

## **CHAIRMAN'S STATEMENT**

**Gentlemen,**

It is a matter of immense pleasure and privilege to welcome you to the Fifteenth Annual General meeting of your company.

The year 2013-14 has been another exhilarating year for the Company. CPP-IIs at Bhilai, Durgapur and Rourkela with total installed capacity of 314 MW have achieved a generation of 2529 MU at a PLF of 91.94%. During 2013-14, despite low schedule from grid, Bhilai PP-III(2X250 MW) generated 3627 MU (with DC of 96.06%) against 4030 MU (with DC of 98.88%) generated during the previous financial year. Bhilai PP-III (2X250MW) has once again found its place amongst the Top 25 coal based stations in the country. It was on the 21<sup>st</sup> position for the year ended March 31, 2014. NSPCL has taken diverse measures in areas of fuel security, Operational & Maintenance philosophy including adoption of best practices for sustained performance and continuous improvement. I am very happy to inform that FSA for 2.408 MTPA with SECL was signed in Sep'13 for Bhilai PP-III for 20 yrs. In addition FSAs for Rourkela PP-II (120 MW) and Bhilai PP-II (74 MW) were signed in Nov'13 & Jun'14 respectively. Further imported coal supply contract is already in place apart from coal procurement from SCCL & e-auction route. 2<sup>nd</sup> NSPCL O&M conference was organised as a knowledge sharing platform on March 8, 2014. Further, to promote a spirit of competition among NSPCL stations, excellence awards in MOU Performance, Productivity, Safety & Environment have been introduced.

During the year, commercial billing of Rs. 1412 Crore was done for power supply from Bhilai PP-III (2X250 MW) and 100%realisation was achieved.

It is further a matter of great pride to state that during the year, your company recorded total income (including cost of coal) of Rs.2490.39 Crore against Rs.2582.90 Crore in the previous year 2012-13 with a marginal decrease of 3.58%. This is accomplished, (inspite of 11.75% generation loss due to Grid in Bhilai PP-III) mainly due to sustained operational performance, higher recovery of energy charges, UI charges of Bhilai PP-III and increase in return due to additional capitalisation of fixed assets of CPP-IIs. Your company recorded Net Profit (after tax) of Rs. 246.59 Crore in the year 2013-14 as

compared to Rs. 248.06 Crore in the previous year, registering a marginal decrease of 0.59%.

Driven by its vision to lead, your company has already formulated its strategic plan to meet new challenges and exploit emerging opportunities. Corporate Plan - 2022 has already been approved by the Board which will play a significant role in company's growth agenda. In line with the above to meet additional power requirement of SAIL, NSPCL has undertaken Rourkela Expansion (1x250 MW) and Durgapur Expansion (2x20 MW) projects and these are in advanced stages of clearance / approval process. We are targeting to place award for EPC package of Rourkela Expansion in 2014-15. NIT for Main Equipment of Durgapur Expansion and placement of award for the same are targeted in 2014-15 and 2015-16 respectively.

In addition to above, FRs for Bhilai PP-III stage-II (2 x 250 MW) and Jagdishpur PP-I (2 x 250 MW) have also been approved and tie up of inputs and clearances are being pursued for these projects. Further setting up of power plant at Salem to meet the power requirement of Salem Steel Plant of SAIL is under examination.

Since inception, NSPCL has given sustained emphasis to customer satisfaction. Thrust areas of your company have been capacity optimization, reduction in O&M cost and increase in overall efficiency. In order to achieve these, best practices in all facets of management have been adopted for implementation. Your company is also giving adequate emphasis on completion of Renovation and Modernization of power plants for the purpose of life extension of units, performance improvement, capacity enhancement, availability improvement. With a view to integrate its various systems and provide efficient working environment, your company has taken the initiative for SAP implementation during the year and it is in final stages of rollout. To meet the Environmental management challenges your Company has adopted various pro-active measures for improvement in the areas of Environmental management. Major revamping of ESP at Rourkela is in progress while scheme for up gradation of ESP at Durgapur is under finalization. Dry ash collection systems at Rourkela & Durgapur have been commissioned. We have met all the requirements of award of packages envisaged in air and water consent for Rourkela including award of dyke C & D. We are also going to adopt buttressing technique to utilise existing Ash Dyke for longer period & optimum use of Ash Dyke land.

It is a matter of pride that your company has been selected for Scope Award for Excellence and Outstanding Contribution to the Public Sector Management Institutional Category-III (other profit making PSES for 2011-12). Further your company received Awards for "Talent Management" and "Institution Building" at World HRD Congress 2014.

Your Company believes in setting standards of transparency and thus has adopted Corporate Governance practices to the extent applicable to your company. Your Company also has adopted a well-defined fraud prevention policy to avoid fraudulent behaviour as well as to quickly investigate, dispose off and take corrective action in case any fraud is detected. During the year your company approved the Whistle Blower Policy as a matter of good corporate governance. We are also in process of adopting policy for banning of business dealings to maintain higher level of transparency in business dealings. In order to inculcate and strengthen moral values on which stands the edifice of corporate governance, your Company strives for actualization of its values.

Your company has put a lot of thrust on employee development through continued training and participation in decision-making. Lot of emphasis is being given on employee development through participative people management.

We are indebted to our promoters (NTPC Ltd. and SAIL), the Ministry of Power, Ministry of Steel and other stakeholders for the help we have been receiving from time to time on important policy issues. We are grateful to the Ministry of Environment and Forests, Ministry of Coal, Ministry of Railways, the State Governments, Central Pollution Control Board, State Pollution Control Board, State statutory bodies including Factory and Boiler directorates, local state administration and other agencies / authorities for their help to the Company. We are grateful to the Central Electricity Regulatory Commission, Central Electricity Authority and State Electricity Regulatory Commissions for their guidance to the sector and to the Company. We are also appreciative to the Statutory Auditors of the company and Comptroller and Auditor General for their observations and suggestions.

I take this opportunity to convey my sincere thanks to the Financial Institutions, Banks and other lenders and Investors for the abundant faith reposed by them in the company. I am grateful to our vendors and associates who are our partners in our journey of progress. I take this

opportunity to place on record my appreciation and acknowledgements to my colleagues on the Board. I assure you that Team NSPCL will make the company reach newer heights with each passing year with their invaluable contribution and co-operation.

Thank you,



**(N.N. MISRA)**  
**CHAIRMAN**

Place: New Delhi

Date: June 30, 2014

# NTPC-SAIL Power Company Private Limited

## DIRECTORS' REPORT

**Dear Members,**

Your Directors have great pleasure in presenting the 15<sup>th</sup> Annual Report on the performance of your company during the financial year ended March 31, 2014 along with audited Financial Statements, Auditors' Report and comments of the Comptroller and Auditor General of India for the year ended March 31, 2014.

### FINANCIAL RESULTS

	(₹ / Crore)	
	2013-14	2012-13
Total Income *	2490.39	2582.90
Operating Expenditure *	1826.30	1919.00
Finance Cost	117.84	132.44
Depreciation & Amortization Expenses	168.70	167.06
Profit before tax	375.85	364.21
Provision for current Tax	118.74	1.25
Profit after Current Tax	257.11	362.96
Provision for Deferred Tax	10.52	114.90
Profit After Tax	246.59	248.06

\*Including cost of coal (Current Yr. ₹ 723.40 crore & Previous Yr. ₹ 684.91 crore) which is a free supply and therefore, does not form part of the sales turnover and operating expenditure in case of Captive Power Plants-II as reflected in Financial Statements.

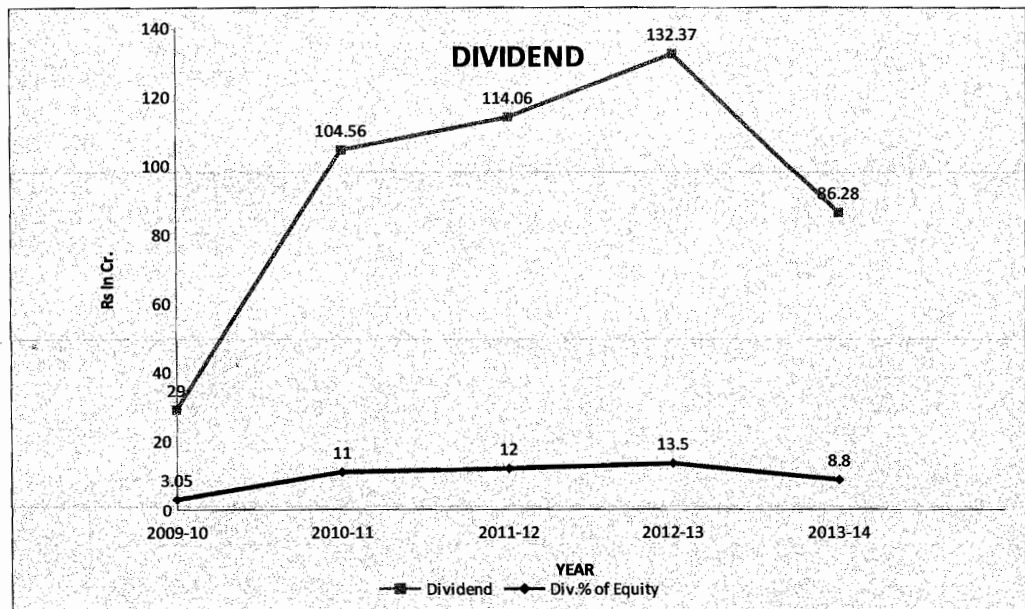
Your company recorded a total income of ₹ 2490.39 crore during 2013-14 as against ₹ 2582.90 crore in the previous year. The decrease in the total income of ₹ 92.51 crore was mainly on account of decrease in energy charges due to lower coal margin and lower incentive due to lower DC in PP-III & decrease in Energy Sent Out (ESO) and partially offset by marginal increase in return on notional equity of additional capitalization of fixed assets in case of PP-II and increase in other income. The decrease in operating expenditure of ₹ 92.70 crore was mainly on account of decrease in coal (as fuel) cost as regular FSA for coal supplies was signed with South Eastern Coalfields Limited.

Profit after Tax (PAT) in this year was marginally lower by ₹ 1.47 crore over the previous year. The decrease in profit during the year ending 31<sup>st</sup> March 2014 can be attributed to lower coal margin due to lower generation and lower coal price and lower incentive due to lower DC in PP-III as partially offset by increase in profit on account of increase in Return on Equity on

additional capitalization of Fixed Assets and increase in interest on normative working Capital in case of PP-II and also increase in Other income.

## DIVIDEND

Your Directors have recommended a dividend of ₹ 86.28 crore for the year which is 8.80% of equity share capital. However, the total cash out flow on account of Dividend & tax thereon amounts to ₹ 100.94 crore and the dividend payout including Tax accounts for 41 % of Profit After Tax. Your Directors believe that growth of the company through capacity addition would lead to increase in shareholders' value.



## TRANSFER TO RESERVES

As per the Companies (Transfers of Profits to Reserves) Rules, 1975, where dividend proposed exceeds 10% of the Paid-up share capital, an amount equivalent to the specified percentage of current year's profit is required to be transferred to General Reserves. Since, our Company has proposed less than 10% of the Paid-up share capital as dividend for the F.Y. 2013-14, no amount is required to be transferred to General Reserve from current year's profit. In the previous year (2012-13), the dividend was declared at 13.5% of Paid-up Share Capital, hence an amount equivalent to 5% of the profit had been transferred to General Reserves.

## **OPERATIONAL PERFORMANCE**

During the financial year 2013-14, your Company's CPP II's (314 MW) generated 2528.841 MU at 91.94% Plant Load Factor (PLF) on Availability Factor(AVF) of 91.63%. Durgapur CPP-II (120 MW) recorded 949.037 MU at 90.28% PLF on AVF of 89.88%. Rourkela CPP-II (120MW) generated 979.660 MU at 93.19% PLF on AVF of 92.62%. Bhilai CPP-II recorded a generation of 600.144 MU at 92.58% PLF on AVF of 92.88% during the same period. Loading factor of CPP-II's has been more than 100% in 2013-14.

Bhilai PP-III (2x250MW) generated 3627.250 MU at a PLF of 82.81% and Availability Factor of 92.90% with a DC of 96.06%.

Annual overhauling of the units at Durgapur (including U2 capital overhauling at Durgapur) & Rourkela CPP-II and Bhilai PP-II was carried out. Six years rolling plan for overhaul of units has been drawn along with Residual Life Assessment studies on the ageing units. Phase-I of R & M has already been taken-up to maintain improved performance level. Further R&M plans are in the process of award. In addition, Bhilai CPP-II also supplied 5.96 lakh tons of saturated steam at 8 ata and 6.42 lakh tons of saturated steam at 18 ata to Bhilai Steel Plant. Efficiency monitoring is being carried out before and after overhauls at the stations. Technical & special Electrical Audits have also been conducted and various corrective actions are being implemented as per recommendations. For sustained performance and continuous improvement the company has taken well planned measures in various areas of operation including chemical cleaning of U#1 boiler at Durgapur and adoption of best O&M practices.

To share the learnings & proven O&M practices across company's stations, 2<sup>nd</sup> O&M meet was organized on March 8, 2014 and to promote competitive spirit among stations- Productivity, Safety & Environment awards have been started from this year.

## **NEW CAPACITY ADDITION**

To meet enhanced power requirement of SAIL due to augmentation of their own production capacity, your company has undertaken various projects for implementation are detailed as hereunder:

### **Rourkela PP-III (1 x 250 MW)**

At Rourkela, site specific studies have been completed and activities like obtaining EC, water allocation are in the final stages for the new PP-III (1 x 250 MW). Additional land required for ash dyke and green belt has been confirmed by SAIL. Coal for this project shall be supplied by SAIL from their captive mine at Ramnagor, West Bengal till formal allocation or coal linkage is received from Ministry of Coal for which application has been submitted . Water shall be

drawn from Tarkera reservoir on Brahmani River. Water allocation has been obtained from WRD, Odisha and same has been taken up with CWC for their concurrence. In-principle clearance for equity contribution has also been obtained from both the promoters. Award for EPC Package is targeted in 2014-15 and NIT for the same is anticipated to be issued shortly.

### **Durgapur PP-III (2 x 20 MW)**

For Durgapur PP- III (2 x 20 MW), Feasibility Report (FR) has been approved by the Board and various site specific studies like EIA, GTI, Topographical survey etc. has been awarded and are in progress. Water for this project will be drawn from existing water allocation of SAIL, Durgapur from their header and coal will be supplied by SAIL's captive mine at Ramnagor, West Bengal. Entire power generated from this plant will be supplied to Durgapur Steel Plant on captive basis on a model similar to the existing PP-II's and will cater to their critical loads. Equity for the Project is proposed to be met from NSPCL's internal resources and confirmation from the promoter for the same is in process.

### **OTHER PROJECTS**

In addition to above, Feasibility Report for Bhilai PP-III stage- II (2 x 250 MW) and Jagdishpur PP-I (2 x 250 MW) have also been approved and site specific studies have been completed / are in various stages of completion.

Meanwhile, SAIL has indicated new power requirement for their plants at Salem, Tamil Nadu and Ferro Alloy Plant at Chandrapura, Maharashtra. Preliminary investigations are going on regarding availability of coal & water and feasibility of these projects.

### **COMMERCIAL PERFORMANCE**

Your company has realised 100% payment of current bills raised for sale of power during the payment cycle for the fifth consecutive year. During FY 2013-14, energy billing of ₹1412 Crore has been done for supply of power from Bhilai Expansion Power Plant (2x250 MW) to its various beneficiaries and ₹ 363 Crore for supply of power from CPP-IIs (314 MW) at Durgapur, Rourkela and Bhilai.

Bhilai Expansion Power Plant (2x250 MW) is an interstate power plant and tariff of this plant is approved by CERC as per Tariff Regulation, 2009.

Subsequent to commercial operation of the units at Bhilai, billing and realisation of dues for power supply from Bhilai Expansion Power Plant (2x250 MW) has been continuing. All the beneficiaries viz. Bhilai Steel Plant/SAIL, Chhattisgarh State Power Distribution Company Limited (CSPDCL), UT of



Daman and Diu and DNH Power Distribution Corporation Limited (erstwhile UT of Dadra and Nagar Haveli) are maintaining letter of credits (LCs) as per requirement of PPA signed with them. Power from Bhilai Expansion Power Plant (2x250 MW) is also supplied to Visvesvaraya Iron and Steel Plant (VISL) of SAIL.

While 100% realization of the energy bills has been achieved within the payment cycle period for FY 2013-14, ₹ 8.90 crore payable by April 2014 has been withheld by Dadra and Nagar Haveli Power Distribution Company Limited (DNHPDCL). Though, CERC has pronounced order in favour of NSPCL, DNHPDCL has appealed against CERC order to Appellate Tribunal of Electricity (ATE).

### **CUSTOMER RELATIONSHIP**

Customer Relationship Management (CRM) initiative has been taken by your Company which is helping in significant improvement in cash flow situation. Regular structured interaction with the customers is in place for constant feedback and improvement. Your company has also organised a Customer Meet during the year for better interfacing with the Customers.

### **FUEL SUPPLY FOR BHILAI PLANT (2X250MW)**

During 2013-14, your company signed a Coal Supply Agreement for 2.048 MMTPA with South Eastern Coalfields Limited (SECL) for part of its coal requirement replacing previous MOU. To meet the balance coal quantity, contract for supply of 0.9MMT of imported coal is already in place with MMTC for a period of two years- 2013-14 & 2014-15 and 0.337 MMT imported coal was received in 2013-14. The e-auction route and coal procurement from coal companies/CIL subsidiaries was also resorted to, from which 0.155 MMT and 0.255 MMT were procured respectively during 2013-14. The MOU with SCCL has been extended till Jul'14. For CPP-II's at Durgapur, Rourkela and Bhilai, SAIL has been supplying coal after procurement from mines

### **ENVIRONMENT MANAGEMENT AND SAFETY**

Your company has been taking various pro-active measures for improvement in the areas of Environmental Management. Environmental conditions at the plants have improved substantially. Necessary corrective actions are being taken at the time of overhauling of the units to keep the emission levels within permissible limits. 4 Nos & 3 Nos Ambient Air Quality Monitoring Stations (AAQMS) along with metrological data monitor have been commissioned at Bhilai PP-III & CPP-II Rourkela. CPP-II Rourkela won the prestigious First prize in CII (Odisha) Award given by the Chief Minister of Odisha, for Best Practices in Safety, Health & Environment. Rourkela also bagged the Gold Award for Environment & Safety Greentech in Power Sector category for the year 2013 in recognition of its excellent work done in environment management as well as

concern and commitment towards safety & environment protection at its plant (CPP-II) inside Rourkela Steel Plant. CPP-II Durgapur also bagged the Gold Awards for Safety & Environment respectively from Greentech in Power Sector category for the year 2013. These prestigious Awards are presented every year to companies demonstrating the highest level of commitment to Environmental Management and Corporate Social Responsibility. R&M of ESP, at an awarded value of Rs.27.37 crore, at CPP-II Rourkela is in full swing. Your company spent approx. Rs. 8 crore for various environment related activities.

Your company is fully committed to ensure and provide safe and healthy work environment to comply with applicable regulations and statutory requirements and it has already formulated and approved safety policy for implementation. Regular plant inspections are being carried out to identify unsafe conditions and practices, if any, and corrective measures taken, wherever necessary. Your Company has also taken measures to continuously improve the systems and procedures, provides training and arranges awareness programme for all concerned. Safety Awareness Programmes are also held periodically.

### **ASH UTILIZATION**

During the year, about 17 lakh tons of ash has been utilized for various productive purposes. Major utilization was in the areas of Ash Dyke raising, land development, cement manufacturing etc. Dry ash evacuation system has been commissioned at CPP-II, Rourkela & is in the final stage of commissioning at CPP-II, Durgapur to improve the environment in the plant area and optimize ash utilization.

<b>Plant</b>	<b>Utilization (%)</b>
Durgapur (2 X 60 MW)	4.55
Rourkela ( 2 X 60 MW)	199.32
Bhilai PP2 (2 X 30MW) + (1 X 14 MW)	21.61
Bhilai PP3 (2 X 250 MW)	76.37
<b>NSPCL overall (814 MW)</b>	<b>88.43</b>

### **TREE PLANTATION**

Your Company has planted more than 30000 trees during the year ( the cumulative number is 2.5 lakh trees) around its projects as a measure to take massive afforestation, which is protecting ecology and environment.

### **CORPORATE PLAN**

NSPCL Corporate Plan 2010-22 along with vision and mission was approved by your board. NSPCL Corporate Plan charts the strategies for growth of your Company and related diversification in the time related horizon upto 2022. At present Rourkela Expansion (1 X 250 MW) and Durgapur Expansion (2X20 MW) are in advanced stage of clearances / approvals. Tie-up of

inputs/clearances are in process for Bhilai Expansion (2x250MW) and Jagdishpur (2X250 MW). Further, NSPCL is also examining new capacity addition at Chandrapur and Salem in line with power requirement of SAIL. In the area of non-renewable energy, NSPCL has implemented 130 KWp and 100 KWp Solar PV plant at Bhilai and Durgapur respectively.

## **HUMAN RESOURCE MANAGEMENT**

HR philosophy of your Company has always been to adopt "People First" approach for achieving sustainable growth and meeting stakeholders' expectations. Your company has a well-designed Competency based Performance Management System to facilitate building performance culture and people development on a sustained basis. Individual Development Plans (IDPs) of Employees are developed based on Competency Gaps identified through a well identified Competency Mapping System. Based on the IDPs, Employees are nominated for a variety of training and competency development programmes.

Foreign Training policy has also been introduced in NSPCL with an objective to facilitate learning from the Global experts. Yours is a learning organization, wherein Intranet is extensively used as a platform for knowledge sharing and information dissemination. In order to develop a culture of learning & continuous development, initiatives like Professional Circles, Quality Circles, Suggestion Schemes, Business Quizzes etc. are encouraged. With a view to have an optimal manpower so that organizational cost can be optimized and efficiency can be improved, manpower study has been undertaken in NSPCL and accordingly Organization structure has been redesigned. The succession planning is one of the key thrust areas of Human Resource Management to achieve effective transitions in management.

## **COMPANY CADRE BUILDING**

Your company has been focusing on building its own competent cadre by undertaking multilevel recruitment in Executive as well as Non-Executive categories across various disciplines. Total strength of the company was 818 as on 31.03.2014 out of which 577 employees are its own cadre which constitutes 70.53% of the total workforce and 241 employees are on secondment from NTPC. The Man MW ratio presently is 1.00, which is to be progressively reduced in a phased manner.

## **TRAINING & DEVELOPMENT**

Your company has always strived to be a learning organization, and believes in the power of knowledge and considers training expenditure as an investment for increasing the productivity of the Employees. Training programmes are designed for the Employees on the basis of training needs analysis and competency gaps. E-learning has been introduced in your organization in which trainings are provided through Computer based training

modules developed by in-house experts, Intranet, Video-conferencing etc. Use of E-learning has not only helped the employees tremendously in their quest for learning but has also resulted in cost optimization. In order to achieve average training man-days of seven, your company not only organizes in-house training programmes but also sends employees for External & Foreign Training programmes. Training & development of all the Employees is ensured and during the FY 2013-14, 7.53 average training mandays was achieved.

### **EMPLOYEE WELFARE**

NSPCL believes in building familial relations with its employees and hence a lot of stress is given on enhancing Employee engagement and Institutional Mechanism. Inter Unit Cultural Meet, Inter-Unit Sports Meet, are carried out annually to ensure participation and to inculcate camaraderie among employees of all Units. During FY 2013-14, Inter Unit Cultural Meet was held at Durgapur wherein nearly eighty Employees and their family members participated and Inter-Unit Sports Meet was held at Bhilai and the sports events organized were Badminton, table tennis, chess & bridge. The activities are also taken for overall development of Employees' children through various programs and interventions in sports, cultural and academic activities.

Employees celebrate all the events, achievements, festivals etc. together. There are Employee Welfare association at all the stations of NSPCL. Through these clubs various welfare programmes are conducted. No stone is left unturned in ensuring optimal employee engagement. NSPCL is proud of its systems for providing a good quality of work-life for its employees through various cultural, recreational and health rejuvenating programmes organized round the year. In addition to providing congenial and safe work places, NSPCL encourages a culture of mutual respect and trust amongst peers, superiors and subordinates. Numerous welfare and recreation facilities are provided at the townships to enhance quality of life & wellbeing of employees and their families.

### **EMPLOYEE RELATIONS**

Regular interactions/communication meetings were held between the Management and employee groups and meetings of all Bi-partite fora were held during the year. During the FY 2013-14, five communication meetings were held with the Employee Unions at apex level and four communication meetings with Senior Corporate Management team was held. Free flow of ideas on relevant topics is ensured during such interactions, suggestions are invited and thereon policies are formulated by mutual participation thus ensuring ownership. Shared ownership, resulted in smooth implementation of new policies and procedures.

Partners in progress programme is one such initiative that is held annually for ensuring open communication and generating conducive relations between the Management and the Unions and thus generating a win-win feeling for both.

## **CSR AND SUSTAINABLE DEVELOPMENT**

A detailed report is placed at Annexure- I

## **COMPANY WIDE ERP SYSTEM**

SAP-ERP implementation was awarded to M/S Accenture. Business Blue print, material, service, vendor and customer codification is almost completed and master data of various modules are being uploaded into ERP server duly installed at Faridabad Data Center(DC). DRC site installation at Ahmedabad is in process. Based on the progress of implementation stages, rollout date is planned on July 14,2014 at all locations viz. CC, Bhilai, Rourkela and Durgapur for all modules in one go.

## **IT AND COMMUNICATION**

Your company has installed HD Videoconferencing (VC) system at all locations with improved MPLS connectivity for instant and better communication. VC is being used as a very important tool of communication and project monitoring. SAP/ERP co-ordination, weekly performance monitoring etc. are done in a very smooth & effective manner. A Document Management System has been developed by your company. Also continuous improvement and enhancement is being done in the NSPCL intranet.

## **BOARD OF DIRECTORS**

SAIL through their letter dated November 11, 2013 has Nominated Shri Y.K. Degan, ED(Works), BSP , SAIL and Shri M.K Das ED(Projects) RSP, SAIL. Further, through the above mentioned letter it has withdrawn the nomination of Shri S.D.M Nagpal and Shri R.Vijayavergia.

The Board placed on record its deep appreciation for the contribution made by Shri S.D.M Nagpal and Shri R.Vijayavergia during their tenures.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

A report on Management Discussion and Analysis is placed at Annexure-II.

## **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING AND OUTGO.**

Your Company has been adopting modern technology to conserve energy both in the field of operation as well as in office.

Information in accordance with the provisions of Section 217 (1) (e) of the Companies Act, 1956 regarding conservation of energy, technology absorption and foreign exchange earnings and outgo is given in the Annexure- III to this Report.

### **CORPORATE GOVERNANCE REPORT**

A report on corporate governance is placed at Annexure-IV.

### **STATUTORY AUDITORS**

The Statutory Auditors of your company are appointed by the Comptroller & Auditor General of India. M/s Rajendra K. Goel & Co., Chartered Accountants were appointed as the statutory auditors for the financial year 2013-14.

### **COST AUDITORS**

As prescribed under the Cost Accounting Records (Electricity Industry) Rules, 2001, the Cost Accounting records are being maintained by all stations of the Company. The particulars of Cost Auditors as required under Section 233(B) of the Companies Act, 1956 read with General Circulars No. 15/2011 dated 11.04.2011 issued by Ministry of Corporate Affairs are given below:

The firm of Cost Accountants, M/s. S.C.Mohanty & Associates., has been appointed as Cost Auditors for the financial year 2013-14 for all the stations including the Corporate Office. The due date of filing of the Cost Audit Reports for the financial year ended 31<sup>st</sup> March 2014 is September 27, 2014 and the same shall be filed within the prescribed time period.

### **REVIEW OF ACCOUNTS BY COMPTROLLER & AUDITOR GENERAL OF INDIA**

As advised by the office of the Comptroller & Auditor General of India (C&AG), the comments of C&AG for the year 2013-2014 are being placed with the report of Statutory Auditors of your Company elsewhere in this Annual Report.

### **DIRECTORS RESPONSIBILITY STATEMENT**

In accordance with the provisions of 217(2AA) of the Companies Act, 1956, your Directors hereby confirm:

- (i) that in the preparation of the annual accounts for the financial year ended March 31, 2014, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (ii) that the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit of the Company for that period;
- (iii) that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) that the Directors had prepared the annual accounts for the financial year ended March 31, 2014 on a going concern basis.

#### **ACKNOWLEDGEMENT**

Your Directors, acknowledge with a deep sense of appreciation and wishes to place on record its deep gratitude for the co-operation extended by NTPC, SAIL and their employees. The Directors are thankful to the Ministry of Steel and Ministry of Power for valued co-operation, support and guidance provided to the Company from time to time. Your Board also acknowledges the co-operation received from the Comptroller & Auditor General of India, the Statutory Auditors and the Bankers of the Company.

The Board wishes to place on record its appreciation for the untiring efforts and contributions made by the employees at all levels to ensure that the Company continues to grow and excel.

The Directors look forward to a bright future for the Company with confidence.

**For and on behalf of Board of Directors**

  
**(N.N.Misra)**  
**CHAIRMAN**

Place: New Delhi

Date: June 30, 2014

## **CSR & Sustainable Development**

### **CSR**

Your Company has a well defined CSR policy and all the CSR activities are carried out in accordance with this policy. Consequent upon introduction of the new Companies Act 2013, your company has constituted a CSR Sub-Committee of NSPCL Board to plan, implement and monitor various CSR activities at all units & CC. The focus of CSR activities undertaken by your Company is to include and integrate the neighboring stakeholders by capacity building initiatives and infrastructure development. NSPCL carries out its CSR activities under six broad heads as follows:-

#### **1. Education to underprivileged children**

Educational support is provided to children like providing them uniform, school bags, books, stationery, sponsorship for coaching etc. Providing vocational/technical training like plumbing, mason work, house hold wiring etc. so that young boys and girls can earn their livelihood. Personality development workshops are also conducted for the students so that they are prepared to take up jobs in the Industry with confidence. NSPCL also provides infrastructural development in schools like construction of library building, boundary wall, toilets, laboratories, providing aqua guards, water coolers, computer & peripherals, furniture, library books etc. Meritorious students are also felicitated by your company during special occasions. A total of 1,596 students were benefitted by these programmes organized by your organization during FY 2013-14.

#### **2. Health & Family Welfare**

Your company organizes charitable OPD in nearby villages wherein medicines are also provided to the villagers. Programmes are conducted for generating awareness on health & immunization, about HIV/AIDS, leprosy etc. Sensitization programmes are also conducted to prevent occurrence of malaria/dengue and other insect spread diseases in nearby villages.



### **3. Women empowerment**

Skill upgradation training is provided to women so that they can become financially independent and can make monetary contribution to their family. Training is provided on beauty Culture, stitching, embroidery, mushroom cultivation etc. After completion of training further help is also provided to them for starting earning by providing them sewing machine, kits, equipments etc. A total of 506 women were benefitted by the women empowerment programmes organized by your organization during FY 2013-14.

### **4. Providing Infrastructural Facilities**

Projects are undertaken for Infrastructure development of the adjoining villages like building roads, hand pumps, bore-wells etc.

### **5. Promotion of Sports & Games**

Rural sports is organized by NSPCL, in which schools of adjoining villages participate in large numbers and students display their sporting spirit. Such initiatives nurture sportsman spirit in the children. Sports equipments are also provided to the schools so that all the students are benefitted.

### **6. Other Social Projects**

NSPCI organizes programmes for skill upgradation of labour through various workshops and training programmes.

## **Sustainable Development**

NSPCL is actively involved in programmes for sustainable development. Activities undertaken for SD are Mass tree plantation, organizing energy conservation and ash utilization workshops etc. undertaking efficiency improvement, environment improvement etc. During the financial year 2013-14 more than 30,000 trees were planted by your organization.

## Awards

- NSPCL has been conferred with the SCOPE Award for Excellence and Outstanding Contribution to the Public Sector Management - Institutional Category III ( Other Profit Making PSEs) 2011-12.
- NSPCL won the award for "Most Admired Organisation in Power Sector " by Asia Oil and Gas Congress under The National Energy Excellence Awards 2013.
- NSPCL, has been conferred Awards for "Talent Management" and "Institution Building" and your CEO, Shri K.K. Sharma has been conferred "CEO with HR orientation Award" at the 22<sup>nd</sup> Global HR Excellence Awards.
- NSPCL Rourkela has won the State Safety Awards for its performance in the years 2008, 2009 & 2010 by Directorate of Factories and Boilers, Govt. of Odisha, Bhubaneswar and CII (Odisha) Award for 'Best Practices in Safety, Health & Environment'. NSPCL Rourkela has also won the prestigious National level 'NSCI Safety Awards' for the year 2012 presented by National Safety Council of India. It was conferred the prestigious Greentech Safety Gold Award in Thermal Power Sector category for the year 2013 and got 'Excellent' Award for successful implementation of 5-S by Quality Circle Forum of India (QCFI), Hyderabad .
- NSPCL Durgapur was awarded the Gold Trophy in 11th Greentech Safety Awards organised by Greentech Foundation.

**For and on behalf of the  
Board of Directors**



**(N. N. Misra)  
Chairman**

**Date:** June 30, 2014  
**Place:** New Delhi

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS SCENARIO

#### Industry

##### *An Overview*

In spite of sub 5% growth in 2013-14, Indian economy is one of the fastest growing economies in the world. Considering strong correlation between electricity consumption and GDP growth rate, sustained efforts were put to add new capacities. During the FY 2013-14, capacity addition of 17825 MW was achieved. However there were difficulties in power off-take due to poor financial health of Discoms and issues regarding fuel supply. The power industry in India has seen remarkable changes in the last decade and the power industry is now moving from negotiated and guaranteed arrangement to more open market and performance based competition.

Major challenges / risks associated with the power industry are:

- Decreasing domestic coal production commensurate with demand
- Securing fuel from imported coal market as the same is becoming increasingly costly and fraught with problem of logistics due to infrastructural problem
- Financial health of Distribution Entities
- Environment and Forest clearances
- Securing land for New projects

All India Electricity Generation (incl. import from Bhutan) during FY 2013-14 is 966.38 BU with a growth rate of 5.96 % over same period last year.

#### *Demand and Supply position:*

The last three year demand and supply position of power in the country is indicated below:

Year	Reqmt. (MU)	Availability (MU)	Deficit (%)
2011-12	9,33,741	8,76,890	6.1
2012-13	9,98,114	9,11,209	8.7
2013-14	10,02,257	9,59,829	4.2

*Source: CEA*

Power Supply deficit in percentage terms has been reduced to the extent of 50 % from the previous year.

The Peak Shortage of 4.5% was experienced in FY 2013-14 as peak supply met was 1,29,815 MW against peak demand of 1,35,918 MW.

#### *Captive Sector*

The Electricity Act, 2003 (Act) liberalizes captive generation. As per the Act, "Captive generating plant" is a Power plant set up by any person to generate electricity for his own use and includes a Power plant set up by any co-operative society or association of persons for generating electricity primarily for use of members of such co-operative or association. The provisions of the Act allow that surplus power upto maximum of 49% of the capacity of the captive power plant can be sold to bulk purchaser keeping minimum of 51 % of capacity for own consumption on annualized basis. Captive capacity (1 MW and above) at the end of 11<sup>th</sup> plan was 39.375 GW (increased from 17.145 GW at the end of 9<sup>th</sup> plan) registering a CAGR of 8.67 % between 9<sup>th</sup> and 11<sup>th</sup> plan period.

#### *Potential for Growth*

Between 9<sup>th</sup> and 11<sup>th</sup> plan period Captive generation (1 MW and above) registered a CAGR of 9.15 % i.e. from 61680 GWh at the end of 9<sup>th</sup> plan to 148000 GWh at the end of 11<sup>th</sup> plan (1). This CAGR for Captive generation is higher than that for generation

from Utilities for the corresponding period. For industries like aluminum, iron & steel etc. electricity is one of the critical input cost component which is approximately 35 – 38 % of production cost. Reliability of power supply with comparative cost of production may give a competitive advantage to these industries as the power requirement in these industries is high. Hence potential for growth of captive power in these industries is substantial.

(1) *Source: CEA*

## **OPPORTUNITIES FOR NSPCL**

The following major areas of opportunity present significant potential for the company's growth.

### ***New Projects for Capacity Addition***

As per CEA estimate, by 2017 demand in capacity is expected to rise to 213 GW. This provides a major opportunity to add new capacities. NSPCL has already envisaged new Capacity addition in its Corporate Plan 2022. Expansion projects of NSPCL at Rourkela (1x250 MW) and at Durgapur (2x20 MW) are under advanced stages of clearance/approval process. Further NSPCL is also contemplating on other projects including Bhilai Expansion (2x250 MW), Jagdishpur (2x250 MW) and Salem (2x60 MW).

## **RISKS AND CONCERNS**

### ***Fuel Risks***

With the addition of capacity of about 1.5 Lakh MW during next ten years of which over 66 % would be thermal (coal), it is uncertain whether coal supplies would meet the requirement and hence in broad sense fuel risk exists. However as per the present arrangement with SAIL, coal is supplied by SAIL plants to CPP IIs and hence risk of fuel supply for generation from CPP-IIs is mitigated.

For Plants other than PP-IIs suitable measures e.g. long term fuel supply agreement with coal supplier like SECL at regulated price, short term coal supply through MOU route, e-auction mode of sourcing coal and import of coal are taken to mitigate fuel risks. For new projects of Rourkela, Durgapur Expansions, coal shall be supplied by SAIL mitigating the fuel risk.

### ***Risk of Returns/ Realizations***

SAIL is the only customer for supply of power from PP-IIs. For this captive power supply, energy billing is done as per the present PPAs with SAIL based on fixed return on equity at 15.5% on pretax basis along with incentive of 2 % on pretax basis on equity per annum. Energy bills are realized from SAIL promptly. Further SAIL being a promoter as well as consumer, risk of return in future period is mitigated.

For Bhilai PP-III (2x250 MW), after meeting the power requirement of SAIL, the balance power is supplied to UT Daman & Diu, UT Dadra & Nagar Haveli and State of Chhattisgarh. All the beneficiaries have signed long term Power Purchase Agreement (PPA) with NSPCL which include appropriate security mechanism through letter of credit facility. As per the PPA the applicable tariff would be the one determined by CERC vide its order dated 29.7.2010 for the period 22.04.09 to 31.03.2014 including the period beyond that till fresh tariff order from CERC as per new CERC Tariff Regulation 2014-19. For 2014-19 fresh tariff petition is being filed to CERC. Hence adequate protection is taken to reduce the realization risk for the running stations. Monthly energy billing to the beneficiaries commenced from COD of Unit – I i.e. 22.04.09 on the basis of Tariff determined by CERC. The realization from the beneficiaries is 100% in FY 2013-14 and fund is realized within 2/3 days from the date of billing. For future new projects under capacity addition in 1<sup>st</sup> phase i.e. Rourkela Expansion (1x250 MW)

and Durgapur Expansion (2x20 MW), power supply has been tied up and PPAs shall be signed before investment approval.

### COMPETITION

NSPCL is mainly in power generation of captive nature and there are very few such companies in India managing similar business on independent basis and with such high capacity. Thus NSPCL has established itself as a 'Niche' player. Both the promoter companies of NSPCL i.e. NTPC and SAIL are Maharatna PSUs and are well established in their respective market. Given the expertise in this particular area, NSPCL has opportunities in future to be a dominant player in running and managing captive power plants on behalf of other companies and setting up similar projects.

### INTERNAL CONTROL

Your company has robust internal systems and processes in place for smooth and efficient conduct of business and complies with relevant laws and regulations. A comprehensive delegation of power exists for smooth decision making which is being further reviewed to align it with changing business environment and speedier decision making. Elaborate guidelines for preparation of accounts are followed consistently for uniform compliance. In order to ensure that all checks and balances are in place and all internal control systems are in order, regular and exhaustive internal & special audit are conducted by experienced firms of Chartered Accountants in close co-ordination with the company's own internal audit personnel. Besides, the company has a sub-committee of the board viz. Audit Committee to keep a close watch on compliance with internal controls systems.

To ensure regulatory and statutory compliance as well to provide highest level of Corporate Governance, your company has robust internal control systems and processes in place for smooth and efficient conduct of business and complies with relevant laws and regulations. A comprehensive delegation of power exists for smooth decision making. Elaborate

guidelines for preparation of accounts are followed consistently for uniform compliance. Regular and exhaustive internal audits are conducted by experienced firms of Chartered Accountants in Internal Audit department. The Audit Committee keeps a close watch on compliance with Internal Control Systems.

### FINANCIAL PERFORMANCE

#### Overview

The Company has prepared the financial statements in accordance with Revised Schedule VI. The Accounts of the Company for the year ended 31st March 2014 have been audited by the Statutory Auditors and Comptroller & Auditor General of India (CAG). The accounting policies adopted by the Company and the estimates and judgments relating to the financial statements have been made on prudent basis and in accordance with the applicable Accounting Standards.

The Company has been operating plants at Durgapur (2X60 MW), Rourkela (2X60 MW) and Bhilai (2X30+1X14 MW), hereinafter referred to as 'PP-II's' since inception. The Company has added 2X250 MW capacity in Bhilai in the year 2009-10, hereinafter referred to as 'PP-III' or 'Bhilai Project'.

### FINANCIAL DISCUSSION AND ANALYSIS

#### A. OPERATIONAL RESULTS

##### 1. Operational parameters

The operational performance of Company is tabulated below:

Particulars	Year ended 31 <sup>st</sup> March	
	2014	2013
Generation (MU)		
PP-II	2528.84	2601.87
PP-III	3627.25	4029.76
<b>Total</b>	<b>6156.09</b>	<b>6631.63</b>
Energy sent out (MU)		
PP-II	2233.31	2299.78
PP-III	3318.28	3681.48
<b>Total</b>	<b>5551.59</b>	<b>5981.26</b>
PLF (%)		
PP-II	91.94%	94.59%

PP-III	82.81%	92.00%
<b>Total</b>	<b>86.33%</b>	<b>93.00%</b>
Addl saturated steam supply (lakh ton) from BHL unit		
- 18 ata	6.42	6.57
- 8 ata	5.96	5.63

The Marginal decrease in generation of the Company during the year was mainly due to higher outage and low schedule at Bhilai PP-III.

## 2. Revenue from Operations

Tariffs for computation of Sale of Energy

In case of PP-II's, as per the PPA entered with SAIL, billing is done on a cost plus basis except for Cash Credit interest wherein interest on normative working capital (fixed on the basis of previous year audited accounts) is billed at Cash Credit Rate applicable to SAIL. Return on Equity (ROE) and incentive is billed at 15.5% & 2% respectively on pretax basis which is grossed up at the Income Tax rate applicable to NSPCL.

In case of PP-III, the charges of electricity are based on Tariff rates determined by Central Electricity Regulatory Commission (CERC). The Tariff rates consist of capacity charges for recovery of the annual fixed cost based on plant availability, energy charges for recovery of fuel cost and unscheduled interchange charge for the deviation in generation w.r.t. schedule, payable (or receivable) at rates linked to frequency prescribed in regulation to bring grid discipline. The capacity charges given by CERC includes Return on equity on pre-tax basis at a base rate of 15.5%, to be grossed up by the applicable tax rate as applicable for the respective year on prescribed 70:30 debt to equity ratio. CERC has issued Tariff Regulations for the period 2009-14 which is a balanced regulation for both consumer and investors.

The total Income of the company (net of electricity duty & parallel operation charges for PP-III) for the year 2013-14 stood at ₹ 1766.99 crore (previous year ₹1897.99 crore). Income on an overall basis have decreased over the previous year, by ₹ 131 crore mainly on account of decrease in coal cost and Energy Sent Out (ESO) by PP-III as partially offset by increase in return on notional equity of

additional capitalization of fixed assets and increase in interest on normative Working Capital in case of PP-II.

Break up of Revenue from Operation is as follows:-

₹ crore

Particulars	Year ended 31 <sup>st</sup> March	
	2014	2013
PP-II	354.82	305.76
PP-III	1368.06	1561.04
<b>Total</b>	<b>1722.88</b>	<b>1866.80</b>

## PP-IIs

In case of PP-IIs, the entire sales is made to SAIL (being 100% captive power plants) and coal is supplied free of cost by SAIL. Sales including coal cost during 2013-14 stood at ₹ 1078.22 crore (Previous year was ₹ 990.67 crore) for PP-IIs.

## PP-III

In case of PP-III, sales has decreased to ₹ 1368.06 crore from ₹ 1561.04 crore in previous year. Sales has decreased by ₹ 192.98 crore over previous year mainly on account of decrease in energy charges due to decrease in coal cost and ESO.

Energy Internally Consumed relates to own consumption of power for township power consumption. It is valued at variable cost of generation and is shown in "Revenue from Operations" with a debit to respective expenses head under power charges.

## 3. Other income

Other income stood at ₹ 44.11 crore for the year 2013-14 (previous year ₹ 31.19 crore). The increase of other income in the current year over the previous year is mainly on account of increase in interest income on deposits from available internal investible surplus and increase in scrap sales which is passed on to SAIL as the same is pertaining to PP-II.

## 4. Expenditure

The total expenditure for the year ended 31<sup>st</sup> March 2014 and 31 March 2013 are given below:

₹ crore

Particulars	Year ended 31 <sup>st</sup> March			
	2014			2013
	PP-III	PP-II	Total	Total
Fuel	714.38	11.95	726.33	895.73
Employee benefits expense	39.45	101.22	140.67	121.22
Finance Cost	111.33	6.51	117.84	132.44
Depreciation & amortization expenses	130.96	37.74	168.70	167.06
Generation, administration & other expenses	102.66	133.24	235.90	217.14
Prior period items (net)	(0.64)	2.34	1.70	0.19
<b>Total</b>	<b>1098.14</b>	<b>293.00</b>	<b>1391.14</b>	<b>1533.78</b>

#### 4.1 Fuel costs

##### PP-IIs

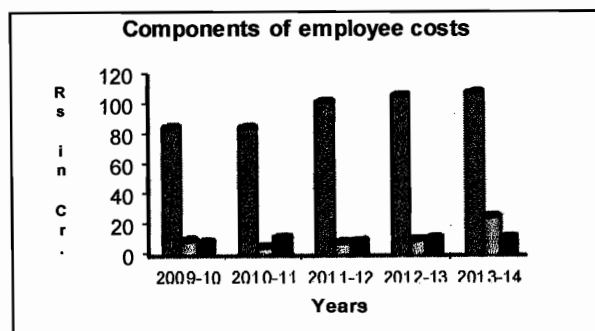
Fuel costs in case of PP IIs comprise of cost of furnace oil, LDO and HSD. In PP-IIs, coal, the primary fuel and CO gas is supplied free of cost by SAIL for the purpose of Power Generation.

##### PP-III

In case of PP-III, coal linkage is with NSPCL. Fuel cost have decreased to ₹ 714.38 crore as against previous year figures of ₹ 889.03 core mainly on account of decrease of coal price and increase in forced outages.

#### 4.2 Employee benefits expenses

Employee costs have increased from ₹ 121.22 crore in 2012-13 to ₹ 140.67 crore in 2013-14, mainly due to actual contribution of pension over the liabilities provided in earlier years and also marginal increase due to annual



increments to employees and increase in DA rates.

The Company had 818 employees (including executive and non-executive manpower) as on 31 March 2014 as compared to 782 employees at the end of previous year.

#### 4.3 Finance Cost

##### PP-IIs

Interest cost for PP-IIs for the financial year 2013-14 stands marginally reduced against previous year due to repayment of term loan during current year.

##### PP-III

In case of PP-III, the interest expenses pertains to Project specific loans of ₹ 111.33 crore as against ₹ 126.76 crore in the previous year. The marginal decrease of finance cost is mainly on account of loan repayments.

#### 4.4 Depreciation and Amortization Expenses

##### PP-IIs

Depreciation in respect of PP-II stood at ₹ 37.74 crore (previous year ₹ 37.78 crore) almost same mainly due to charging residual depreciation / no depreciation on many assets due to completion of life in case of Bhilai and Durgapur unit.

##### PP-III

In case of PP- III, depreciation on the fixed assets capitalized is charged on straight line method following the rate and methodology notified by CERC Regulation, 2009. There is a marginal increase in depreciation by ₹ 1.68 crore due to assets additions made at the year end of 2012-13 and current year (2013-14).

#### 4.5 Generation administration & other expenses

Generation administration and other expenses comprise of various expenses including water charges, repairs and maintenance, tender expenses on account of R&M, security expenses, training & recruitment, travelling expenses etc.

In case of PP-II, generation, administration & other expenses increased by ₹ 17.46 crore mainly on account of Repair and Maintenance

expenses at all the three PP-II plants, increase in station overheads including security expenses / Corporate expenses.

In case of PP-III, the generation, administration & other expenses for the year 2013-14 have marginally increased over the previous year by ₹ 1.30 crore mainly due to increase in power charges in township & transmission charges.

On an overall basis, in case of PP III, the O&M expenses consisting of employee costs, generation, administration and other expenses stood at ₹ 119.61 crore excluding rebate to customer (₹ 23.92 lakhs per MW on annualized basis) as against allowed by CERC tariff of ₹22.74 lakhs per MW at 85% Declared Capacity for the year 2013-14.

#### 4.6 Prior period items (Net)

Prior period expenditure mainly pertains to depreciation charged for certain assets related to previous years and marginally offset by other recoveries relating to previous years.

#### 5. Provision for Tax

The company provides for current tax computed in accordance with provisions of Income Tax Act, 1961 and Deferred Tax computed in accordance with the provisions of Accounting Standard (AS-22).

As per CERC regulations, 2009, w.e.f. 1<sup>st</sup> April 2009, income tax is recoverable on normative basis as Return on Equity following the applicable rate of tax for respective year. The actual income tax liability, if any, (more or less than the normative) is to be borne by the company.

#### Provision for Current Tax

During the financial year 2013-14, the Company has made provision for income tax at normal tax rate of 33.99% amounting to ₹119.97 crore as against provision at MAT rate made in corresponding previous financial year. From the provision of Income Tax, MAT credit Entitlement of ₹ 1.25 crore pertaining to F.Y. 2012-13 reduced, the same was made available due to reduction in disallowances at the time of filling of income tax returns for the F.Y. 2012-13.

#### Provision for Deferred Tax

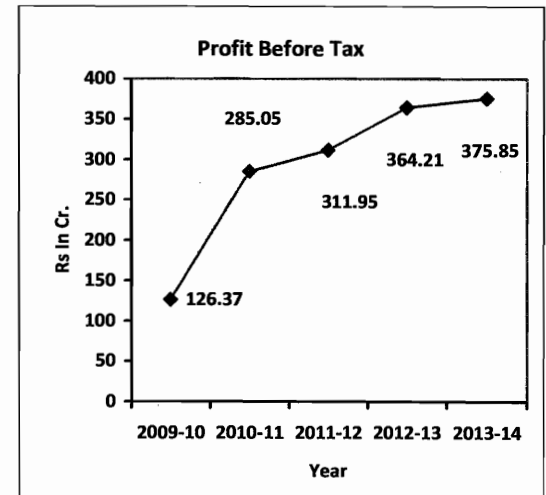
During the Financial year 2013-14, the Company has made provision for Deferred Tax Liabilities of ₹ 10.52 crore mainly due to reduction in disallowances u/s 43 (B) as against previous year of ₹ 114.90 crore. The reduction of Deferred Tax Liabilities is due to sett-off of entire carry forward losses against profit.

#### 6. Profit Before Tax

The Profit before Tax for the financial year 2013-14 stood at ₹ 375.85 crore (previous year ₹ 364.21 crore)

In case of PP-II, the profit before tax for the year ended 31<sup>st</sup> March 2014 stood at ₹ 78.80 crore (previous year ₹ 63.84 crore) which includes RoE and incentive (grossed up with prevailing tax rate) of ₹ 61.00 crore, interest on normative working capital of ₹ 7.55 crore and other income including interest on fixed deposits etc. of ₹ 10.25 crore.

In case of PP-III, profit before tax for the year ended 31<sup>st</sup> March 2014 stood at ₹ 297.05 crore (previous year ₹ 300.37 crore). The decrease of profit before tax of ₹ 3.32 crore mainly on account of decrease in coal price and lesser energy sent out result in less contribution from coal in current year and partially offset by increase in earnings from UI of ₹ 5.36 crore & other income of ₹ 8.84 crore.



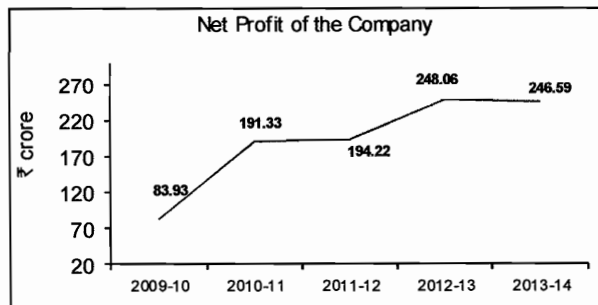
#### 7. Net Profit after Tax

Net profit after current and deferred tax for the Company on consolidated basis for the financial year ending 31<sup>st</sup> March 2014 stood at



₹ 246.59 crore as against previous year amount of ₹ 248.06 crore. The deferred tax liability is reduced in the current year over the previous year mainly on account of adjustment of un-absorbed depreciation and creation of Deferred Tax Assets.

A year-wise profitability graph is shown below:



In the year 2009-10, the profit has risen significantly on account of PP-III part year operations and from the financial year 2010-11, the profit has increased due to full year operation of plant. The profit has marginally decreased to ₹ 246.59 crore in current year 2013-14 as against of ₹ 248.06 crore of previous year 2012-13.

#### 8. Dividend

The Company has made a provision of dividend for ₹ 86.28 crore for the year financial year 2013-14 equivalent to 8.80% of equity (previous year ₹ 132.37 crore at 13.50% of equity). Correspondingly, dividend distribution tax at applicable rate has also been provided at ₹ 14.66 crore. The total cash outflow on account of Dividend and Dividend Tax would amount to ₹ 100.94 crore almost 41% of PAT.

#### 9. Segment-wise performance:

To comply with Accounting Standard - 17 on 'Segment Reporting' and for the purpose of compiling segment-wise results, the company has identified two business segments based on risk and reward and regulating authority associated with the sale of power. Sale from PP-III is regulated by CERC Guidelines where as sale from other power plant i.e. PP-II is based on Power Purchase Agreement with SAIL.

As per AS-17, in case of PP-III i.e. CERC based segment, the profit before tax, other

income, interest expenses, and extra ordinary/prior period items for the period ending 31<sup>st</sup> March 2014 stood at ₹ 380.64 crore as against ₹ 408.60 crore in the previous year. The decrease of ₹ 27.96 crore is mainly due to decrease in contribution from coal on account of lesser Energy sent out and decrease in coal price.

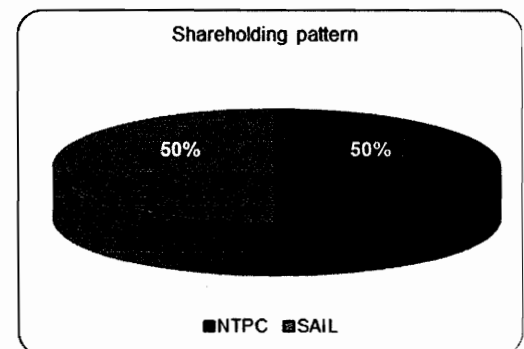
In case of PP-II, the other segment, the profit before tax, other income, interest expenses, and extra ordinary/prior period items for the period ending 31<sup>st</sup> March 2014 stood at ₹ 70.64 crore as against ₹ 57.06 crore in the previous year and the increase of ₹ 13.58 crore is mainly due to increase in ROE and incentive on notional equity and increase in interest on normative working capital.

### B. FINANCIAL POSITION

#### 1. Share Capital

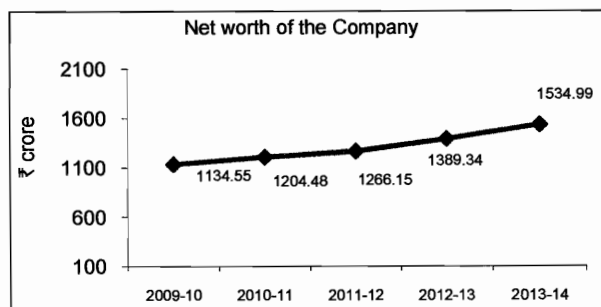
As at 31<sup>st</sup> March 2014, the authorized capital of the Company stood at ₹ 5000 crore (previous year: ₹ 2000 crore). Issued, subscribed and paid up capital of the Company as at 31<sup>st</sup> March 2014 was ₹ 980.50 crore - ₹ 150.50 crore of equity being towards PP-IIs at Durgapur, Rourkela & Bhilai and the balance ₹ 830 crore of equity towards Bhilai PP- III unit.

The shareholding pattern of the Company is given below:



#### 2. Reserves & Surplus

As at 31<sup>st</sup> March 2014, reserves and surplus stood at ₹ 554.49 crore as against ₹ 408.84 crore in the previous year. The increase in reserves & surplus is on account of addition of net profit for the year 2013-14 (net of proposed dividend and tax thereon) Correspondingly, the net worth of the Company has also increased over the past 5 years as shown below:



### 3. Long Term Borrowing

Long Term Borrowings as at 31<sup>st</sup> March 2014 pertain to existing operations (PP-IIs) as well as Bhilai Expansion Power Project (PP-III) which is due for repayment after one year from the Balance Sheet date. The breakup of the long term borrowings is as under:

₹ crore

Bank	As at 31 <sup>st</sup> March	
	2014	2013
<b>For existing Plant (PP-II)</b>		
Term loan :-		
United Bank of India	35.30	18.67
<b>Sub-total</b>	<b>35.30</b>	<b>18.67</b>
<b>For Bhilai Project (PP-III)</b>		
Term Loan:-		
Union Bank of India	201.65	242.13
Central Bank of India	59.12	68.20
Rural Electrification Corporation Limited	531.14	663.93
Union Bank Of India (Un-secured)	57.51	68.56
<b>Sub-Total</b>	<b>849.42</b>	<b>1042.82</b>
<b>Total</b>	<b>884.72</b>	<b>1061.49</b>

For the fixed assets pertaining to PP-IIs, loans have been taken from United Bank of India considering a debt-equity ratio of 70:30 for the fixed asset additions.

The loans are being duly repaid on due dates as per contractual terms and are secured against first charge on the fixed assets for the existing operations of PP-II.

For Bhilai PP-III power project, secured loan to the extent of ₹ 1,830 crore has been tied up from Banks/ FIs secured against fixed assets of the project. The Loan amount is fully drawn.

Further, an unsecured loan of ₹ 110 crore has also been drawn from Union Bank of India against the deposit paid of the same amount to Water Resources Department, Government of Chhattisgarh as advance against supply of industrial water taken for building of water reservoir. All debt-obligations are being met on time.

Working capital facility has been tied up with State Bank of India (SBI) for PP-IIs (presently the fund based limit is ₹ 15 crore and non-fund based ₹ 40 crore) against stocks and debtors of the PP-IIs.

Working capital facility for Bhilai Project (PP-III) has also been tied up for ₹ 225 crore (fund based ₹ 150 crore & non-fund based ₹ 75 crore) with SBI and ₹ 100 crore (including ₹ 60 crore fund based) with Union Bank of India.

While the working capital facility has been tied up with banks as mentioned above, however, the internal resources of the Company are being deployed to the maximum extent towards working capital requirement of the Company in order to save on interest costs.

### 4. Deferred Tax Liabilities

Deferred Tax Liabilities (net) have increased from ₹ 370.28 crore as at 31<sup>st</sup> March 2013 to ₹ 380.80 crore as at 31<sup>st</sup> March 2014 mainly due to reduction in Deferred Tax Assets consequent to reduction in expenses disallowed u/s 43 (B).

### 5. Other Long Term Liabilities

Other Long Term Liabilities as at 31<sup>st</sup> March 2014 stood at ₹ 128.26 crore against previous year of ₹ 124.51 crore which includes the liabilities which will be paid after one year from the reporting date i.e. 31<sup>st</sup> March 2014, grouped as non-current category. The liabilities mainly comprise of Income Tax demand recovered from SAIL for on-going assessments with various authorities, the corresponding amount is appearing in long term loans and advance as a part of advance tax deposited, trade payable, retention money, deposits from contractors & suppliers for capital work and other work, which is non-current in nature.

### 6. Long Term Provisions

Long Term Provisions includes the employee related provisions which have been considered in the books of account in accordance with the AS-15 as per the actuarial valuation & shall be settled beyond a period of 12 months from the Balance Sheet date.

The Long Term Provisions for the year ending 31<sup>st</sup> March 2014 stood at ₹ 6.24 crore as against ₹ 5.01 crore in previous year. The marginal increase of ₹ 1.23 crore due to increase on account of employee benefit related provisions.

### 7. Trade Payables

The Trade Payable mainly comprises of amount payable towards supply of goods & services such as payable on account of coal including imported coal in the normal course of business. The Trade Payable for the year ending 31<sup>st</sup> March 2014 stood at ₹ 46.92 crore as against ₹ 47.91 crore in the previous year.

### 8. Other Current Liabilities

The Other Current Liabilities mainly comprise of current maturity of long term borrowings (the balance amount is shown as Long Term Borrowings), payable towards employee payments and other statutory liabilities. The other current liabilities for the year ended 31<sup>st</sup> March 2014 stood at ₹ 279.35 crore as against ₹ 320.47 crore in previous year.

The breakup of the portion of long term borrowing which is due for repayment within one year of reporting date i.e. 31<sup>st</sup> March 2014 of ₹ 204.19 crore is as under:

Bank	As at 31st March	
	2014	2013
<b>For existing Plant (PP-II)</b>		
Term Loan:-		
United Bank of India	10.87	28.37
Union Bank		
<b>Sub-total</b>	<b>10.87</b>	<b>28.37</b>
<b>For Bhilai Project (PP-III)</b>		
Term Loan:-		
Union Bank of India	40.45	40.45
Central Bank of India	9.08	9.08

Rural Electrification Corporation Limited	132.79	132.79
Union Bank Of India (Un-secured)	11.00	11.00
<b>Sub-Total</b>	<b>193.32</b>	<b>193.32</b>
<b>Total</b>	<b>204.19</b>	<b>221.69</b>

### 9. Short Term Provisions

Short Term Provisions mainly consist of employee related provisions which have been considered in the books of account in accordance with the AS-15 as per the actuarial valuation & shall be settled within one year of the balance sheet date and also include provisions for dividend & dividend tax & provision for tariff adjustments.

The short term provisions for the year ending 31<sup>st</sup> March 2014 stood at ₹ 154.49 crore as against ₹ 202.43 crore in previous year are summarized hereunder:

Particulars	₹ crore	
	As at 31st March 2014	2013
Employee benefits (incl. provisions relating to AS 15 Revised)	17.57	14.86
Dividend and tax thereon	100.94	154.87
Provisions for tariff adjustment	35.98	32.70
<b>Total</b>	<b>154.49</b>	<b>202.43</b>

### 10. Capital Employed

Considering the Reserve & Surplus and Borrowings (including repayment during one year shown as Other Current Liabilities) as at 31<sup>st</sup> March 2014, Capital Employed for the Company stood at ₹ 2623.90 crore as against ₹ 2672.52 crore as at 31<sup>st</sup> March 2013. The reduction is mainly on account of loan repayments partially offset by the increase in reserves & surplus.

### 11. FIXED ASSETS

Fixed assets of the company grouped under non-current assets include Tangible assets, Intangible assets & Capital work in progress including Intangible assets under development. The break-up of the fixed assets is as under:-

Particulars	₹ crore	
	As at 31st March	

	2014	2013
<b>Tangible Assets</b>		
Gross Block	3451.63	3397.50
Less: Accumulated Depreciation	1190.16	1014.11
<b>Net Block</b>	<b>2261.47</b>	<b>2383.39</b>
<b>Intangible Assets</b>		
Gross Block	1.44	1.38
Less: Accumulated Depreciation	1.26	1.13
<b>Net Block</b>	<b>0.18</b>	<b>0.25</b>
<b>Capital Work in Progress and Intangible assets under development</b>	<b>56.79</b>	<b>58.01</b>
<b>Total</b>	<b>2318.44</b>	<b>2441.65</b>

During the year 2013-14, gross block has increased by ₹ 54.19 crore out of which ₹ 49.13 crore pertain to fixed asset additions in PP-II and balance amount of ₹ 5.06 crore in Bhilai PP-III.

Capital work in progress (CWIP) including construction stores as at 31 March 2014 stood at ₹ 51.69 crore. Out of this, an amount of ₹ 47.62 crore pertains to PP-II and balance of ₹ 4.07 crore in respect of Bhilai PP-III. Further, Intangible assets under development as at 31<sup>st</sup> March 2014 stood at ₹ 5.10 crore (previous year ₹ nil), was incurred for development of SAP-ERP which is under implementation.

### 12. Long Term Loans and Advances

Long Term Loans and Advances include capital advances, securities deposits, employee advances, other loans and advances to & contractors / suppliers and MAT credit entitlements, Advance Tax & TDS deposited net of provision for Income Tax which are expected to be realized after a period of 12 months from the Balance Sheet date. The long terms loans and advances for the year ended 31<sup>st</sup> March 2014 stood at ₹ 368.07 crore as against ₹ 372.09 crore as at 31<sup>st</sup> March 2013. The broad breakup of long term loans and advances is as under:

Particulars	₹ crore	
	As at 31 March	
	2014	2013
Capital Advances	2.52	3.30

Security Deposits	2.44	2.45
Employees Loans	15.31	11.14
MAT credit entitlement	172.39	164.28
Advance Tax (net of provisions)	142.71	137.69
Other Advances	32.70	53.23
<b>Total</b>	<b>368.07</b>	<b>372.09</b>

The marginal decrease in long term loans & advances over the previous year is primarily on account of decrease in adjustable advances against deposits for consumption of water & employee loans & advances partially offset by increase in advance tax .

### 13. Inventories

Inventories mainly comprise of component & spares, Coal and others stores which are maintained for operating plants. As at 31<sup>st</sup> March 2014, the inventories stood at ₹ 150.88 crore as against the previous year level of ₹ 110.86 crore. The break up is as follows:

Particulars	₹ crore	
	As at 31 March	
	2014	2013
Coal	61.39	38.29
Fuel Oil	5.85	5.94
Stores and Spares	75.80	60.62
Chemicals and consumables	6.69	5.60
Loose Tools	0.24	0.16
Others	1.59	1.13
Less: Provision for shortages / obsolete/ unserviceable items	0.68	0.88
<b>Total</b>	<b>150.88</b>	<b>110.86</b>

Out of the total inventory, ₹ 108.99 crore pertains to PP-III which includes coal inventory of ₹ 61.39 crore, fuel oil of ₹ 3.71 crore, stores and spares ₹ 38.33 crore. The inventory balance for PP-II stood at ₹ 41.89 crore as at 31<sup>st</sup> March 2014.

### 14. Trade Receivable

Trade receivable balance as at 31<sup>st</sup> March 2014 stood at ₹ 48.42 crore, pertains to energy bill

raised and remained outstanding till 31<sup>st</sup> March 2014 as against ₹ 60.40 crore as at 31<sup>st</sup> March 2013.

Keeping in view the requirements of Revised Schedule VI to the Companies Act, 1956, balance trade receivable, (the billing of which was raised after balance sheet date i.e. 31<sup>st</sup> March 2014) are shown under "Other Current Assets" as unbilled revenues (C.Y. ₹ 171.61 crore, P.Y. ₹ 147.73 crore). The amount of trade receivable considering the unbilled revenues is of ₹ 220.03 crore as at 31.03.2014 as against ₹ 208.13 crore as at 31.03.2013.

Debtors' turnover period (trade receivables and unbilled revenue) as at 31 March 2014 was about 1.53 months (previous year 1.34 months).

#### 15. Cash and Bank Balances

The cash and bank balance as at 31 March 2014 stood at ₹ 312.92 crore as against previous year level of ₹ 282.82 crore. This includes PP-II's and PP-III fund, as detailed below:

Particulars	₹ crore			
	As at 31 Mar 14		As at 31 Mar 13	
	PP-II's	PP-III	PP-II's	PP-III
Current A/c & Cash Credit A/c	1.15	1.61	1.14	0.90
Deposits with Banks	60.16	250.00	112.50	168.28
<b>Total</b>	<b>61.31</b>	<b>251.61</b>	<b>113.64</b>	<b>169.18</b>
<b>Total</b>	<b>312.92</b>		<b>282.82</b>	

#### 16. Short Term Loans and Advances

Short Term Loans and Advances include employees loans and advances, advance to contractor / suppliers & MAT credit entitlements etc. which are expected to be realized within 12 months from the Balance Sheet date. The short terms loans and advances as at 31<sup>st</sup> March 2014 stood at ₹ 38.95 crore as against ₹ 101.91 crore as at 31<sup>st</sup> March 2013. The broad break up of short terms loans and advances is as follows:

Particulars	₹ crore	
	As at 31 March	

	2014	2013
Employees Loans and advances	3.14	2.71
MAT credit Entitlement	--	48.00
Other Advances	35.81	51.20
<b>Total</b>	<b>38.95</b>	<b>101.91</b>

The decrease in Short term loans & advances over the previous year is mainly on account of discharge of advances against Coal purchase, decrease in advance given to Chhattisgarh govt. against water consumption of PP-III plant and availment of MAT credit Entitlement during F.Y. 2013-14.

#### 17. Other Current Assets

Other Current Assets mainly comprise of interest accrued on matured fixed / flexi deposits, claims recoverable, security deposits (current nature) and unbilled revenue, the billing of which raised after balance sheet date.

The breakup of other current assets is as under:-

Particulars	₹ crore	
	As at 31 Mar 14	As at 31 Mar 13
Interest Accrued	5.55	3.09
Claims Recoverable	0.04	0.12
Unbilled revenues	171.61	147.73
Security Deposits	0.87	0.73
Others	0.01	0.03
<b>Total</b>	<b>178.08</b>	<b>151.70</b>

#### C. CONTINGENT LIABILITIES

As at 31<sup>st</sup> March 2014, contingent liability has been considered at ₹ 59.92 crore (Prev. Year ₹ 38.78 Crore) in the accounts. This mainly includes:

- ₹ 28.38 crore in respect of service tax demand raised by the Authorities on Rourkela and Durgapur units on the plea of rendering business auxiliary service to respective steel plants. While the case was decided in favour of NSPCL at CESTAT Kolkata, the Service taxes Authorities have

preferred an appeal in the respective High Courts. The matter is pending in the High Court(s); and

- an amount of ₹ 28.65 crore pertain to Income Tax dispute with various Authorities.
- An amount of ₹ 1.61 crore for Entry Tax is pending with Sales Tax Tribunal.

#### D. CASH FLOW

Cash flows in various activities for the year ending 31.03.2014 & 31.03.2013 are tabulated below:

₹ crore

Particulars	Year ended 31 March	
	2014	2013
Cash and cash equivalent (opening balance)	282.82	134.96
Net cash from operating activities	519.72	627.32
Net cash used in investing activities	(22.16)	(77.65)
Net cash from financing activities	(467.46)	(401.81)
Cash and cash equivalents (closing balance)	312.92	282.82

The decrease in cash in flows from operating activities in the current year (as against the previous year) is mainly on account decrease in movement in working capital, increase in tax paid etc. which is partially offset by a significant increase in profit before tax.

Net cash outflow in investing activities have decreased as against the previous year on account of lesser cash outflows on fixed asset for PP-III project as compared to previous year.

Cash outflow from financing activities in the year 2013-14 has been increased mainly on account of higher loan repayments, higher dividend including tax paid in this year.

#### CAUTIONARY STATEMENT

Statements in the Management Discussions and Analysis and in the Directors' Report describing the Company's objectives, projections and estimates contain words or phrases such as 'will', 'aim', 'believe', 'expect', 'intend', 'plan', 'estimate', 'objective', 'contemplate', 'project' and similar expressions or variation of such expressions that are 'forward-looking' and progressive within the meaning of applicable laws and regulations.

Actual results may vary materially from those expressed or implied by the forward looking statements due to risks or uncertainties associated therewith depending upon the economic conditions, government policies and other incidental factors. Readers are cautioned not to place undue reliance on these forward-looking statements.

For and on behalf of the  
Board of Directors

  
(N. N. Misra)  
Chairman

Date: June 30, 2014  
Place: New Delhi

**PARTICULARS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS), RULES, 1988**

**(1) CONSERVATION OF ENERGY**

Various Energy Conservation measures are being adopted/implemented in these plants as well, which are in line with the measures being taken by NTPC in their various projects.

**(a) Energy Audit**

Cooling Tower performance audit by CPRI and thermal study for boiler & APH by CENPEEP was carried out for U1 at Bhilai PP-III.

Improvement derived in APC (%) is listed beneath:

<b>Name of Station</b>	<b>2013-14</b>	<b>2012-13</b>	<b>% improvement</b>
Bhilai PP-III (2x250 MW)	8.52	8.67	1.73
Durgapur (2x60 MW)	11.76	11.87	0.75

**Heat Energy**

To improve/sustain the Heat Rate, various operational parameters such as Condenser vacuum, Boiler excess Air, Mill fineness etc. are being closely monitored and suitable measures are being taken to improve these parameters. Thermal insulation audits were carried out at Durgapur & Bhilai PP-III in 2013-14.

**D.M. Water**

Attending to Steam / D.M. Water and other water leakage, on line leak sealing etc have been ensured and this has shown improvement.

**Lubricants**

Plugging leakages, optimising lubricant oil consumption in turbines & other equipment have been looked into.

**Lighting**

Energy efficient LED lamps have been installed in the control rooms at Durgapur & Rourkela and are in pipe line for Bhilai PP-II & PP-III.

**(b) Energy Audit Instruments**

Psychrometer, Flue gas analyser spares & multipoint thermocouple have been procured at Bhilai PP-III. Thermovision camera at Bhilai PP-II has been procured & power analyser is in pipeline.

**(c) Impact of the measures taken**

Impact on the measures taken has started showing improvements.

**(d) Technology Absorption**

Efforts are being made for absorption of latest technology in the areas of control system of the plant through R&M. DVR at CPP-II Durgapur & EHTC at U2 of CPP-II, Rourkela have been installed. DDCMIS at CPP-II Rourkela is in the process of award.

**(2) Foreign Exchange Earnings and outgo****(i) Value of imports:**

Capital goods	₹482.38 Lakh
Spare Parts	₹405.21 Lakh
Total	₹887.59 Lakh

**(ii) Expenditure:**

Professional and Consultancy fee	₹ Nil
Others	₹ 19.41 Lakh

**For and on behalf of Board of Directors**

**Date:** June 30, 2014  
**Place:** New Delhi

  
**(N.N. Misra)**  
**Chairman**



## **CORPORATE GOVERNANCE REPORT**

Corporate Governance is a system encompassing the entire mechanics of the functioning of a company and is about doing the right things, at the right time, in the right manner. Corporate Governance envisages a simplified and transparent corporate structure driven by business needs and hence is a journey and not a destination. Corporate Governance stems from the culture and mindset of the management and is therefore beyond the realm of law. It leads to improved employee morale and higher productivity, thereby providing a competitive advantage in the global marketplace.

The fundamental objective of Corporate Governance policies is to promote corporate fairness, transparency, accountability and responsiveness. NSPCL is committed to maintaining the highest standards of corporate governance. We are making continuous efforts to adopt the best practices in corporate governance and we believe that the practices we are putting into place for the company shall go beyond adherence to regulatory framework. The Management and Employees of the Company are committed to uphold the core values of transparency, integrity, honesty and accountability which are fundamental to NSPCL.

The Company will continue to focus its resources, strengths and strategies for creation and safeguarding of shareholders' wealth and at the same time protect the interests of all its stakeholders.

### **1. BOARD OF DIRECTORS**

The role of the Board is to determine the Company's strategy and provide appropriate leadership. It oversees management's implementation of the strategy and acts as a sounding board for senior executives. It also provides a critical overview of strategic risks and monitors the adequacy of the Company's control environment.

#### **1.1 Size of the Board**

Our Company is a Joint Venture of NTPC Ltd. and Steel Authority of India Limited (SAIL). The promoters hold 50% of the total paid-up share capital each. As per the Articles of Association, the power to appoint Directors rests with NTPC and SAIL.

In terms of the Articles of Association of the Company the strength of our Board shall not be less than eight Directors or more than twelve Directors.

#### **1.2 Composition of the Board**

As per the Articles of Association of the Company, the Board comprises eight directors out of which four directors are nominated by NTPC and four by SAIL. The Directors on Board of NSPCL as on date are Shri N.N. Misra, Chairman, Shri Tej Veer Singh, Shri Manash Sarkar, Shri Ajit Kumar, Shri R. Bhargava, Shri Y.K Degan, Shri M.K. Das and Shri D. Basu, Directors. The directors bring to the Board wide range of experience and skills.

#### **1.3 Responsibilities**

The primary role of the Board is that of trusteeship to protect and enhance Shareholders value. As trustee, the Board ensured that the Company has clear goals and policies for achieving these goals. The Board oversees the Companies strategic direction, reviews corporate performance, authorizes and monitors strategic decision, ensures regulatory compliance and safeguard interest of Shareholders. The Board ensures the Company is managed in a manner that fulfills stakeholders' aspirations and social expectations.

Board member also ensures that their other responsibilities do not impinge on their responsibilities as a Director of the Company.

## 1.4 Board/Committee Meetings and procedure

### a). Institutionalized decision making process:

With a view to institutionalize all corporate affairs and setting up systems and procedures for advance planning for matters requiring discussion/decisions by the Board, the Company has defined procedure for meetings of the Board of Directors and committees thereof in an informed and efficient manner.

### b). Scheduling and selection of Agenda items for the Board/ Committee Meetings:

- i) The meetings are convened by giving appropriate notice after obtaining approval of the Chairman of the Board/Committee. Detailed Agenda notes, management reports and other explanatory statements are circulated in advance among the members for facilitating meaningful, informed and focused decisions at the meetings. To address specific urgent need, meetings at times are also being called at shorter notice. The Board also passes Resolution by Circulation but only for such matters which are of utmost urgency.
- ii) The Agenda papers are prepared by the concerned officials and submitted to the Chief executive Officer for obtaining approval of the Chairman. Duly approved agenda papers are circulated amongst the Board members by the Company Secretary.
- iii) Where it is not practicable to attach any document or the agenda is of sensitive nature, the same is placed on the table at the meeting with the approval of the Chairman. In special and exceptional circumstances, additional and supplemental item(s) on the agenda are taken up for discussion with the permission of the chair and after a consensus is formed. Sensitive subject matters are discussed at the meeting even without written material being circulated.
- iv) The meetings are usually held at the Company's Registered Office at New Delhi.
- v) The members of the Board have complete access to all information of the Company.

### c). Recording of minutes of proceeding at the Board Meeting.

The minutes of each Board meeting are submitted for confirmation at its next meeting after these are signed by the Chairman.

### d). Compliance

Every officer while preparing agenda notes ensures adherence to all the applicable provisions of the law, rules, guidelines etc. The Company Secretary ensures compliance of all applicable provisions of the Companies Act, 1956.

Ten Board Meetings were held during the financial year 2013-14. Details of number of Board meetings attended by Directors, attendance at last AGM, held by the company during the year 2013-14 are tabulated below:

Sl. No.	Directors	Meeting held during respective tenures of Directors	No. of Board Meetings Attended	Attendance at the last AGM
1.	Shri N.N.Misra	10	10	Yes
2.	Shri S.D.M. Nagpal	7	5	No
3.	Shri R.K. Vijayavergia	7	5	Yes
4.	Shri Manash Sarkar	8	6	Yes
5.	Shri Ajit Kumar	7	6	NA
6.	Shri D. Basu	10	8	Yes
7.	Shri Tej Veer Singh	10	7	No

8.	Shri R. Bhargava	10	8	No
9.	Shri Y.K Degan	3	2	NA
10.	Shri M.K.Das	3	2	NA

\* NA indicates that concerned person was not a Director on NSPCL'S Board on the relevant date.

### 1.5 Information placed before the Board of Directors, inter alia, includes:

- Annual operating plans and budgets and any updates.
- Capital Budgets and any updates.
- Annual Accounts, Directors' Report etc.
- Fatal or serious accidents, dangerous occurrences etc.
- Operational highlights.
- Major investments
- Award of large contracts.
- Disclosure of Interest by Directors about directorship and committee positions occupied by them in other companies.
- Any significant development in Human Resources/Industrial Relations front like signing of wage agreement etc.
- Short term investment of surplus funds.
- Other materially important information.

### 1.6 Remuneration of Directors

The Articles of Association of the company has authorized the Board of Directors of the Company to determine the sitting fee payable to Independent Directors within the ceiling prescribed under the Companies Act, 1956. Accordingly, the Board decides the sitting fee payable to the Directors who are not in whole time employment with either of the promoters. Presently, sitting fee of Rs. 10,000/- for each meeting of the Board/Committees of the Board constituted by the Board from time to time, is being paid to such Directors.

## 2. SUB-COMMITTEES OF THE BOARD OF DIRECTORS

The Board has established the following Committees:-

- i) Investment / Loan Sub- Committee.
- ii) Audit Committee
- iii) Contracts Sub-Committee
- iv) HR/Remuneration Sub-committee
- v) Corporate Social Responsibility Committee
- vi) Business Plan Committee
- vii) DOP Committee

### 2.1 Investment/ Loan Sub-committee

The terms of reference of Investment Committee of the Board mainly include consideration and approval of proposals for deployment of surplus funds of the company with scheduled banks from time-to-time. The limit set for this committee is Rs. 350 crores.

The terms of reference of the Loan Sub-committee of the Board mainly include review of the existing sanctioned loans, scrutinizing any changes in the terms and conditions of the existing loans and approving the quantum of drawal of funds. The committee shall tie-up loans for any future requirement of funds and finalizing terms and conditions for the same.

As on March 31, 2014, this committee comprised the following members:

- Shri N.N. Misra - Chairman
- Shri Tej Veer Singh - Director
- Shri D. Basu - Director
- Shri Y.K. Degan - Director

The quorum for this meeting is 2 members with one representative of each promoter.

## 2.2 Audit Committee

The Audit Committee was constituted on March 17, 2007. The purpose of the Audit Committee is to review the status of all Audits and perform the following functions:

- a). Review the reports of Comptroller & Auditor General (CAG) on Government Audit, statutory auditors and internal auditors and response thereto;
- b). Review the adequacy of overall internal control systems and suggest improvements in the same;
- c). Review compliance with various Statutes and assist in forming better corporate practices;
- d). Review of quarterly, half-yearly and annual financial statements;
- e). Review and determine the scope of work of internal auditors;
- f). Noting appointment and removal of external auditors. Recommending the fixation of audit fee for external auditors and also approval for payment for any other services; and
- g). Investigate into any matter in relation to the items specified above or referred to it by the Board.

As on March 31, 2014, this committee comprised the following members:

- Shri Tej Veer Singh - Chairman
- Shri D. Basu - Director
- Shri Manash Sarkar - Director
- Shri M.K. Das - Director

The quorum for this meeting is 2 members comprising one member each from both the promoters

### Meetings and Attendance

Seven meetings of the Audit Committee were held during the financial year 2013-14 on May 9, June, 10, July 19, August 22, October 18, January 20 and February 6, 2014.

The details of meeting of Audit-Committee attended by the members are as under:-

Members of Audit Committee	Meetings held during his tenure	Meetings attended
Shri S.D.M. Nagpal	5	4
Shri R.K.S. Gahlowt	2	2
Shri D. Basu	7	7
Shri Tej Veer Singh	7	5

Shri Manash Sarkar	5	4
Shri M.K. Das	2	1

Shri S.D.M Nagpal, Director chaired 4 Meetings of the Audit Committee and Shri Tej Veer Singh Chaired 3 meetings ( one when leave of absence was granted to Shri S.D. M. Nagpal) held during the year 2013-14.

### 2.3 Contracts Sub-committee

The Contracts Sub-committee was formed on March 17, 2007. Its scope includes Technical and Administrative approval of cost estimates, Calling of tenders, approval of Award of contracts upto contract value of Rs. 25 crore each and for Consultancy assignments upto contract value of Rs. 2 crore each and approval of Tender committee for proposal requiring Board approval.

As on March 31, 2014 this committee comprises the following members:

- Shri N.N. Misra - Chairman
- Shri Ajit Kumar - Director
- Shri Tej Veer singh - Director
- Shri D. Basu - Director
- Shri Y.K Degan - Director
- Shri R.Bhargava - Director

The quorum for this meeting is 3 members with at least one representative of each promoter.

### 2.4 HR/Remuneration Sub-committee

#### Major scope of work of the HR/Remuneration Sub-Committee:

- a) To take decision with respect to promotion, acceptance of resignation, termination of service in accordance with the terms of appointment, review of terms of appointment, approval for weightage for service in respect of Executives at E7 and E7A level.
- b) Settlement of grievance at stage III level in respect of all Executive.
- c) Constitution of Selection Board for recruitment, approval of list of candidates to be called for interview, Selection of Panel and approval of appointment in respect of Executives at E5 and above as per sanctioned posts.
- d) Formulation of performance related pay (PRP) / annual incentive scheme for employees on the rolls of the Company and recommend payment there under.
- e) To appoint/ extend the tenure of consultants within the sanctioned manpower budget.

As on March 31, 2014 this committee comprises the following members:

- Shri N.N. Misra - Chairman
- Shri Tej Veer Singh - Member
- Shri Manash Sarkar - Member
- Shri Y.K. Degan - Member

The quorum for this meeting is 2 members comprising one member each from both the promoters.

### 2.4 Corporate Social Responsibility (CSR) Committee

The CSR committee was formed on November 26, 2013.

**The Scope of work of the CSR committee is as follows:**

- Formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the Company as per the Act
- Recommend the amount of expenditure to be incurred on the activities referred to in the Act and
- Monitor the Corporate Social Responsibility Policy and compliance of various activities of the Company from time-to-time
- Approve the detailed CSR schemes for various projects.

As on March 31, 2014 this committee comprises the following members:

- |                       |            |
|-----------------------|------------|
| • Shri Y.K. Degan     | - Chairman |
| • Shri Tej Veer Singh | - Member   |
| • Shri Manash Sarkar  | - Member   |
| • Shri Ajit Kumar     | - Member   |

**2.5 Business Plan Committee**

The Business Plan committee was formed on October 8, 2009 for finalization and evaluation of the Business Plan for the Company.

As on March 31, 2014 this committee comprises the following members:

- |                       |            |
|-----------------------|------------|
| • Shri Ajit Kumar     | - Chairman |
| • Shri Tej Veer Singh | - Member   |
| • Shri M.K.Das        | - Member   |
| • Shri D.Basu         | - Member   |

**2.6 DOP Committee**

The DOP committee was formed on March 17, 2007.

**The Scope of work of the DOP committee is to finalize the draft DOP for approval of the Board.**

As on March 31, 2014 this committee comprises the following members:

- |                       |          |
|-----------------------|----------|
| • Shri Tej Veer Singh | - Member |
| • Shri Manash Sarkar  | - Member |
| • Shri M.K. Das       | - Member |
| • Shri D. Basu        | - Member |

**3. Means of Communication**

The Company communicates with its shareholders through its Annual Report, General Meetings and disclosures through web site.

**4. Annual General Meeting**

Date, time and location where the last three Annual General Meetings were held are as under:

<b>Date &amp; time</b>	September 26, 2011	June 28, 2012	June 27, 2013
<b>Time</b>	1130 hrs	1400 hrs	1200 hrs
<b>Venue</b>	4 <sup>th</sup> Floor, NBCC Towers, 15, Bhikaiji Cama Place, New Delhi -110 066		
<b>Special Resolution passed</b>	NIL	NIL	NIL

**5. Dividend**

Details of amount of dividend given by the Company for the last four years are as under:

<b>Year</b>	<b>Paid-up Capital</b>	<b>Total Dividend</b>	<b>Date of AGM</b>
<b>2009-10</b>	₹ 950.5 Crore	₹ 29 Crore	August 21, 2010
<b>2010-11</b>	₹ 950.5 Crore	₹ 104.56 crore	September 26, 2011
<b>2011-12</b>	₹ 950.5 Crore	₹ 114.06 crore	June 28, 2012
<b>2012-13</b>	₹ 980.5 Crore	₹ 132.37 crore	June 27, 2013

**6. Audit Qualification:**

It is the Company's endeavour, always to present unqualified financial statements and the same has been achieved during this year too.

**7. Code of Conduct for Board members and Senior Management personnel**

The company has in place Code of Conduct for Board members and Senior Management personnel in alignment with the Company's vision and values to achieve the mission and objectives and aiming at enhancing ethical and transparent process in managing the affairs of the company. A copy of the Code of Conduct is available on the website of the Company.

**8. Whistle Blower Policy**

The Company has in place a "Whistle Blower" policy. The same was adopted by the Board in its 121<sup>st</sup> Meeting held on March 24, 2014.

**For and on behalf of Board of Directors**

  
(N.N.Misra)  
Chairman

Date: June 30, 2014  
Place: New Delhi