous Year	98859158872	9620008814	4024327333	104454840353	53180834598	3217488918	258160183	48314677020	45678324274

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

Sch. No.		2009-10	2008-09
6	<u>Capital work-in progress</u>		
	Capital work-in-progress	29019349643	17864538515
	Contracts-in-progress	42426813	85868963
	Provision for Completed Works	230140869	89007682
	Advances to Contractors-Interest free	481815394	88360284
	Advances to Suppliers-Interest free	1131017822	291881853
	Contractors Material Control Account	298626	608176
	Stock of Materials at Construction Stores	45735543	128851456
	Materials at Site Capital	636864	10091068
	Total	30951421574	18558898447
7	<u>Investments (Unquoted, at Cost)</u>		
	Investment - Long Term		
	Jaigad Power Transco Ltd (Joint Venture) (1,52,17,670 Equity Shares of ₹ 10 each, Previous Year 1,52,17,670 Equity Shares of ₹ 10 each)	152176800	152176700
	Total	152176800	152176700
8	<u>Current Assets, Loans & Advances</u>		
	<u>Current Assets</u>		
	(a) Inventories (At cost) (As certified by the management)		
	Stores & Spares	2010798563	2333945284
	Provision for unservicable and obsolescence loss	(20806854)	(14637979)
	Total	1989991709	2319307305
	(b) Sundry debtors (Unsecured, considered good)		
	- Debts outstanding for more than six months (Refer Note No.4)	111184896	96359062
	- Other debts	1227800927	1597231353
	Total	1338985823	1693590415
	(c) Cash and Bank balances		
	(1) Cash and Stamps on hand	2301264	2543010
	(2) Cheques in hand		3351800000
	(3) Bank balances with Scheduled Banks		
	(a) Current Account	1934349809	652535024
	(b) Fixed Deposit with Banks	1654127635	1170000000
	Total	3590778708	5176878034

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

Sch. No.		2009-10	2008-09
	(d) Loans and Advances (Unsecured, considered good unless otherwise specified)		
	(1) Inter corporate deposits (Refer Note 4(d))	1036905178	6213989346
	(2) Advances for O & M supplies / works	3175685102	990473443
	(3) Deposits	78605880	43343009
	(4) Prepaid expenses	101348096	189136150
	(5) Interest accrued but not due	66061608	79759813
	(6) Claims receivable and other current assets	142383161	140525455
	(7) Securities from suppliers /contractors (Deposits in the form of Fixed Deposits etc.)	130236240	80366543
	(8) Taxes paid in advance (Net of Provisions)	1952866100	476935344
	(9) Other loans and advances	211919271	206556723
	Total	6896010636	8421085826
9	Current Liabilities		
	(1) Sundry Creditors		
	For Capital Expenditure		
	Due to Micro, Small and Medium Enterprises (Refer Note 5(j))		
	Due to Others	4080459514	3014624529
	For other than capital Expenditure		
	Due to Micro, Small and Medium Enterprises (Refer Note 5(j))		
	Due to Others	5526047752	4624917538
	(2) Payable to companies under same management	2452434926	2058689663
	(3) Consumer Contribution	4844290920	3122525939
	(4) Government Grant (Refer Note 2(d))	1102572417	1758193904
	(5) Interest accrued but not due on loans	546538915	538909056
	(6) Staff related liabilities and provisions	932486552	1501549715
	(7) Other liabilities and provisions	65403759	49517896
	Total	19550234755	16668928240
10	Provisions		
	Provision for Gratuity	3058048389	3143476846
	Provision for Leave Encashment	1791729189	1833307164
	Total	4849777578	4976784010
11	Miscellaneous Expenditure to the extent not written off / adjusted (To the extent not written off / adjusted)		
	Loss to Fixed Assets pending Investigation	---	---
	Other Deferred Revenue Expenditure	---	---
	Expenditure on Survey/feasibility studies of projects not yet sanctioned.	---	---
	Total	---	---

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

Sch. No.		2009-10	2008-09
12	<u>Revenue from Operations</u>		
	Transmission charges recoveries	15562429044	18143284910
	Transmission charges recoveries (Goa)	88955004	88955004
	Open Access Charges	237140590	287646231
	SLDC Charges	101780000	149810000
	Rescheduling Charges	7011000	---
	Supervision Charges	---	29763200
		15997315638	18699459345
13	<u>Other Income</u>		
	Interest income (TDS Rs. 1,98,48,015 Previous Year Rs. 51531669)	154334005	207916681
	Rent	16336722	3839768
	Profit on sale of fixed assets (Scrap)	55614380	25233071
	Sale of tender forms	33588838	36443609
	Other Miscellaneous receipts	679730211	340083600
	Exchange Rate Variation (Net)	97272646	--
	Excess provisions written back	20089678	60167068
	Interest on refund of IT adjusted	26708079	
		1083674559	673683797
14	<u>Operating Expenses</u>		
	<u>Repairs and Maintenance</u>		
	Plant & machinery	2443036131	3387685928
	Building	98914286	195906687
	Others	506163902	336539655
		3048114319	3920132270
	Less : Repairs and maintenance expenses capitalised (Refer note 2 (c) (iii))	4799106	(15200274)
		3043315213	3935332544
15	<u>Employee costs</u>		
	Salaries, allowances, Bonus etc.	3686729762	3477829731
	Staff welfare expenses	27638020	23816067
	Other staff costs	95086864	173663663
	Leave encashment	123062234	655576469
	Gratuity	282280560	1248609309

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

Sch. No.		2009-10	2008-09
		₹	₹
	Contribution to Provident & Other Funds	371278637	354244731
	Shortfall/(Excess) in Plan Assets	(128600000)	(18900000)
	Provision for interest shortfall on PF liability	55408761	71779082
		4512884838	5986619052
	Less: Employees cost capitalised (Refer note 2(c)(iii))	573148878	(49205349)
		3939735960	6035824401
16	<u>Administration and Other Expenses</u>		
	Water charges	40212998	35873807
	Rent	124747919	100308136
	Rates & Taxes	144113334	129073547
	Insurance charges	9067543	8930399
	Legal and professional charges	50248768	39618339
	Statutory Auditors Remuneration (Refer Note 5(d))	1323600	1158150
	Other administrative expenses	730888359	566479057
	Intangible Assets written-off	--	6328198
	Write-off of Deferred Revenue Expenditure	--	6123880
	Miscellaneous losses and write off	8595504	16311486
		1109198025	910204999
	Less : Administration and HOS expenses capitalised (Refer note 2 (c) (iii) & 2 (q))	74765570	(522034012)
		1034432455	1432239011
17	<u>Depreciation and Other Amortisation</u>		
	Depreciation / Amortisation	2997759500	3218619215
	Small & Low Value items written off	399853	--
	Less : Depreciation capitalised (Refer note 2 (c) (iii))	2004576	1130297
		2996154777	3217488918
18	<u>Interest and Finance Charges</u>		
	<u>Interest on fixed loans</u>		
	Open Market Bonds	270411633	387226679
	Rural Electrification Corporation Limited	2088361642	1438902627
	Life Insurance Corporation of India	129843825	158036979
	Power Finance Corporaton Limited	1054377004	930416844
	Foreign Currency Loans from Banks	48359	---
		3543042463	2914583129
	Interest on loan from Japan International Co-op. Agency	4562751	---

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

Sch. No.		2009-10	2008-09
	Interest on other loans (Short term Loan)	52033778	323836
	Interest on Borrowing for Working Capital	2088896	
	<u>Finance Charges</u>		
	Guarantee charges	135091591	179556367
	Bank Charges	2884096	2218122
	Loan processing charges	31871436	3672970
		3771575011	3100354424
	Less : Interest and Finance Charges Capitalised (Refer Note 2 (e))	1671709781	538903783
		2099865230	2561450641
19	<u>Prior period Items (Net)</u>		
	<u>Incomes</u>		
	Supervision charges	4605000	170127503
	Interest Income from prior period	2012091	
	Other Income	40569541	61277254
	Excess Provision for Prior Periods	426124603	
		473311235	231404757
	<u>Expenses</u>		
	Operating expenses	173457300	52032894
	Employee costs	46231642	8651213
	Administration and other expenses	47555829	93258753
	Materials related expenses relating to prev. year	110753049	
	Depreciation (Net)	353751636	94763861
	Interest and other finance charges	28700000	3161
	Short Provision for Income-Tax in previous years	---	---
		760449456	248709882
		(287138221)	(17305125)

MAHARASHTRA STATE ELECTRICITY TRANSMISSION COMPANY LIMITED
CASH FLOW FOR THE YEAR ENDED 31ST MARCH, 2010

Particulars	2009-10		2008-09	
	Amount `		Amount `	
Net Profit before tax after prior period items		3680348341		2165276834
Add/(Less) : Adjustments				
Depreciation	2996154777		3217488918	
Deferred Revenue Expenditure / Intangible asset written off	0		18380724	
Interest and finance charges	3771575011		3100354424	
Increase in Current Assets	2773956200		-1749001282	
Increase in Current Liabilities	2754300083		8085460316	
	12295986071		12672683100	
Income Tax Paid	-1204960821	11091025250	-2220973435	10451709665
Cash Flow from Operating Activities		14771373591		12616986499
Cash flow from Investing Activities				
Increase in Capital Expenditure (including Interest capitalisation of ₹ 1,67,17,09,781 (Previous year ₹ 53,89,03,783)	-24154155712		-12664153564	
Increase in Investment	-100		-152176700	
		-24154155812		-12816330264
Cash flow from Financing Activities				
Loans	11568257906		3226340338	
Interest and finance charges	-3771575011		-3100354424	
		7796682895		125985914
Net increase/(Decrease in cash flow)		-1586099326		-73357851
Opening Cash and Cash equivalents		5176878034		5250235885
Closing Cash and Cash equivalents		3590778708		5176878034

Note

Cash and Cash equivalents include		2009-10 (₹)		2008-09 (₹)
(1) Cash and Stamps on hand		2301264		2543010
(2) Cheque in hand		0		3351800000
(3) Bank balances				
(a) with Scheduled banks		1934349809		652535024
(b) Fixed Deposit with Banks		1654127635		1170000000
Total		3590778708		5176878034

as per our report attached

For Shah & Taparia
Chartered Accountants
(Registration No. 109463W)
Rakesh Joshi
Partner
Membership No. : 102880
Place : Mumbai
Date : 23/09/10

For Maharashtra State Electricity Transmission Company Limited

Sd/-
D. D. WAVHAL
Director (Finance) (In Charge)

Sd/-
U. G. ZALTE
Director (Operations)

Sd/-
ARVIND SINGH
Chairman & Managing Director

Sd/-
Dr. JYOTI ARORA
Company Secretary

MAHARASHTRA STATE ELECTRICITY TRANSMISSION COMPANY LIMITED

Schedules forming part of accounts for year ended 31st March, 2010

SCHEDULE 20 - NOTES TO ACCOUNTS

1	Background :
	<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 ₹ 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>
2	Statement of Significant Accounting Policies :
2a)	<p><u>Basis of preparation of financial statements :</u></p> <p>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 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>

2b)	Use of Estimates
	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.
2c)	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 general assets which are used in construction division 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 ₹ 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 replacement of major component or efficiency equivalent to that of the existing asset; b) The cost of the replaced asset is removed from the Gross block along with its accumulated depreciation on the estimated cost basis.
2d)	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.
2e)	Borrowing Costs :
	Borrowing costs (excluding other ancillary cost) 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. Borrowing costs which are for other than qualifying capital asset are recognized as expenses in the period in which they are incurred.
2f)	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.

2g)	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 Maharashtra Electricity Regulatory Commission (Terms & Conditions of Tariff) Regulations, 2005.</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" data-bbox="226 1010 1445 1464"> <thead> <tr> <th data-bbox="226 1010 927 1077">Particulars</th> <th data-bbox="927 1010 1445 1077">Rate</th> </tr> </thead> <tbody> <tr> <td data-bbox="226 1077 927 1144">Hydraulic Works</td> <td data-bbox="927 1077 1445 1144">1.80% to 03.60%</td> </tr> <tr> <td data-bbox="226 1144 927 1211">Buildings & Other Civil Works</td> <td data-bbox="927 1144 1445 1211">1.80% to 18.00%</td> </tr> <tr> <td data-bbox="226 1211 927 1279">Plant & Machinery</td> <td data-bbox="927 1211 1445 1279">2.57% to 18.00%</td> </tr> <tr> <td data-bbox="226 1279 927 1346">Transmission lines, Cable Network etc.</td> <td data-bbox="927 1279 1445 1346">1.80% to 06.00%</td> </tr> <tr> <td data-bbox="226 1346 927 1413">Furniture, Fixtures and Office Equipments</td> <td data-bbox="927 1346 1445 1413">6.00%</td> </tr> <tr> <td data-bbox="226 1413 927 1464">Vehicles</td> <td data-bbox="927 1413 1445 1464">18.00%</td> </tr> </tbody> </table>	Particulars	Rate	Hydraulic Works	1.80% to 03.60%	Buildings & Other Civil Works	1.80% to 18.00%	Plant & Machinery	2.57% to 18.00%	Transmission lines, Cable Network etc.	1.80% to 06.00%	Furniture, Fixtures and Office Equipments	6.00%	Vehicles	18.00%
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Furniture, Fixtures and Office Equipments	6.00%														
Vehicles	18.00%														
2h)	Inventories :														
	<p>The Stock of materials, stores and spare parts are valued on cost. 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. The inventories are issued on First in First Out (FIFO) basis.</p> <p>Losses towards unserviceable and obsolete stores and spares are identified and written down based on technical evaluation.</p>														

2i)	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>
2j)	Investments :
	Long term investments are carried at cost, less provision for diminution other than temporary, if any, in the value of such investments.
2k)	Foreign Currency transactions :
	<p>A Foreign currency transaction is initially recognized in the reporting currency, by 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 recognized in 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>

21)	<u>Employee Benefits</u>
	<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 expenses) 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</p>

	<p>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> <p>(iii) Other long term Employee benefits :</p> <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>
2m)	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>
2n)	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>
2o)	<p>Prior Period Items :</p> <p>Adjustments arising due to errors or omissions in the financial statements of earlier years are accounted under the separate head 'Prior Period items'.</p>
2p)	<p>Provisions, Contingent Liabilities and Contingent Assets :</p> <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>
2q)	<p>Capitalization of Head Office Supervision Charges (HOS) :</p> <p>The expenses incurred at the Project and Planning department (P & P section) are capitalized in a scheme having maximum Investment Outlay.</p>
2r)	<p>Accounting for Grant received from Maharashtra Energy Development Agency (MEDA) :</p> <p>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.</p>
2s)	<p>Treatment of Outright Consumers Contribution :</p> <p>Outright Consumers Contribution received is being treated as follows :</p>

<p>1)</p> <p>2)</p> <p>3)</p> <p>2t)</p>	<p>If advance received towards expenditure still to be incurred on Fixed Assets same is treated as Current Liability.</p> <p>If received as Supervision charges the same is treated as Revenue Income.</p> <p>If it is capital receipt on account of creation of Fixed Assets the same is reduced from relevant fixed Assets.</p> <p>Identification, Survey and Feasibility expenses :</p>
<p>3</p>	<p>The Company has a 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.</p> <p><u>Change in Accounting Policy Pertaining to Depreciation :</u> 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> <p>In the financial year 2008-09, 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) pursuant to the tariff policy issued on January 6, 2006. The rates of depreciation notified by CERC were almost equal with the rates of depreciation notified by the Maharashtra Electricity Regulatory Commission (Terms & Conditions of Tariff) Regulations, 2005 except for Underground Cable including joint boxes and disconnected boxes wherein the depreciation as per MERC rates (3.60%) is different than CERC (2.57%).</p> <p>Now CERC vide its notification No. L7/145(160)/2008/CERC Dt. 19-01-2009, has modified its depreciation rates for FY 2009-10 onwards. This change in the rates of depreciation is mainly the result of discontinuance of the advance against Depreciation. The revised rates of depreciation are fixed considering the loan repayment period as 12 years for all normative loans and accordingly this repayment period of 12 years is linked to depreciation. For 12 years during which the loan capital would be refunded to the investors in the form of depreciation and thereafter the remaining depreciable value shall be spread over the balance useful life of fixed assets as per the said notification.</p> <p>However, since MERC has not yet changed its depreciation rates as per the CERC nor it has discontinued the advance against depreciation, MSETCL has now continued to follow the depreciation rates as per the MERC (which are earlier same as CERC) instead of following new rates of depreciation as specified by CERC from FY 2009-10 onwards till MERC revised its depreciation rates, in order to have consistency in the depreciation rates charged from FY</p>

2008-09 onwards from which year MSETCL has migrated its Accounts from ESAAR, 1985 to Companies Act, 1956 though it results in the change in the accounting policy pertaining to Depreciation.

The impact of above change on the profit for FY 2009-10 is as mentioned below

(₹ in crores)

Particulars	Depreciation as per MERC for FY 2009-10 (₹)	Depreciation as per CERC for FY 2009-10 (₹)	Decrease in Profit In FY 2009-10 (If CERC rate followed) (₹)
(A)	(B)	(C)	(D) = (C) - (B)
Depreciation	292.07	412.10	120.03

4 Additional Disclosures for Schedules :

4a Share Suspense Account :

The amount of ₹ 26,95,99,20,455 show 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. 103 of 2009 dated 10th September, 2010, the Company has appropriated, an amount of ₹ 24,81,00,000/- (Previous Year ₹ 23,02,00,000/-) towards Contingency Reserve and ₹ 13,52,00,000/- (Previous Year : ₹ NIL) towards Special Contingency Reserve. As per the same Order, the Company has also withdrawn the excess provision of contingency reserve of ₹ 27,00,000/- according to approved true up balance for FY 2008-09.

4c	<u>Secured Loans</u>			
	Loan secured by	Loan Agency		
		REC (₹)	PFC (₹)	LIC (₹)
				* OMB (₹)
	Guarantee from State Government	1,73,52,82,581	2,93,12,52,833	-
	Hypothecation against future assets	20,95,49,06,023	6,56,91,40,857	-
	Mortgage against existing assets	-	-	1,00,60,99,997
	Total	22,69,01,88,604	9,50,03,93,690	1,00,60,99,997
				1,95,53,00,000
	<u>Foreign Currency Loans</u>			
	Loan secured by			
		JICA (₹)	JICA (Yen)	
	Guarantee from Central Government	3,40,05,33,798	6,98,54,84,365	
	Total	3,40,05,33,798	6,98,54,84,365	
	* Details about Rate of Interest and Redemption schedule of Open Market Bonds is furnished below :			
	Particulars	Year of Redemption	Rate of Interest (Per Annum)	Outstanding Amount (₹)
	M.S.E.B. Bonds 2010 (III) 20 years	2010	11.50%	93,11,00,000
	M.S.E.B. Bonds 2011 20 years	2011	12.00%	1,02,42,00,000
	Total			1,95,53,00,000
4d	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.			
	Name of the Company	2009-10 (₹)	2008-09 (₹)	
	Maharashtra State Power Generation Co. Ltd.	22,47,74,797	22,21,91,231	
	Maharashtra State Electricity Distribution Co. Ltd.	1,92,85,03,256	2,19,35,93,666	
	MSEB Holding Company Limited	11,69,94,905	11,69,63,595	
	MSEB Residual Co (From Government of Maharashtra to MSEB Holding Company)	1,03,69,05,178	6,16,55,53,112	
	Total	33,06,88,81,173	8,698,301,604	

4e)	The Company had serviced 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 ₹ 616.55 crores as on 31st March, 2009, towards the same, the company has received ₹ 96.14 crores in April 2010. Further the company has also made payment of ₹ 33.29 crores in May 2010. The Company has approached Government of Maharashtra to release balance sum of ₹ 553.70 crores through supplementary budget provision in FY 2009-10. Out of which the Government of Maharashtra has released ₹ 450.00 crs in Feb 2010 and the matter is followed up with Government of Maharashtra for release of balance amount of ₹ 103.70 crs.
4f)	Sundry Debtors include ₹ 9,63,59,062 (Previous Year ₹ 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.
4g)	The intangible asset capitalized by the company included expenditure on software amounting to ₹ Nil (Previous Year ₹ 63,28,198/- Net of amortization). Since the project has been abandoned, the company has provided for unamortized amount during the previous year.
4h)	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 ₹ 36884/- (Previous Year ₹ 94,16,097/-) for the same.
4i)	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 ₹ 18,17,42,470/- (Net of Capitalisation of ₹ 3,26,77,514/-) as part of employee costs.
5	Disclosures as per Schedule VI :
5a)	Capital Commitments :
	Estimated amount of contracts remaining to be executed on capital account and not provided for is ₹ 2090.10 Crore (Net of Advances of ₹ 147.91 Crore) (Previous Year ₹ 553.89 crore).

<p>5b)</p>	<p>Contingent Liabilities : (In excess of ~ Ten Lakhs individually in value)</p> <p>1. The contract of construction of gantry equipment foundations and other works (Matter - I) and construction of WBM road, Gutter and other works (Matter-II) at 220 KV S/Stn, MIDC, Jalna was awarded to M/s. Balraje Construction, Geroi by erstwhile MSEB.</p> <p>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 ₹ 33,37,651/- (matter-I) and ₹ 11,96,801/- for (matter-II) to Contractor and interest @ 15% per annum thereon. 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.</p> <p>Meanwhile, on 18-01-2010, judgement was held in favour of Company at Principle District Court, Aurangabad. Accordingly, assessment of claims & interest charges over the claims delivered by the Hon. Principle District Judge, Aurangabad, were prepared & submitted to concerned pleader. The total amount due to M/s Balraje Constructions was ₹ 6,53,608/- (for matter I) & ₹ 2,63,468/- (for Matter II) And interest on total amount of award at 15% p.a. from the date of award till the date of payment.</p> <p>Further, appeal was filed by M/s. Balraje Constructions in the Bombay High Court Aurangabad Bench, challenging the decision of principle District Court, Aurangabad The liability which may be encumbered by MSETCL, will be ₹ 13,06,510/-</p> <p>2 132 KV Shahada-Taloda line erection work was given to M/s Mistry Construction Co., at cost of ₹ 9.25 Lakhs. But the contractor has not completed the work. Hence 63 Towers work was completed departmentally. The respondent has submitted the final bill for full completed work, which was not carried out by him and hence, his claim was refused.</p> <p>Thereafter, the contractor went to 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 ₹ 6,96,980/- to the contractor towards final bill after recovering ₹ 10,354/- from the petitioner which is due to MSETCL & ₹ 1,54,322/- against supply of water cost, risk. The MSEB had deposited ₹ 5,32,000/- in the court by deducting the abovementioned amount. After receipt of certified copy of the judgement, the MSEB appealed in Aurangabad High Court on 03-03-2002 against the decision of Hon Senior division Court Jalgaon.</p> <p>The case is still pending at High Court, Aurangabad. The contingent liability may amount to ~ 5.32 Lakhs. -</p>
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3.	<p>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. MSETCL for loss suffered by them. MSETCL has made claim of ₹ 57,73,465 with interest@ 18% per anum that amounts To ₹ 20,78,448/- till date. 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 counterclaimed ₹ 81,14,594/- from MSETCL. As requested by the H T Associates to take emergent steps for arbitration proceedings, MSETCL has asked consent from H T. Associates for appointing Mr. A. M. Kawale as sole Arbitrator.</p>
4.	<p>Devichand Pragaji Oswal, Pune has purchased Lot No. 1A in Auction held on 31-01-2007. As per terms and conditions amount of second instalment with VAT i.e. balance amount of ₹ 29,53,944/- and late payment charges. Due to failure to pay the amount, security deposit of ₹ 8,10,0000/- was forfeited by MSETCL and the action was communicated to Mr. Devichand Pragaji Oswal, Pune vide letter No. EE (St.)/MSA/BMT/Tech./Auction/2007/1912 through Regd. Post. on 13-07-2007. Against that Case filed by Mr. Devichand Pragaji Oswal, Pune in Consumer Court asking for permitting him to take delivery of the scrap by gas cutting & according to Auction held lot No. 2 dtd. 31/03/2007 or to return the security money deposited on 06/10/2007 and compensation of loss ₹ 1 Lakh. Notice is received by the Chief Engineer, MSETCL, Karad. Further proceeding has not yet started. The liability on Company may be ₹ 9,10,000/- (₹ 1 Lakhs as compensatin of loss, ₹ 8.10 Lakhs as repayment of security deposit.</p>
5	<p>Superintending Engineer, EHV Construction Circle, Aurangabad had accepted tender of M/s S K Sahni for construction of gantry, equipment foundation, control room building, G. I. Pipe line, water sump, providing metal spreading etc at 132/33 KV S/s, Sindewadi, Dist. Chandrapur. M/s S K Sahni has claimed ₹ 19,27,057/- from MSETCL on count of Loss of idling of camp labour, work done but not paid, price escalation, interest on claim etc.</p> <p>The last hearing was held on 09-07-2010, remained undecided and the dispute Sudhir Sahani v/s MSETCL No. 569/2009 is pending before civil court, Nagpur as and the liability of ₹ 29.27 Lakhs is contingent for payment.</p> <p>Mr. N. S. Suryawanshi & others have filed suit against MSETCL at District Court, Nasik Hon, District court Nasik, passed order against MSETCL, and ordered MSETCL to pay ₹ 145,58,422/- (145.58 Lakhs) as compensation for land acquisition.</p> <p>Against this, MSETCL has filed an appeal at High Court, Bombay. Hon High Court, Bombay has given stay on order passed by District court Nasik. Further the Hon. High Court has ordered MSETCL to deposit ₹ 80,38,922/- with the District Court Nasik. The amount was paid on</p>

5th June 2002 & 6th January 2003. Hon. High Court, on 31st January 2010, has ordered the appellant party to withdraw the amount from District Court, Nasik. On 30th March 2005 MSETCL has paid ₹ 71.73 Lakh as interest with Hon. High Court, Bombay as security deposit.

(Inspite of continuous follow up and request for hearings and deciding the case at earliest, the case is still pending in Hon. High Court, Bombay).

6. Civil Court Ahmednagar has held the case filed by Mr. Bahiru R. Gunjal (Late & their decedents and ordered MSETCL to pay ₹ 12,62,574/- to the appellant as additional compensation for land acquisition. The land was acquired for the purpose of erection of 220 KV S/station, Ahmednagar. Against the order, MSETCL has filed the appeal, at Aurangabad High Court. Hon. Aurangabad High Court has given stay to order of District Court and the final decision is pending.

The contingent liability in the case is ₹ 12,62,574/- (₹ 12.63 Lakhs).

7. Mr. Satish R. Vani & others has file civil suit No. L.A.R. 5361994 in the Civil Court, Sheogaon, claiming additional compensation for land acquired for erection of 132KS S/station at Sheogaon. The Civil Court Sheogaon has held the case against MESTCL and has ordered MSETCL to pay the additional Compensation ₹ 14,58,873.00/-, 30% solation ₹ 5,57,661.90/- and 12% component from the date of Section 4 notification (02.01.1992) till the date of award (03.11.1993) ₹ 3,38,462.13/- and 9% interest for the first year & 15% interest for the subsequent years from the date of possession till the date of payment of entire amount of additional compensation ₹ 32,82,464.25/- MSETCL is going to file the appeal against the case and the procedure for filing the appeal is under process.

The Contingent Liability in the case will be ₹ 57.69 Lakhs approximately.

8. M/s. Ganesh Engg. Company, Nagpur has filed a suit in Nagpur District Court, claiming dues of ₹ 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. Counter claim of ₹ 3,08,426/- was filed by erstwhile MSEB against above agency towards recovery of charges & 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 ₹ 80,95,925/- alongwith interest @6% from the date of filling of suit (27.04.1993) till the scheduled date of deposit (20.08.2009) which amounts of ₹ 73,23,606/-. The Counter claim was dismissed. However, on application of MSETCL, Hon. Court granted stay on decree after deposit of ₹ 1,60,73,434/- in the Court.

Futher against the order of District Court Nagpur, MSETCL has filed petition in High Court. And it has come on record of Ho. High Court, Nagpur Bench. The contingent liability in this case may amount to ₹ 1,60,85,410/-

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

The SGP issued notice to seal the 220 KV Malharpeth S/S. The matter was then referred to Block Development Officer (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.

There exist possibility that MSETCL would be required to pay GPT amounting ₹ 16,12,181/- No date of hearing is yet given by BDO, PATAN And case is still pending before BDO, Patan.

10. 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	Cir Code
132 KV Chopda S/s, Jalgaon	₹ 22.98 Lacs	780(454)
132 KV Raver S/s, Jalgaon	₹ 75.00 Lacs	780
400 KV Dhule S/s, Dhule	₹ 25.00 Lacs	780
220 KV Shahada S/s, Nandurbar	₹ 75.94 Lacs	780(454)
132 KV Mhasrul S/s	₹ 53.94 Lacs	780
132 KV Sangammer S/s	₹ 18.03 Lacs	780
132 KV Manmad S/s	₹ 24.00 Lacs	780
100 KV Nerul S/s	₹ 10.00 Lacs	465
132 KV S/s, Shahada, Nandurbar	₹ 10.25 Lacs	780 (454)

11. Income Tax department has issued an order u/s 154 of the Income Tax Act 1961 amounting to ₹ 38,85,41,005 for AY 2008-09. MSETCL has filed appeal against the above order with CIT(A) on 15-07-2010. The case is not yet decided.

5c) Managerial Remuneration :

Particulars	2009-10 (₹)	2008-09 (₹)
Salary & Allowance	58,69,046	41,46,741
Contribution to PF & Other Funds	3,99,674	6,70,384
Total	62,68,720	48,17,125

5d)	Remenueration to Statutory Auditors :															
<table border="1"> <thead> <tr> <th data-bbox="225 394 821 448">Particulars</th> <th data-bbox="821 394 1157 448">2009-10 (₹)</th> <th data-bbox="1157 394 1449 448">2008-09 (₹)</th> </tr> </thead> <tbody> <tr> <td data-bbox="225 448 821 501">For Audit</td> <td data-bbox="821 448 1157 501">8,00,000</td> <td data-bbox="1157 448 1449 501">8,00,000</td> </tr> <tr> <td data-bbox="225 501 821 555">Reimbursement of out of pocket expenses</td> <td data-bbox="821 501 1157 555">4,00,000</td> <td data-bbox="1157 501 1449 555">2,50,000</td> </tr> <tr> <td data-bbox="225 555 821 609">Service Tax</td> <td data-bbox="821 555 1157 609">1,23,600</td> <td data-bbox="1157 555 1449 609">1,08,150</td> </tr> <tr> <td data-bbox="225 609 821 645">Total</td> <td data-bbox="821 609 1157 645">13,23,600</td> <td data-bbox="1157 609 1449 645">11,58,150</td> </tr> </tbody> </table>		Particulars	2009-10 (₹)	2008-09 (₹)	For Audit	8,00,000	8,00,000	Reimbursement of out of pocket expenses	4,00,000	2,50,000	Service Tax	1,23,600	1,08,150	Total	13,23,600	11,58,150
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Service Tax	1,23,600	1,08,150														
Total	13,23,600	11,58,150														
5e)	Value of Imports on C.I.F. Basis :															
<table border="1"> <thead> <tr> <th data-bbox="225 786 821 840">Particulars</th> <th data-bbox="821 786 1157 840">2009-10 (₹)</th> <th data-bbox="1157 786 1449 840">2008-09 (₹)</th> </tr> </thead> <tbody> <tr> <td data-bbox="225 840 821 893">Components and Spare Parts</td> <td data-bbox="821 840 1157 893">Nil</td> <td data-bbox="1157 840 1449 893">Nil</td> </tr> <tr> <td data-bbox="225 893 821 936">Capital Goods</td> <td data-bbox="821 893 1157 936">Nil</td> <td data-bbox="1157 893 1449 936">Nil</td> </tr> </tbody> </table>		Particulars	2009-10 (₹)	2008-09 (₹)	Components and Spare Parts	Nil	Nil	Capital Goods	Nil	Nil						
Particulars	2009-10 (₹)	2008-09 (₹)														
Components and Spare Parts	Nil	Nil														
Capital Goods	Nil	Nil														
5f)	Expenditure / Earning in Foreign Currency on cash basis															
<table border="1"> <thead> <tr> <th data-bbox="225 1077 821 1131">Particulars</th> <th data-bbox="821 1077 1157 1131">2009-10 (₹)</th> <th data-bbox="1157 1077 1449 1131">2008-09 (₹)</th> </tr> </thead> <tbody> <tr> <td data-bbox="225 1131 821 1171">Interest on foreign currency Bank loan</td> <td data-bbox="821 1131 1157 1171">45,62,751</td> <td data-bbox="1157 1131 1449 1171">Nil</td> </tr> </tbody> </table>		Particulars	2009-10 (₹)	2008-09 (₹)	Interest on foreign currency Bank loan	45,62,751	Nil									
Particulars	2009-10 (₹)	2008-09 (₹)														
Interest on foreign currency Bank loan	45,62,751	Nil														
5g)	Amount remitted during the year in foreign currencies on account of Dividend : Rs. Nil (Previous year ₹ Nil)															
5h)	Particulars of income derived from Transmission of Electricity :															
<table border="1"> <thead> <tr> <th data-bbox="225 1435 821 1489">Particulars</th> <th data-bbox="821 1435 1157 1489">2009-10</th> <th data-bbox="1157 1435 1449 1489">2008-09</th> </tr> </thead> <tbody> <tr> <td data-bbox="225 1489 821 1574">Total Energy Transmitted (in Million Units) (Net)</td> <td data-bbox="821 1489 1157 1574">97,184.248</td> <td data-bbox="1157 1489 1449 1574">90,815.816</td> </tr> <tr> <td data-bbox="225 1574 821 1619">Income from operations (₹)</td> <td data-bbox="821 1574 1157 1619">15,99,73,15,638</td> <td data-bbox="1157 1574 1449 1619">18,69,94,59,345</td> </tr> </tbody> </table>		Particulars	2009-10	2008-09	Total Energy Transmitted (in Million Units) (Net)	97,184.248	90,815.816	Income from operations (₹)	15,99,73,15,638	18,69,94,59,345						
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Total Energy Transmitted (in Million Units) (Net)	97,184.248	90,815.816														
Income from operations (₹)	15,99,73,15,638	18,69,94,59,345														
5i)	Repairs and Maintenance to machinery includes stores and spares consumed.															
5j)	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															

5k)	<p>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.</p> <p>Since the Company 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.</p>
6	Disclosures required by Accounting Standards :
6a)	<p>Employee Benefits (As required by AS 15) :</p> <p>i) Short Term Employee Benefits :</p>
	<p>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 except ex-gratia payments which is accounted for as and when it is declared.</p> <p>ii) Post Employment Benefits :</p> <p>Defined Benefit Plan :</p> <p>(a) Provident Fund :</p> <p>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 Tust). Under the Scheme, the Company is required to contribute a specified percentage of salary to the retirement benefit schemes to fund the benefit.</p> <p>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 ₹ 5,54,08,761 as shortfall in interest payable on PF liability to beneficiaries as at</p>

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 ₹ 12.86 crores (P.Y. Deficit of ₹ 1.89 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 shares of assets and liabilities of the fund managed by the CPF Trust are as under :

(` in Crore)

	Particulars	For the year ended 31st March, 2010	For the year ended 31st March, 2009
1	Liability for subscriptions and interest payable to employees at the end of year	782.36	718.01
2	Fair Value of Plan Assets at the end of Year	774.44	697.23
	Net Liability	7.92	20.78

Description of Plan Assets :

	Particulars	For the year ended 31st March, 2010 (In %)	For the year ended 31st March, 2009 (In %)
1	Special Deposit Schemes	40.45	44.60
2	Bonds issued by public sector enterprises and Financial institutions	30.02	25.00
3	State Government Securities	16.44	16.90
4	Central Government Securities	11.46	11.45
5	Mutual Fund Units	00.57	0.62
6	Others	1.06	1.43

(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, 2010 and recognized in the financial statement in respect of Employee Benefit Schemes.</p> <p>Expenses recognized in the Profit and Loss Account :</p>					
	Particulars	For the year ended 31st March, 2010		For the year ended 31st March, 2009	
	Components of Employer Expenses	Gratuity	Leave Encashment	Gratuity	Leave Encashment
		Unfunded	Unfunded	Unfunded	Unfunded
1	Current Service Cost	121.64	6.97	8.13	4.07
2	Interest Cost	22.00	12.83	16.76	7.60
3	Actuarial Losses / (Gains)	(116.15)	(4.11)	99.96	120.01
	Total employee expense recognized in the statement of Profit and Loss Account	28.22	15.69	124.85	131.68

Reconciliation of Defined Benefit obligation

(₹ in crore)

	Particulars	For the year ended 31st March, 2010		For the year ended 31st March, 2009	
		Gratuity	Leave Encashment	Gratuity	Leave Encashment
		Unfunded	Unfunded	Unfunded	Unfunded
1	Present Value of Defined Benefit Obligation at the beginning of period.	305.80	179.17	213.34	130.17
2	Current Service Cost.	121.64	6.97	8.13	4.07
3	Interest Cost	22.00	12.83	16.76	7.60
4	Less : Benefits Paid	36.77	19.85	23.85	78.52
5	Actuarial Gains / (Losses)	116.15	4.11	(99.96)	(120.01)
	Present Value of Defined Benefit Obligation at the end of period.	305.80	179.17	314.34	183.33

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 :

	Particulars	For the year ended 31st March, 2010		For the year ended 31st March, 2009	
		Gratuity	Leave Encashment	Gratuity	Leave Encashment
		Unfunded	Unfunded	Unfunded	Unfunded
1	Increment Rate	5%	5%	5%	5%
2	Rate of Discounting	8%	8%	7%	7.75%
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

6b) 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 Sanjay Sethi	Managing Director (upto 21.08.2009)
Shri Arvind Singh	Managing Director (w.e.f. 21.08.2009)
Shri Anjan Roy	Director (Operations) (upto 31.07.2009)
Shri W R Aswar	Director (Projects)
Shri G S Limaye	Director (Operations) (01.09.2009 to 31.03.2010)
Shri P G Khandalkar	Director (Finance) (04.05.2007 to 07.05.2010)

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 (₹)	
	FY 2009-10	FY 2008-09
Payment towards Equity Share Capital	NIL	₹ 15,21,76,700/-
Towards Share application money	NIL	₹ 100/-
Terminal Bay Constructions expenses	NIL	₹ 11,60,00,000/-

(b) Balances at the year end :

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

iv) Remuneration paid to Directors, (Ref Note 4 (c))

Name of Related Party	2009-10 (₹)	2008-09 (₹)
Shri Subrat Ratho	NIL	4,12,214
Shri Sanjay Sethi	9,58,370	8,38,759
Shri Arvind Singh	17,04,389	NIL
Shri Anjan Roy	6,17,898	11,21,128
Shri W R Aswar	11,17,678	8,90,612
Shri G S Limaye	6,81,303	NIL
Shri P G Khandalkar	14,72,877	15,54,412
Total	65,52,515	48,17,125

6d) Disclosures regarding leases (AS 19) :

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

i) Opening Leases :

	Particulars	2009-10 (Rs.)	2008-09 (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	10,66,86,395	9,80,88,494
(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	19,46,226	9,80,88,494
	Later than one yar and not later than five years	15,93,951	27,34,250
	Later than five years	77,91,479	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 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 madatory.

6e)	Earnings Per Share (AS 20) :		
	Particulars	2009-10	2008-09
	Profit After Tax as per Accounts (For Basic and Diluted Earnings Per Share) -(A) (₹)	2,45,01,34,686	1,37,51,35,306
	Weighted Average number of shares outstanding during the year for Basic EPS (Nos.)-(B)	50,000	50,000
	Add : Effect of potential equity shares on issue of shares against share suspense account	2,69,59,92,045	2,69,59,92,045
	Weighted Average number of shares outstanding during the year for Diluted EPS (Nos.) - (C)	2,69,60,42,045	2,69,60,42,045
	Basic Earnings Per Share (₹) (A) / (B)	49,003	27,503
	Diluted Earnings Per Share (₹) (A) / (C)	0.91	0.51
6f)	Current Taxation:		
	The Company has made Provision of Income Tax for the current year for ₹ 64.00 crores.		
6g)	Deferred Taxation (AS 22):		
	The item-wise details of cumulative Deferred Tax Liability are as under		
			(Amount in ₹)
		Deferred Tax Assets / Liability as at 01-04-2009	Debit/Credit for the Current Year debited/credited to Profit and Loss Account
	a) Deferred tax Liabilities		Deferred Tax Asset / Liability as at 31-03-2010
	Fixed assets/Depreciation	8,409,356,900	593,496,548
	Total	8,409,356,900	593,496,548
	b) Deferred Tax Asset		
	i) Gratuity	1,068,467,780	(29,037,133)
	ii) Items covered u/s 43 B	760,642,196	
	iii) Leave Encashment		32,320,025
	Total	1,829,109,976	3,282,893
	Deferred Tax Liabilities / Asset (Net)	6,580,246,924	590,213,655
			7,170,460,580

6h)	Joint Venture Operations (AS 27) :		
	<p>Jaigad Power Transco Ltd (JPTL), a joint venture between the Company (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.</p> <p>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.</p> <p>During the FY 2008-09, the Company had paid ₹ 15,21,76,700 to acquire 1,52,17,670 Nos. of equity shares of JPTL.</p> <p>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.</p> <p>The above joint venture company is incorporated in India. The Company's share of assets and liabilities as on 31st March, 2010 and income and expenses based on audited financial statements for the year ended on that date are given below :</p>		
	Particulars	31-03-2010 (₹)	31-03-2009 (₹)
1.	Assets		
	Long Term Assets	1,04,27,04,946	54,84,48,124
	Current Assets	10,40,63,766	23,06,585
	Total	1,14,67,68,712	55,07,54,709
2.	Liabilities		
	Long Term Liabilities	56,68,00,000	Nil
	Current Liabilities and Provisions	39,03,82,744	36,11,68,740
	Total	95,71,82,744	36,11,68,740
3.	Contingent Liabilities	Nil	Nil
4.	Capital Commitments	26,65,00,000	69,21,98,000
5.	Income	Nil	Nil
6.	Expenses	Nil	Nil

6i)	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 and raised a demand of ₹ 657.06 crs. Now as per notification no 45/2010-ST dated July 20, 2010 No service tax is payable on 'Transmission of Electricity'. Hence the same has not been shown as contingent liability.
7b)	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.
7c)	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.
7d)	Previous year's figures have been regrouped wherever necessary for appropriate presentation of Financial Statements.

as per our report attached
For Shah & Taparia
Chartered Accountants
(Registration No. 109463W)
Rakesh Joshi
Partner
Membership No. : 102880
Place : Mumbai
Date : 23/09/10

For Maharashtra State Electricity Transmission Company Limited

Sd/-
D. D. WAVHAL
Director (Finance) (In Charge)

Sd/-
U. G. ZALTE
Director (Operations)

Sd/-
ARVIND SINGH
Chairman & Managing Director

Sd/-
Dr. JYOTI ARORA
Company Secretary

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

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

I. Registration Details

State Code

1	1
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Registration No.

U	40109	MH	2005	PLC	153646
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 Balance Sheet Date

3	1	0	3	1	0
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II. Capital raised during the year (Amount in ` Thousand)*

Public Issue <table border="1" style="display: inline-table;"><tr><td></td><td>N</td><td>A</td><td></td><td></td><td></td></tr></table>		N	A				Right issue <table border="1" style="display: inline-table;"><tr><td></td><td>N</td><td>A</td><td></td><td></td><td></td></tr></table>		N	A			
	N	A											
	N	A											
Bonus Issue <table border="1" style="display: inline-table;"><tr><td></td><td>N</td><td>A</td><td></td><td></td><td></td></tr></table>		N	A				Private Placement <table border="1" style="display: inline-table;"><tr><td></td><td>N</td><td>A</td><td></td><td></td><td></td></tr></table>		N	A			
	N	A											
	N	A											

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

Total Liabilities <table border="1" style="display: inline-table;"><tr><td>7</td><td>7</td><td>6</td><td>5</td><td>0</td><td>0</td><td>9</td><td>5</td></tr></table>	7	7	6	5	0	0	9	5	Total Assets <table border="1" style="display: inline-table;"><tr><td>7</td><td>7</td><td>6</td><td>5</td><td>0</td><td>0</td><td>9</td><td>5</td></tr></table>	7	7	6	5	0	0	9	5
7	7	6	5	0	0	9	5										
7	7	6	5	0	0	9	5										
Sources of funds																	
Paid up Capital <table border="1" style="display: inline-table;"><tr><td></td><td></td><td></td><td></td><td>5</td><td>0</td><td>0</td></tr></table>					5	0	0	Reserves & Surplus <table border="1" style="display: inline-table;"><tr><td>3</td><td>8</td><td>5</td><td>5</td><td>5</td><td>3</td><td>4</td></tr></table>	3	8	5	5	5	3	4		
				5	0	0											
3	8	5	5	5	3	4											
Secured Loans <table border="1" style="display: inline-table;"><tr><td>3</td><td>8</td><td>5</td><td>5</td><td>2</td><td>5</td><td>1</td><td>6</td></tr></table>	3	8	5	5	2	5	1	6	Unsecured Loans <table border="1" style="display: inline-table;"><tr><td>1</td><td>1</td><td>1</td><td>1</td><td>1</td><td>6</td><td>3</td></tr></table>	1	1	1	1	1	6	3	
3	8	5	5	2	5	1	6										
1	1	1	1	1	6	3											
Deferred Tax Liability <table border="1" style="display: inline-table;"><tr><td>7</td><td>1</td><td>7</td><td>0</td><td>4</td><td>6</td><td>0</td></tr></table>	7	1	7	0	4	6	0										
7	1	7	0	4	6	0											

Application of Funds

Net Fixed Assets <table border="1" style="display: inline-table;"><tr><td>5</td><td>7</td><td>0</td><td>0</td><td>2</td><td>8</td><td>4</td><td>1</td></tr></table>	5	7	0	0	2	8	4	1	Investments <table border="1" style="display: inline-table;"><tr><td></td><td></td><td>1</td><td>5</td><td>2</td><td>1</td><td>7</td><td>7</td></tr></table>			1	5	2	1	7	7	
5	7	0	0	2	8	4	1											
		1	5	2	1	7	7											
Net Current Assets <table border="1" style="display: inline-table;"><tr><td>(-)</td><td>1</td><td>0</td><td>5</td><td>3</td><td>7</td><td>8</td><td>7</td><td>3</td></tr></table>	(-)	1	0	5	3	7	8	7	3	Misc. Expenditure <table border="1" style="display: inline-table;"><tr><td></td><td></td><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table>						N	I	L
(-)	1	0	5	3	7	8	7	3										
					N	I	L											
Accumulated Losses <table border="1" style="display: inline-table;"><tr><td></td><td></td><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table>						N	I	L										
					N	I	L											

IV. Performance of Company (Amount in ` Thousand)

Turnover** <table border="1" style="display: inline-table;"><tr><td>1</td><td>7</td><td>0</td><td>8</td><td>0</td><td>9</td><td>9</td><td>0</td></tr></table>	1	7	0	8	0	9	9	0	Total Expenditure <table border="1" style="display: inline-table;"><tr><td>1</td><td>3</td><td>1</td><td>1</td><td>3</td><td>5</td><td>0</td><td>3</td></tr></table>	1	3	1	1	3	5	0	3		
1	7	0	8	0	9	9	0												
1	3	1	1	3	5	0	3												
**includes Other Income																			
+ - Profit / Loss Before Tax <table border="1" style="display: inline-table;"><tr><td><input checked="" type="checkbox"/></td><td></td></tr></table> <table border="1" style="display: inline-table;"><tr><td>3</td><td>9</td><td>6</td><td>7</td><td>4</td><td>8</td><td>6</td></tr></table>	<input checked="" type="checkbox"/>		3	9	6	7	4	8	6	+ - Profit / Loss After Tax <table border="1" style="display: inline-table;"><tr><td><input checked="" type="checkbox"/></td><td></td></tr></table> <table border="1" style="display: inline-table;"><tr><td>2</td><td>4</td><td>5</td><td>0</td><td>1</td><td>3</td><td>4</td></tr></table>	<input checked="" type="checkbox"/>		2	4	5	0	1	3	4
<input checked="" type="checkbox"/>																			
3	9	6	7	4	8	6													
<input checked="" type="checkbox"/>																			
2	4	5	0	1	3	4													

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

Earning Per Share in Rs. <table border="1" style="display: inline-table;"><tr><td></td><td>4</td><td>9</td><td>0</td><td>0</td><td>3</td></tr></table>		4	9	0	0	3	Dividend Rate % <table border="1" style="display: inline-table;"><tr><td></td><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table>					N	I	L
	4	9	0	0	3									
				N	I	L								

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	L I N E S								

For Maharashtra State Electricity Transmission Company Limited

Sd/-
Dr. JYOTI ARORA
Company Secretary

Sd/-
U. G. ZALTE
Director (Operations)

Sd/-
D. D. WAVHAL
Director (Finance)
(In Charge)

Sd/-
ARVIND SINGH
Chairman & Managing Director