

TAMIL NADU TRANSMISSION CORPORATION LIMITED

**9th ANNUAL REPORT
2017-18**

Regd.office: NPKRR MAALIGAI(TNEB Office), No.144,Anna Salai, Chennai-600002.

TABLE OF CONTENTS

SL. NO	Contents	PAGE NO. From To
1	Corporate Details	1
2	Directors' report	2 - 16
3	C&AG Report and Replies	17 - 28
4	Statutory Auditor's Report and Replies	29 - 58
5	Secretarial Auditor's Report and Replies	59 - 67
6	Profit & Loss Account	68
7	Balance Sheet	69
8	Notes to Financial Statements	70 - 80
9	Statements of Cash Flow	81 - 82
10	Notes Forming Part of the Financial Statements	83 - 103

DIRECTORS' REPORT

Dear Members,

The Board of Directors of Tamil Nadu Transmission Corporation Limited (TANTRANSCO) have immense pleasure in presenting its 9th Annual Report for the Financial Year 2017-18.

2.0 FORMATION OF TANTRANSCO

The company was formed with restructuring of erstwhile Tamil Nadu Electricity Board, and as a subsidiary of TNEB Limited a company owned by the Government of Tamil Nadu. Tamil Nadu Generation and Distribution Corporation (TANGEDCO) is another subsidiary of TNEB Limited.

3.0 TRANSFER SCHEME

The Government of Tamil Nadu has approved the amendment to provisional transfer scheme (G.O. Ms. No. 100 dated 19.10.2010) transferring the assets and liabilities to the company and notified the same vide G.O. (Ms) No.2 (Energy (B2) Department), dated 02.01.2012. The Government of Tamil Nadu notified the Final transfer of assets and liabilities to the company vide G.O. (Ms) No.49 (Energy (B1) Department), dated 13.08.2015. The opening balances of assets and liabilities notified in the final transfer scheme have already been incorporated in the Annual Report for the FY 2015-16.

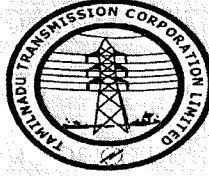
4.0 TRANSFER OF EMPLOYEES

4.1 At present all the employees of the erstwhile TNEB are considered as the employees of TANGEDCO. Those employees working in the Transmission Corporation are considered to be on deputation from TANGEDCO to TANTRANSCO. All the employees are asked to continue to work on as - is - where is basis.

4.2 The information under Section 217 (2A) of Companies Act, 1956 read with Company (Particulars of Employees) Rules, 1976 may be taken as Nil.

5.0 FINANCIAL PERFORMANCE

5.1 In the 1st AGM of TANTRANSCO held on 07.12.2010, the authorized share capital of the Company was increased to Rs.2500 Crores (250 Crores Equity Shares of Rs.10 each). Subsequently, the authorized share capital of the company was increased to Rs. 5000 Crores (500 Crores Equity shares of Rs.10 each) and to Rs. 10000 Crores (1000 Crores Equity shares of Rs.10 each) in the 3rd AGM and 6th AGM of the company held on 27.09.2012 and 29.12.2015 respectively.



TAMILNADU TRANSMISSION CORPORATION LIMITED
9th Annual Report for the period of 2017-18
CORPORATE DETAILS

BOARD OF DIRECTORS*		
Sl.No.	NAME OF THE DIRECTOR	DESIGNATION
1.	Thiru VIKRAM KAPUR, I.A.S.,	Chairman/TANTRANSCO & Secretary Energy Department, GoTN (a/c)
2.	Thiru S. SHANMUGAM, B.E.	Managing Director
3.	Thiru. T. SENTHILVELAN, B.E.	Director/Transmission Projects
4.	Tmy.M.MAHESWARI BAI, B.Com., ACMA.	Director/ Finance/ TANTRANSCO
5.	Tmy. A. AXILIUM JAYAMARY, B.E.(Hons), M.E.,M.I.E.	Director/Operation
6.	Tmt. M. A. HELEN, M.E.	Part Time Director, TANTRANSCO Director (Distribution), TANGEDCO
7.	Thiru. T. VELMURUGAN, B.E.	Part time Director, TANTRANSCO Director (Generation), TANGEDCO
8.	Thiru. VIKRAM KAPUR, I.A.S.	Principal Secretary to Govt., Energy Department, Ex-officio Director, TANTRANSCO
9.	Thiru. K.SHANMUGAM, I.A.S.	Additional Chief Secretary to Government, Finance Department. Ex-officio Director, TANTRANSCO
10.	Thiru M.S.SHANMUGAM, I.A.S.	Addl. Secretary to Govt., Industries Department, Ex-officio Director, TANTRANSCO.

COMPANY SECRETARY Thiru D. SURESHKUMAR	STATUTORY AUDITORS M/s. Thiagarajan & Co. Chartered Accountants
REGISTERED OFFICE	
NPKRR MAALIGAI, (TNEB COMPLEX), No. 144, Anna Salai, Chennai – 600 002. Website : www.tantransco.gov.in (CIN No. U40109TN2009SGC071948)	

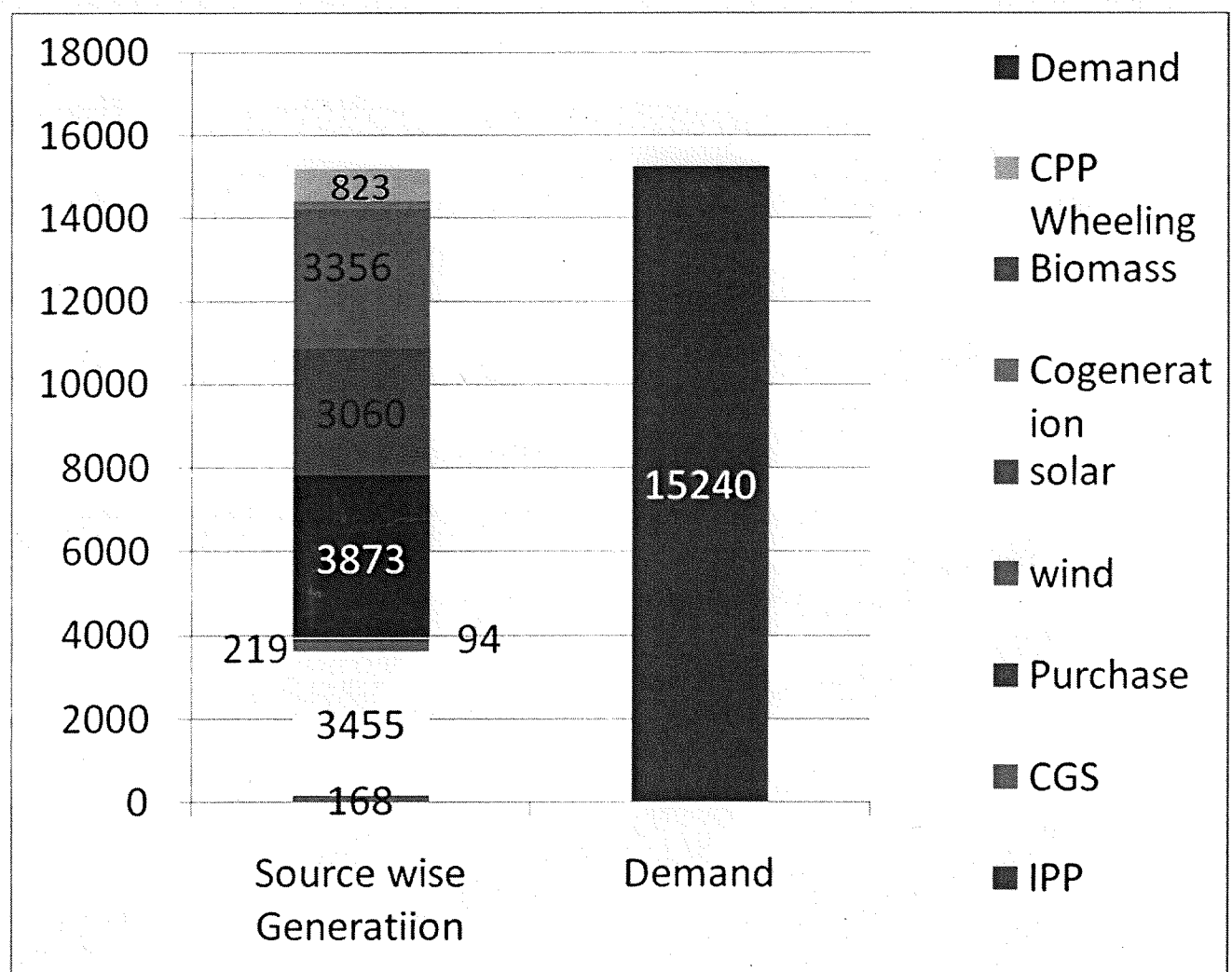
*As on 31.03.2018

FINANCIAL RESULTS**(Rs. In lakhs)**

	Year Ended 31-Mar-2018	Year Ended 31-Mar-2017
INCOME		
Revenue from Operations	2,53,960.62	2,28,834.65
Other Income	24,224.08	28,973.07
Total Revenue	2,78,184.70	2,57,807.72
EXPENSES		
Employee Benefit Expenses	1,09,103.69	97,168.03
Finance Costs	1,21,711.10	1,03,021.98
Depreciation (<i>Net</i>)	75,228.89	59,036.40
Other Expenses	26,937.49	24,593.03
Total Expenses	3,32,981.17	2,83,819.44
PROFIT BEFORE PRIOR PERIOD, EXTRAORDINARY, EXCEPTIONAL ITEMS AND TAXATION	(54,796.47)	(26,011.72)
a) Net prior period expenses/(Income)	(5,683.08)	1,411.66
b) Extraordinary charges	83.81	70.11
c) Exceptional Item	4,17,417.00	
PROFIT BEFORE TAXATION	(4,66,614.19)	(27,493.49)

6. State of Company's Affairs And Future Outlook

Maximum Demand on 19/04/2017 – Category wise Generation



6.1 Overview of Journey during the last five years till March 2018.

We have built and own 986 number of substation as on 31st March 2018 in comparison to 797 Nos. of substation in 31st March 2012. Each new substation is being added not only to cater the demand but to give reliable & quality power on 24 x 7 basis along with stability of network as well as reducing the losses. With the addition of each new substation, one can understand the growth of transmission utility commensurate with additional generation capacity matching with demand.

Sl.No.	Voltage Class	Substations as on (Nos.)		EHV Network as on (Ckm)	
		March 2012	March 2018	March 2012	March 2018
1	66 kV	10	5	1186.000	882.960
2	110kV	703	857	15046.000	18707.805
3	230 kV	70	100	8249.000	9904.401
4	400 kV	14	24	16.000	4030.934
	TOTAL	797	986	24497.000	33526.100

Similarly TANTRANSCO owns a vast network of EHV transmission lines ranging from 66 KV to 400 KV. As on March 2012 there were 24497.017 Ckm of transmission lines, which have been expanded to 33526.100 Ckm as on 31st March 2018.

TRANSMISSION LOSS:

Transmission Loss		
Sl.No.	Year	Loss in %
1	11/10 - 3/11	4.56
2	2011-12	4.25
3	2012-13	4.15
4	2013-14	4.09
5	2014-15	4.09
6	2015-16	4.11
7	2016-17	4.08
8	2017-18	4.02

6.2 Major initiatives by TANTRANSCO

- Among all State Transmission utilities in India, TANTRANSCO is the first utility to erect a 765 KV transmission network.
- Selvapuram 230/110 KV substation in Coimbatore district is proposed as digital Substation by adopting digital technology in the communication network between C&R Panels and yard equipments. By this arrangement, the time taken for rectification fault is reduced and supply can be restored early.
- TANTRANSCO has proposed to replace the existing conductor using new technology conductor of High Temperature Low Sag (HTLS) to improve the current carrying capacity of 2 nos 230 kV EHT Lines and 8 nos 110kV EHT lines, to meet out the increasing demand.

6.3 State Grid Operations

State Load Dispatch Centre (SLDC)

The state load dispatch centre is the Apex body to ensure integrated operation of the power system in the State.

Functions of State Load Dispatch Centre are as under:

- (a) Responsible for optimum scheduling and dispatch of electricity within a State, in accordance with the contracts entered into with the licensees or the generating companies operating in that State;
- (b) Grid operations; Monitoring
- (c) Keep accounts of the quantity of electricity transmitted through the State grid;
- (d) Exercise supervision and control over the intra-State transmission system; and
- (e) Responsible for carrying out real time operations for grid control and dispatch of electricity within the State through secure and economic operation of the State grid in accordance with the Grid Standards and the State Grid Code.

SLDC is carrying out real time operation such as monitoring & control of grid parameters, outages, contingency management & disturbance handling in coordination with SRLDC and Intra-state generation companies, transmission licensees, distribution utilities and open access users so as to ensure healthiness of the state grid and ensure economical power transmission to the State of Tamil Nadu. Draft Notification has been made by Hon'ble TNERC for implementing Intra state ABT mechanism. Issuing Energy Injection reports for Renewable Energy Certification to Renewable Energy Generators in the State. SLDC is nodal agency for Short Term Open Access approval for Tamil Nadu.

6.4 Highlights for the FY 2017-18 are as under:

i. Maximum State Demand Catered was 15,240 MW reached on 19.4.2017.

ii. System frequency

Frequency Profile for 2017-18:

Percentage of time when frequency was between

i) 49.90 Hz & <50.00 Hz 50.84%

ii) 50.00 Hz % <50.05Hz 26.04%

iii) Average frequency for the year 49.98Hz

iii. Energy demand catered

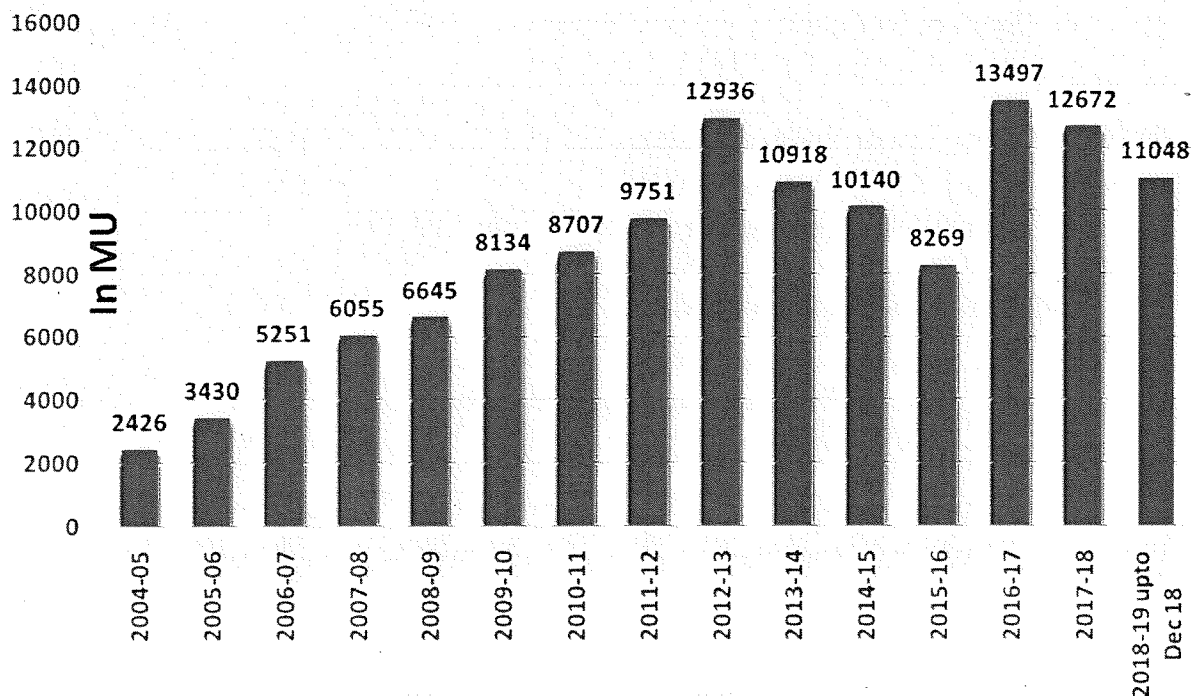
Details	Achieved	Date
Consumption	342.401 MU	28.3.2017
Demand	15240 MW	19.4.2017
Wind Energy	102.579 MU	04.8.2017
Wind Generation	5096 MW	27.7.2017
Solar Energy	11.506 MU	06.7.2017
Solar Generation	1652 MW	05.3.2018
Chennai Consumption	64.830 MU	03.6.2017
Chennai Demand	3332 MW	30.6.2017

6.5 Generation capacity as on 31.03.2018

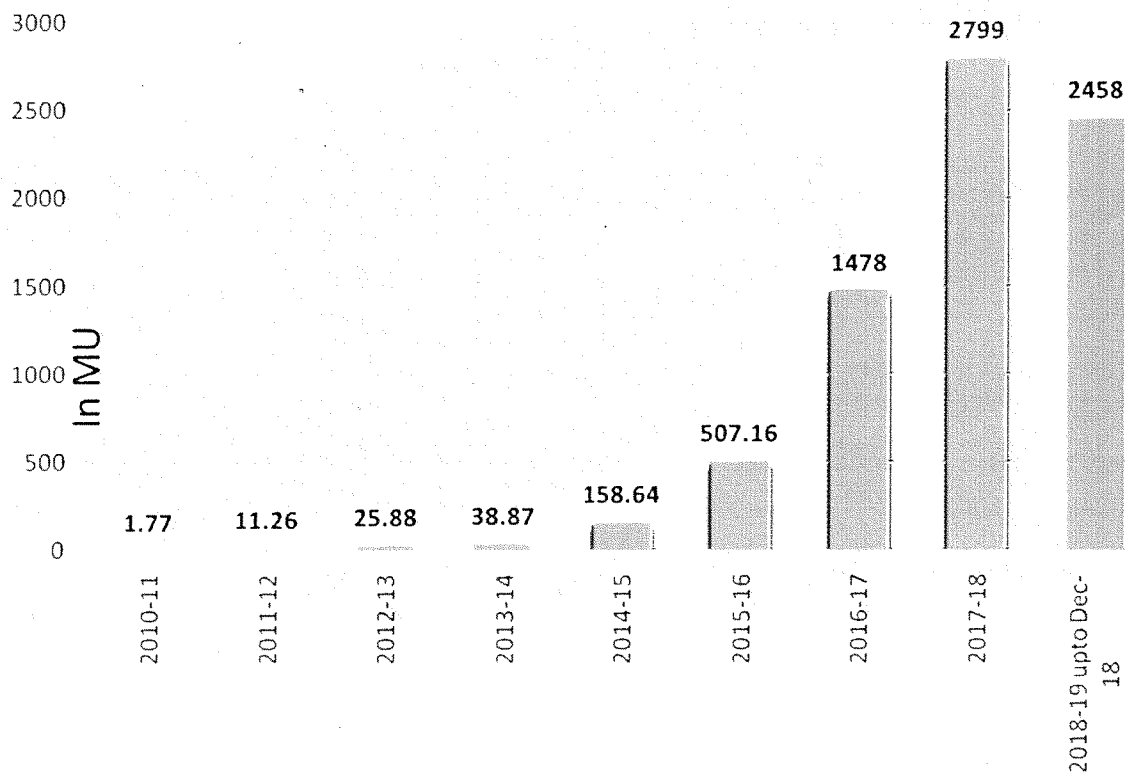
Generator	Installed capacity in MW
TN Hydro	2308
TN Thermal	4320
TN Gas	516
TN IPP	746
CGS Thermal	4437
CGS Nuclear	1701
Purchase	3190
CPP	987
Wind	7962
Solar	1865
Cogen	659
Biomass	230
Total	28921

6.6 Renewable Energy Generation:-

Tamil Nadu – Wind Generation in MU Year wise



Tamil Nadu – Solar Generation in MU Year wise



Solar Power Plant at Kamudhi:

With a generating capacity of 648 MW at a single location, the exciting thing is, this solar power plant consists of 25 lakh solar modules and 27000 metres of structures and also consist of 576 inverters and 154 transformers and almost 7500 km of cables.

6.7 Demand Forecasting:

- At present the day ahead Demand Forecasting is done based on the past historical data.
- The grid demand is managed by the dispatch schedule to the generating stations as per the day ahead generation availability.
- Present day consumption in MU of the State includes the Auxiliary consumption of Generators in the Tamilnadu control area and the Transmission losses
- TANGEDCO has to provide the Demand for Region wise after deducting the respective losses in block wise.

7.0 Open Access & Grid connectivity related Activities for the year 2017-18

	STOA granted during 2017-18		
A	Intra/Inter State STOA (Excluding Power Exchange)	MW	Applications
	STOA Intra	9980	8106
	STOA Inter	20	17
B	Inter State STOA through Power Exchange		
	IEX	484	486
	PXIL	Nil	Nil
C	Energy Transaction through STOA		
	Year 2017-18	7102 MU	
D	Open Access		
1	Long Term Open Access		Nil
2	MTOA	412 nos (239 MW)	

8.0 HRD Initiatives:-

There is a Human Resource Development wing common for TANGEDCO and TANTRANSCO. The HRD is imparting training to various level of Engineers / Officers (Class-I & II) of TANGEDCO/TANTRANSCO through the following 4

Training Institutes viz Staff Training College/Chennai, Transmission & Distribution Training and Development Institute & Research Centre/ Madurai, Thermal Training Institute & Research Centre/North Chennai and Hydro Training Institute & Research Centre/Kuthiraikalmedu. The training is imparted to all Staff (Class III & IV) through the following 10 Technical Training & Development Centres viz., Korattur, Tiruvannamalai, Vellore, Pasumalai, Virudhunagar, Tirunelveli, Trichy, Thanjavur, Mettur & Coimbatore located at different parts of the state. Also a Cable Jointing Training & Development Centre, Chennai providing hands on practical training on Cable Jointing & End termination to the Engineers/Staff of TANGEDCO/TANTRANSCO.

8.1 Training & Development programmes conducted during 2017-18

Sl.No	Name of the Institute/Center	No of Programmes	Number of Engineers/Staff trained		Amount spent for training in Rs.
			Engineers	Staff	
1	Staff Training College, Chennai	9	179	39	235827
2	T&D, T&DI and RC Madurai	12	145		136120
3	TT&DC/Korattur	5		65	79932
4	TT&DC/Thiruvannamalai	9	5	92	78840
5	TT&DC/Vellore	16	8	84	63136
6	TT&DC/Trichy	12		32	26478
7	TT&DC/Thanjavur	6		64	47792
8	TT&DC/Virudhunagar	7		65	41659
9	TT&DC/Tirunelveli	7		72	38607
10	TT&DC/Pasumalai	13	2	73	58614
11	TT&DC/Mettur	3		80	55502
12	TT&DC/Coimbatore	8		86	60946
13	CJT&DC	6	14	6	24958
	Total	113	353	758	Rs.9,48,411

In addition to the above, Officers/Staff were deputed for Hot Line training Programmes (exclusively for TANTRANSCO) at National Power Training Institute, Hot Line Training Center, Bangalore and are detailed below.

Sl.No.	Name of the Training Programme	Duration	No.of Participants (Officers/Staff)	Amount in Rupees spent for training
1	Switchyard Maintenance Training using Live-Line Maintenance Technique	4 weeks	22 Nos	2504568
2	Live-Line Maintenance Technique	11	12 Nos	2444736

	using Hot Stick Method	weeks		
3	Switchyard Maintenance Training using Live-Line Maintenance Technique	4 weeks	12 Nos	1517184
4	Live-Line Maintenance Technique using Hot Stick Method up to 220 KV	11 weeks	9 Nos	1833552
			55 Nos	Rs.83,00,040

9 Directors And Key Managerial Personnel

9.0 Directors:

SL.N O	NAME	Designation	Date of appoint- ment	Date of Cessa- tion
1	Dr. M. SAI KUMAR, I.A.S., Thiru. VIKRAM KAPUR, I.A.S.,	Chairman/TANTRANSCO, Chairman & Secretary Energy Department GoTN (a/c)	2.12.2014 13.3.2018	13.3.2018 ---
2	Thiru. S. SHANMUGAM, B.E.	Managing Director,	1.3.2016	---
3	Thiru. T. SENTHILVELAN, B.E.	Director / Transmission Projects	30.11.2015	---
4	Tmy.M.MAHESWARI BAI, B.Com., ACMA.	Director / Finance	22.9.2016	---
5	Tmy. A. AXILIUM JAYAMARY, B.E. (Hons), M.E., M.I.E.,	Director/Operation	30.11.2015	---
6	Tmt. M. A. HELEN, M.E.	Part time Director/ TANTRANSCO, Director / Distribution, TANGEDCO	1.2.2016	---
7	Thiru. T. VELMURUGAN, B.E.	Part time Director/ TANTRANSCO, Director / Generation, TANGEDCO	21.9.2016	---
8	Thiru. VIKRAM KAPUR, I.A.S.,	Principal Secretary to Govt., Energy Department, Ex-officio Director/ TANGEDCO, TANTRANSCO & TNEB Ltd.	6.3.2017	---
9	Thiru. K.SHANMUGAM, I.A.S.	Addl.Secretary to Govt., Finance Department, Ex-officio Director/TANGEDCO, TANTRANSCO & TNEB Ltd.		---
10	Thiru M.S.SHANMUGAM, I.A.S.	Addl.Secretary to Govt., Industries Department, Ex-officio Director, TANTRANSCO.	5.11.2015	---

9.1 Key Managerial Personnel

During the Financial year 2017-18, the following are the Key Managerial Personnel of the company as per the provisions of the companies Act 2013.

Name	Designation	Date of Appoint	Date of Cessation
Dr. Sai Kumar, I.A.S.,	Chairman	02/12/2014	13/03/2018
Shri Vikram Kapur I.A.S., (Appointed as ex-officio Director from 06-03-2017)	Chairman	13/03/2018	-
Er.S.Shanmugam,B.E.,	Managing Director	01/03/2016	-
Er. A. Axilium Jayamary, B.E(Hons),M.E, M.I.E	Director /Operation	30/11/2015	-
Er.T.Senthilvelan ,B.E.,	Director /Trans- mission Project.	30/11/2015	-
Tmy.M.Maheswari Bai, B.Com.,ACMA	Director /Finance	22/09/2016	-
Thiru.K.Muthupandian, M.Com., M.Ed., FCMA, ACS, PH.D.,	Chief Financial Controller	22/09/2016	-
Mr.D.Sureshkumar, B.Com.,ACMA.,ACS	Company Secretary	19/10/2016	-

9.2 Meetings

(i) Board Meetings

During the financial year under review, nine Board Meetings were held on the following dates:

S No.	Number of Board Meeting	Date of Board Meeting
1	72 nd Board Meeting	10.05.2017
2	73 rd Board Meeting	12.06.2017
3	74 th Board Meeting	24.08.2017
4	75 th Board Meeting	26.09.2017
5	76 th Board Meeting	31.10.2017
6	77 th Board Meeting	10.01.2018
7	78 th Board Meeting	30.01.2018
8	79 th Board Meeting	26.02.2018
9	80 th Board Meeting	28.03.2018

(ii) Board Meeting attendance of directors during the Financial Year
2017-18

Sl No	Name of the Directors.		No of BM held	
			Held	Attended
1	Dr. SAI KUMAR I.A.S.,	Chairman	9	8
2	Thiru. K. SHANMUGAM I.A.S.,	Ex-officio Director	9	9
3	Thiru VIKRAM KAPUR I.A.S.,	Ex-officio Director	9	8
4	Thiru M S SHANMUGAM I.A.S.,	Ex-officio Director	9	0
5	Thiru .S. SHANMUGAM, B.E.,	Director	9	9
6	Tmt. A. AXILIUM JAYAMARY, B.E.(Hons), M.E., M.I.E.,	Director	9	9
7	Thiru. T. SENTHILVELAN, B.E.,	Director	9	9
8	Tmt. M. MAHESWARI BAI, B.Com., A.C.M.A.,	Director	9	9
9	Thiru. T. VELMURUGAN, B.E.,v	Part-Time Director	9	9
10	Tmt. M.A. HELEN, B.E.,	Part-Time Director	9	9

Note: Dr. Sai Kumar I.A.S ceased to be Director with effect from 13.03.2018

(iii) Annual General Meeting 2017-2018

	Name of the Directors Attended	
8 th Annual General Meeting	Dr. SAI KUMAR I.A.S., Thiru. K. SHANMUGAM I.A.S., Thiru .S. SHANMUGAM Thiru. T. VELMURUGAN Thiru. T. SENTHILVELAN Tmt. M. MAHESESWARI BAI Tmt. A. AXILIUM JAYAMARY	30.01.2018

9.3 Committee of the Board of Directors

The company has the following committees of the Board of Directors.

Audit committee

The Audit committee was reconstituted pursuant to provision of Section 177 of the companies Act 2013. The composition of Audit committee as on the 31.3.2018 is as under.

Sl No	Name of the Directors.	
1	Dr. SAI KUMAR I.A.S.,	Chairman
2	Thiru. K. SHANMUGAM I.A.S.,	Member
3	Thiru VIKRAM KAPUR I.A.S.,	Member
4	Thiru M.S. SHANMUGAM I.A.S.,	Member

Audit Committee Meeting

Sl. No.	Number of ACM	Date of ACM
1	20 th Audit Committee Meeting	31.10.2017
2	21 st Audit Committee Meeting	10.01.2018
3	22 nd Audit Committee Meeting	30.01.2018
4	23 rd Audit Committee Meeting	28.03.2018

Audit Meeting - Attendance of directors during the F Y 2017-18

Sl No	Name of the Directors.		No of AM held	
			Held	Attended
1	Dr. SAI KUMAR I.A.S.,	Chairman	4	4
2	Thiru. K. SHANMUGAM I.A.S.,	Member	4	4
3	Thiru. VIKRAM KAPUR I.A.S.,	Member	4	4
4	Thiru. M .S. SHANMUGAM I.A.S.,	Member	4	0

The scope & terms of reference of the Audit Committee is in Accordance with the Act. During the year under review, the Board of Directors of the company had accepted all the recommendations of the Audit Committee.

10. STATUTORY AUDITORS:

The C & AG of India have appointed M/s. B.Thiagarajan & Co., Chartered Accountants., Chennai as Statutory Auditors for auditing the Accounts of TANTRANSCO for the Financial Year 2017-18.

11. COST AUDITOR:

The Govt. of India, Ministry of Corporate Affairs Cost Audit Branch, New Delhi in exercise of the power conferred u/s.148 of the Companies Act 2013, issued Cost Audit orders to audit the Cost Accounting records and books of Accounts maintained by the company. Accordingly, the Board of Directors appointed Thiru. C.T.Sridhar, Cost and Management Accountant as the Cost Auditor for the financial year 2017-18 which has been approved by the Ministry of Corporate Affairs Cost Audit Branch, New Delhi

12. SECRETARIAL AUDITOR:

The Board of TANTRANSCO has appointed M/s. V.Mahesh & Associates, practicing Company Secretaries as Secretarial Auditor of Tamil Nadu Transmission Corporation Ltd. to conduct the Secretarial Audit for the financial year 2017-18 in compliance with the provisions of Section 204(1) of the Companies Act, 2013.

**13. CONSERVATION OF ENERGY: TECHNOLOGY ABSORPTION: AND
FOREIGN EXCHANGE EARNINGS & OUTGO:**

13.1 Since the company is not engaged in any of the activities indicated in Schedule-A of the Companies (Disclosure of Particulars in the report of the Board of Directors) Rules, 1988, the details in this regard are to be taken as NIL.

13.2 The company is constantly working towards strengthening of the Transmission system so as to improve the reliability and quality of power and to further reduce the transmission losses.

13.3 The foreign exchange earnings and the outgo during the FY 2017-18 is Nil.

14 Directors' responsibility statement :

In accordance with Section 134(3) (c) of the Companies Act, 2013, the Directors of the Company hereby state that:

- I. The Financial statements have been prepared on accrual basis of accounting under historical cost convention and in accordance with the generally accepted accounting principles in India. As per Notification of Ministry of Corporate Affairs dated 16th February 2015, Ind AS is applicable to the Company. The Company has proposed to adopt Ind AS standards on completion of detailed analysis of financial implications of adopting the Ind AS standards.

For the Financial year 2017-18, the Company has implemented the provisions of the Companies Act, 2013 by preparing and presenting the financial statements in accordance with the requirements of Schedule III of Companies Act, 2013. The company has also reclassified previous year figures to bring the same in accordance with the Schedule III presentation requirements. The financial statements up to the year ended 31st March 2017 were prepared in accordance with the ESAAR (Electricity Supply Annual Accounts Rules 1985).

- II. The Directors had selected such accounting policies and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for that period.
- III. The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the statutory provisions, for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities; and
- IV. The Directors had prepared the annual accounts on a going concern basis.

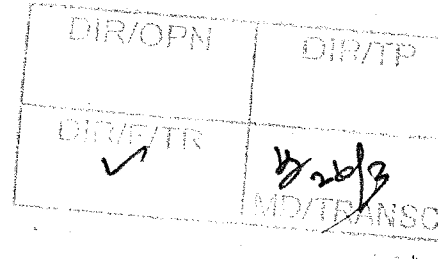
ACKNOWLEDGEMENTS

The Board of Directors would like to place on record its appreciation for all the support and guidance extended by the Government of Tamil Nadu, Government of India, Tamil Nadu Electricity Regulatory Commission, TNEB Limited, TANGEDCO and other agencies such as Government Treasury, CEA, PFC, REC, NABARD, CERC, Commercial Banks and other Financial Institutions, Ministry of Corporate Affairs, Registrar of Companies and the General Public for their co-operation and active support to TANTRANSCO, in our endeavour to serve them. The Board of Directors would also like to place on record its appreciation for the dedicated and committed service rendered by the employees of the Corporation.

Place: Chennai

Date: 01.03.2019

Sd/-
Dr. SAI KUMAR,
CHAIRMAN



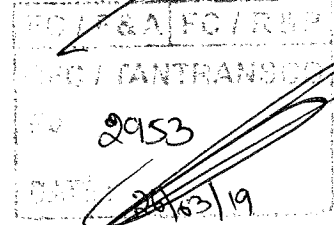
INDIAN AUDIT AND ACCOUNTS DEPARTMENT
O/o the Accountant-General
(Economic & Revenue Sector Audit), Tamil Nadu,
Branch Office, 3rd Floor Western Wing,
Tamil Nadu Electricity Board
144, Anna Salai, Chennai – 600 002
Ph.044-28522257 – E mail: rao@tnebnet.org

CFM
FC/F&A
26/3

No. AG(E&RSA)/BO-TNEB/DB/TANTRANSCO 17-18/277.

Dated: 25 March 2019

To
Managing Director,
Tamil Nadu Transmission Corporation Limited,
144, Anna Salai,
Chennai - 600 002.



Sir,

Sub: Comments of the C&AG of India u/s 143 (6) (b) of the Companies Act, 2013 on the accounts of Tamil Nadu Transmission Corporation Ltd for the year ended 31st March, 2018 – reg.

The comments of the Comptroller and Auditor General of India under section 143(6)(b) of the Companies Act, 2013 on the accounts of Tamil Nadu Transmission Corporation Ltd., for the year ended 31st March, 2018 are forwarded herewith.

A copy of the minutes of Annual General Meeting in which comments of Comptroller and Auditor General of India are placed may please be sent to this office early. Six copies of printed Annual Reports as and when they are ready may also be forwarded to this office.

Yours faithfully,

Signature 25/3

Senior Deputy Accountant General /ES-II

Encl: As stated.

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**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA
UNDER SECTION 143 (6) (b) OF THE COMPANIES ACT, 2013 ON THE
FINANCIAL STATEMENTS OF TAMIL NADU TRANSMISSION CORPORATION
LIMITED, CHENNAI FOR THE YEAR ENDED 31 MARCH 2018.**

The preparation of financial statements of Tamil Nadu Transmission Corporation Limited, Chennai for the year ended 31 March 2018 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 is the responsibility of the management of the Company. The Statutory Auditor appointed by the Comptroller and Auditor General of India under Section 139 (5) of the Act is responsible for expressing opinion on the financial statements under Section 143 of the Act based on independent audit in accordance with the standards on auditing prescribed under Section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated 26 October 2018.

I, on the behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under Section 143 (6) (a) of the Act of the financial statements of Tamil Nadu Transmission Corporation Limited, Chennai for the year ended 31 March 2018. This supplementary audit has been carried out independently without access to the working papers of the Statutory Auditors and is limited primarily to inquiries of the Statutory Auditors and company personnel and a selective examination of some of the accounting records. Based on my supplementary audit, I would like to highlight the following significant matters under Section 143 (6) (b) of the Act, which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related audit report:

A. Notes forming part of the Financial Statements

1. Significant Accounting Policies

Note- 2.8: Revenue Recognition

The Company recognizes both Transmission charges and State Load Despatch Centre (SLDC) charges on accrual basis at the tariff rates notified by the Tamil Nadu Electricity Regulatory Commission (TNERC). While the Note above discloses the policy regarding recognition of transmission charges, the policy in respect of SLDC charges is not disclosed. The Note is deficient to that extent.

B. Balance Sheet

1. Equity and Liabilities

a) Shareholders Funds

Note -3 - Share Capital – ₹ 4,741.43 crore

This included ₹ 184.56 crore being the allotment of equity shares to be made to TNEB Ltd. on 30 April 2018. As the shares were pending allotment as on 31 March 2018, the amount should have been exhibited separately as Share Application Money Pending Allotment.

b) Non-Current Liabilities

Note-6 - Other Long Term Liabilities

Consumers' Contribution – ₹ 1,206.64 crore

This represented the amount received by TANTRANSCO as consumers' contribution for Deposit Contribution Works (DCW). As per the Accounting Policy indicated in Note- 2.9, assets created out of consumers' contribution are included under total assets of the Company. However proportionate depreciation charged on these assets were not deducted from consumers' contribution resulting in overstatement of the above head and loss from operations. The extent of such overstatement could not be quantified by audit for want of details regarding assets created out of consumers' contribution.

c) Current Liabilities

Note-8 – Trade Payable

Sundry Creditors for Capital Goods – ₹ 689.79 crore

The above head does not include ₹ 181.13 crore being the value of various work orders completed by the Contractors and certified by the General Circles concerned after check measurement as on 31 March 2018 in respect of ongoing transmission works. This has resulted in understatement of the above head and capital work-in-progress by ₹ 181.13 crore.

d) Current Liabilities

Note-9 – Other Current Liabilities

Other Liabilities and Provisions – ₹ 2,290.41 crore

This included balances representing General Provident Fund and Contributory Pension Scheme Fund of the employees as on 31 March 2018. In the absence of reconciliation

between the funds' broadsheet and the ledger balances, the correctness of the figures included in the accounts could not be certified by audit.

2. Assets – Non Current Assets

a) Note -11 – Property, Plant and Equipment – ₹ 30,742.26 crore

i) The Net Block of Property, Plant and Equipment as on 31 March 2018 as indicated in Note No.11 is ₹ 30,739.36 crore (₹ 28,939.85 crore as on 31 March 2017) whereas the corresponding figure shown in the face of the Balance Sheet is ₹ 30,742.26 crore (₹ 28,941.72 crore as on 31 March 2017). This needed reconciliation.

ii) The above does not include ₹ 145.02 crore being substation and line works completed by General Construction Circles, Trichy and Salem and commissioned during 2017-18. This has resulted in understatement of the above head and overstatement of capital work-in progress by ₹ 145.02 crore.

b) Note -12 – Capital Work in Progress – ₹ 6,153.65 crore

i) The above includes an amount of ₹ 16.29 crore being value of works completed by TANTRANSCO on behalf of TANGEDCO and commissioned during 2017-18. Consequently, the above head is overstated and Trade Receivable (amount receivable from TANGEDCO) is understated by ₹ 16.29 crore.

ii) The above does not include ₹ 2.71 crore being the value of capital expenditure incurred by TANGEDCO on behalf of TANTRANSCO towards cost of lighting arresters, metering sets etc. Consequently, the above head is understated and Trade Payable (amount payable to TANGEDCO) is understated by ₹ 2.71 crore.

3. Assets –Current Assets

a) Note -14 – Inventories – ₹ 215.02 crore

The above does not include ₹ 2.68 crore being the value of inventory received by General Construction Circle, Trichy during March 2018 but accounted for in April 2018. This has resulted in understatement of inventories by ₹ 2.68 crore and understatement of sundry creditors for capital goods by the same amount.

b) Note -15 –Trade Receivable –₹ 6,288.11 crore

The above does not include ₹ 1.65 crore being SLDC charges relating to prior periods receivable from sundry debtors. Consequently, the above head and prior period income is understated by ₹ 1.65 crore.

C. Statement of Profit and Loss for the year ended 31 March 2018

1. Income

a) Note -19 – Revenue from Operations –₹ 2,539.61 crore

(i) The above includes ₹ 124.58 crore being System Operating Charges, Scheduling Charges, Reactive charges, Wheeling Charges, Transformer charges *etc.* which are related to SLDC Operation and Maintenance for which separate tariff orders had been issued by TNERC. As such this amount needed to be disclosed separately under 'Other Operating Revenue'. Combining this income with the Transmission charges had resulted in overstatement of the above head by ₹ 124.58 crore and understatement of Other Operating Revenue to the same extent.

(ii) As per tariff orders of TNERC, scheduling charges and system operating charges would be payable by all the open access customers. TANTRANSCO raised bills for these charges on the open access customers other than the renewable energy generators, due to a stay order on collection of the charges from renewable energy generators issued by the Madras High Court. The charges not collected, amounted to ₹ 59.57 crore. The fact regarding non collection of the charges and its impact on the accounts had not been disclosed in the notes to accounts.

b) Note -20 – Other Income –₹ 242.24 crore

i) The above includes ₹ 139.29 crore being operation and maintenance charges collected from wind energy generators towards maintenance of substations established for evacuation of wind energy and ₹ 25.17 crore being open access fee, parallel operation charges *etc.* collected from customers. Since these income are in the nature of Other Operating Revenue, treating them as Other Income is not in order. This has resulted in overstatement of Other Income by ₹ 164.46 crore and consequently in understatement of Other Operating Revenue by the same amount.

ii) The above also includes ₹ 5.25 crore being Inter-State transmission and other income relating to prior periods. Consequently, the above head is overstated and prior period income understated by ₹ 5.25 crore.

2. Expenses

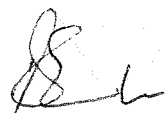
a) Note -21 – Employee benefit expenses – ₹ 1,091.04 crore

The above includes only the net amount of expenditure incurred on the employees on deputation from TANGEDCO. However, the impact on the accounts due to the wage revision settlement effected in March 2018, arrears for which were paid subsequently in 2018-19 has not been brought out.

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

Place: Chennai.

Date: 25.03.2019



Pr. Accountant General

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TAMIL NADU TRANSMISSION CORPORATION LIMITED

Comptroller and Auditor General of India's comments on the Annual Accounts for the FY 2017-18 and Balance Sheet as on 31.3.2018 and Management reply thereon.

SL.NO.	AG COMMENTS	MANAGEMENT REPLY
A.1.	A. Notes forming part of the Financial Statements 1. Significant Accounting Policies Note- 2.8: Revenue Recognition The Company recognizes both Transmission charges and the State Load Despatch Centre (SLDC) charges on accrual basis at the tariff rates notified by the Tamil Nadu Electricity Regulatory Commission (TNERC). While the Note above discloses the policy regarding recognition of transmission charges, the policy in respect of SLDC charges is not disclosed. The Note is deficient to that extent. (Consolidation AE-1)	This will be brought into Notes forming part of Financial Statements in 2018-2019.
B.1.a)	B. Balance Sheet as at 31 March 2018 1. Equity and Liabilities a) Shareholders Funds Note -3 - Share Capital - Rs.4,741.43 crore This included Rs.184.56 crore representing equity shares allotment made to TNEB Ltd. on 30 April 2018. As the shares were pending allotment as on 31 March 2018, the amount should have been exhibited separately as Share Application Money Pending Allotment. (Consolidation AE-3)	The increase in Share Capital is due to passing of entry in the accounts with a view to give impact for the revised ratio in the final transfer scheme. As such, there is no real inflow of cash. Hence, this has been accounted under share capital.
b)	b) Non-Current Liabilities Note-6 - Other Long Term Liabilities Consumers' Contribution - Rs. 1,206.64 crore This represented the amount received by TANTRANSCO as consumers'	The assets created out of consumer's contribution for DCW will be identified and will be rectified in 2018-2019.

TAMIL NADU TRANSMISSION CORPORATION LIMITED

Comptroller and Auditor General of India's comments on the Annual Accounts for the FY 2017-18 and Balance Sheet as on 31.3.2018 and Management reply thereon.

	contribution for Deposit Contribution Works (DCW). In accordance with the Accounting Policy indicated in Note- 2.9, assets created out of consumers' contribution are included under total assets of the Company. However proportionate depreciation charged on these assets were not deducted from consumers' contribution resulting in overstatement of the above head as also overstatement of loss from operations. The extent of such overstatement could not be quantified by audit for want of details regarding assets created out of consumers' contribution. (Consolidation AE-11)	
c)	c) Current Liabilities : Note-8- Trade Payable Sundry Creditors for Capital Goods – Rs. 689.79 crore The above head does not include Rs.181.13 crore being the value of transmission works completed by the contractors as on 31 March 2018 and certified by the concerned General Construction Circles after check measurement. This has resulted in understatement of the above head by Rs.181.13 crore with corresponding understatement of capital work-in-progress by the same amount. (GCC Madurai AE-3, GCC Trichy AE-3)	GCC/Madurai Rs.27.06 crores GCC/Trichy Rs.154.07 crores Total Rs.181.13 crores This will be brought into accounts in 2018-2019 (14.000 Dr. to 42.000 Cr.)
d)	d) Current Liabilities Note-9 – Other Current Liabilities Other Liabilities and Provisions – Rs.2,290.41 crore This included balances representing General Provident Fund and Contributory Pension Scheme Fund of the employees as on 31	Reconciliation is under progress and this will be completed in 2018-2019 and accounted properly.

TAMIL NADU TRANSMISSION CORPORATION LIMITED

Comptroller and Auditor General of India's comments on the Annual Accounts for the FY 2017-18 and Balance Sheet as on 31.3.2018 and Management reply thereon.

	March 2018. In the absence of reconciliation between the funds' broadsheet and the ledger balances, the correctness of the figures included in the accounts could not be certified by audit. (Cash AE-12,13)	
2.a)i)	2. Assets – Non Current Assets a) Note -11 – Property, Plant and Equipment – Rs. 30,742.26 crore i) The Net Block of Property, Plant and Equipment as on 31 March 2018 as indicated in Note No.11 is Rs. 30,739.36 crore (Rs.28,939.85 crore as on 31 March 2017) whereas the corresponding figure shown in the face of the Balance Sheet is Rs.30,742.26 crore (Rs.28,941.72 crore as on 31 March 2017). This needed reconciliation. (Consolidation AE-5)	This is a typographical error and now rectified.
ii)	ii) The above does not include Rs.139.59 crore being substation and line works completed by General Construction Circles, Trichy and Salem and commissioned during 2017-18. This has resulted in understatement of the above head and overstatement of capital work-in progress by Rs.139.59 crore. (Operation - Trichy AE-1 and Operation - Salem AE-1, GCC-Trichy AE-2)	Operation/Trichy : Rs. 33.22 crores Operation/Salem : Rs. 24.06 crores GCC/Trichy : Rs.87.20 crores Total Rs 145.02 crores This will be accounted properly in 2018-2019 (32.000 Dr to 14.000 cr.)
b)i)	b) Note -12 – Capital Work in Progress – Rs. 6,153.65 crore i) The above included Rs.16.29 crore being value of works completed by TANTRANSCO on behalf of TANGEDCO and commissioned during	GCC/Trichy Rs. 8.52 crores NCES/Udumalpet Rs.7.77 crores Total Rs. 16.29crores This will be accounted properly in 2018-2019 (28.862 Dr. to 18.000 Cr. - Rs.8.52

TAMIL NADU TRANSMISSION CORPORATION LIMITED

Comptroller and Auditor General of India's comments on the Annual Accounts for the FY 2017-18 and Balance Sheet as on 31.3.2018 and Management reply thereon.

	2017-18. Consequently, the above head is overstated and Trade Receivable (amount receivable from TANGEDCO) is understated by Rs. 16.29 crore. (GCC-Trichy AE-1 and NCES-Udumalpet AE-2)	crores) (14.656 Dr. to 28.862 Cr. - Rs.7.77 crores)
ii)	ii) The above does not include Rs.2.71 crore value of capital expenditure and materials incurred by TANGEDCO on behalf of TANTRANSCO towards cost of lighting arresters, metering sets etc. Consequently, the above head is understated and Trade Payable (amount payable to TANGEDCO) is understated by Rs.2.71 crore. (NCES-Udumalpet AE-7)	NCES/Udulmalpet Rs.2.71 crores This will be brought into accounts in 2018-2019 (14.000 Dr. to 31.000 Cr.)
3.a)	3. Assets –Current Assets a) Note -14 – Inventories – Rs.215.02 crore The above does not include Rs.2.68 crore being the value of inventory received by General Construction Circle, Trichy during March 2018 but accounted subsequently in April 2018. This has resulted in understatement of inventories by Rs.2.68 crore and understatement of sundry creditors for capital goods by the same amount. (GCC-Trichy AE-7)	GCC/Trichy Rs.2.68 crores This will be brought into accounts in 2018-2019.
b)	b) Note -15 –Trade Receivable – Rs. 6,288.11 crore The above does not include Rs.1.65 crore being SLDC charges relating to prior periods receivable from sundry debtors. Consequently, the above head is understated by Rs.1.65 crore and prior period income understated by the same amount. (Cash AE-11)	Head Quarters – Cash Compilation Rs.1.65 crores This will be brought into accounts in 2018-2019 (28.108 Dr. to 65.800 Cr.)

TAMIL NADU TRANSMISSION CORPORATION LIMITED

Comptroller and Auditor General of India's comments on the Annual Accounts for the FY 2017-18 and Balance Sheet as on 31.3.2018 and Management reply thereon.

c.1.a)	C. Statement of Profit and Loss for the year ended 31 March 2018 1. Income a) Note -19 - Revenue from Operations -Rs.2,539.61 crore (i) The above includes Rs.124.58 crore being System Operating Charges, Scheduling Charges, Reactive charges, Wheeling Charges, Transformer charges etc. which are related to SLDC Operation and Maintenance for which separate tariff orders had been issued by TNERC. As such this amount needed to be disclosed separately under 'Other Operating Revenue'. Combining this income with the Transmission charges had resulted in overstatement of the above head by Rs.124.58 crore and understatement of Other Operating Revenue to the same extent. (Consolidation AE-7)	This will be properly exhibited in Notes on accounts in 2018-2019.(consolidation)
ii)	(ii) As per tariff orders of TNERC, scheduling charges and system operating charges would be payable by all the open access customers. While TANTRANSCO raised bills for these charges on the open access customers other than the renewable energy generators, demand was not raised on the renewable energy sources due to a stay on collection of the charges issued by the Madras High Court. The charges not collected, worked out on the basis of contracted capacity, amounted to Rs.59.57 crore. The fact regarding non collection of the charges and its impact on the accounts had not been disclosed. (Funds AE-8)	As there is stay from Hon'ble High Court of Madras the amount could not be brought into accounts/collected. However, this will be exhibited in Notes on accounts properly during 2018-2019(Head Quarters - Funds).

TAMIL NADU TRANSMISSION CORPORATION LIMITED

Comptroller and Auditor General of India's comments on the Annual Accounts for the FY 2017-18 and Balance Sheet as on 31.3.2018 and Management reply thereon.

b) i)	b) Note -20 - Other Income - Rs.242.24 crore i) The above includes Rs.139.29 crore being operation and maintenance charges collected from wind energy generators towards maintenance of substations established for evacuation of wind energy and Rs.25.17 crore being open access fee, parallel operation charges etc collected from customers. Since these income are in the nature of Other Operating Revenue, treating them as Other Income is not in order. This has resulted in overstatement of Other Income by ` 164.46 crore and consequently in understatement of Other Operating Revenue by the same amount. (Consolidation AE-8 and 9)	This will be properly accounted under other operating revenue during 2018-2019(consolidation).
ii)	ii) The above also includes Rs.5.25 crore being Inter-State transmission and other income relating to prior periods. Consequently, the above head is overstated and prior period income understated by Rs. 5.25 crore. (Cash AE-11)	This will be brought into account properly in 2018-2019(61.806 Dr. 1.30 crores) <u>(61.832Dr. 3.95 crores)</u> To 65.800 5.25 crores
2. a)	2. Expenses a) Note -21 - Employee benefit expenses - Rs.1,091.04 crore The above includes only the net amount of expenditure incurred towards employee cost in respect of the employees on deputation from TANGEDCO. Further, the impact on the accounts due to the wage revision settlement effected in March 2018, arrears for which were paid subsequently in 2018-19 had also not been brought out. (cash AE 7)	This will be obtained from TANGEDCO and accounted properly in 2018-2019.



B. THIAGARAJAN & Co.
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT.

To The Members of

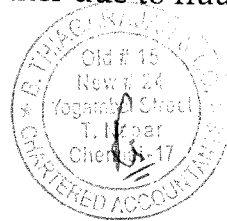
TAMILNADU TRANSMISSION CORPORATION LIMITED, CHENNAI

Report on the Financial Statements

1. We have audited the accompanying financial statements of **TAMILNADU TRANSMISSION CORPORATION LIMITED** ("TANTRANSCO"/"the Company"), which comprise the Balance Sheet as at 31st March, 2018, the Statement of Profit and Loss Account, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
3. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.



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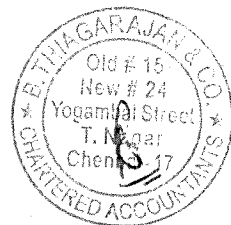
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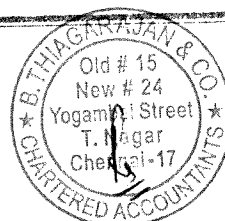
Auditors' Responsibility

4. Our responsibility is to express an opinion on these financial statements based on our audit.
5. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.
6. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical Requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
7. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.
8. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.



Basis for Qualified Opinion

9. Reference is invited to Note 26.3 forming part of the Accounts regarding depreciation on the revalued portion of assets adjusted against the Revaluation Reserve for the Financial Years 2010-11 to 2016-17 which is not in accordance with Indian Accounting Standards ("Ind AS") and the provisions of Companies Act, 2013. The impact of such adjustments is the understatement of the Depreciation charged to the Statement of Profit and Loss Account and consequentially the Loss before tax as per Statement of Profit and Loss Account for the current year of the Company by Rs 607.26 Crores (up to Previous Year Rs. 1,821.78 Crores) and impact of such adjustments for the Financial Years 2014-15, 2015-16, 2016-17 & 2017-18 is the overstatement of the Surplus as per the Balance Sheet by Rs 2,429.04 Crores (upto Previous Year Rs. 1,821.78 Crores);
10. Reference is invited to Note 26.15 forming part of the Accounts regarding accounting treatment for construction contract services undertaken by the Company for TANGEDCO which are routed through the Capital Work in Progress Account instead of accounting for the same as a revenue transaction which is not accordance with generally accepted accounting principles and practices. The impact of the same is not ascertainable for the year ended 31st March 2018;
11. Reference is invited to Note 26.14 forming part of the Accounts regarding pension payments of existing pensioners of erstwhile TNEB being paid by TANGEDCO since no segregation of pensioners' liability has been finalized in the provisional transfer scheme. The Company has not recognised the overall liability towards pension dues. The payments of pension to those who have retired from 1st April 2017 to 31st March 2018 are made by TANGEDCO and one seventh towards TANTRANSCO's share for the Financial Year 2017-18 to the tune of Rs. 319.39 Crores has been made in the accounts.
12. Reference is invited to Note 26.31 forming part of the Accounts regarding interest amounting to Rs 4,174.17 Crores levied by TANGEDCO for the period from Financial Year 2010-11 to 2017-18 on the net amount payable by the Company to TANGEDCO and accounted by the Company during the year.



In the absence of a clear contractual arrangement indicating policy, rate of interest, basis and method of computation of interest charged by TANGEDCO on the net payable balance, which is neither confirmed nor reconciled, we are unable to express an opinion on the correctness of the basis and quantum of interest accounted by the Company during the year and the consequent impact of the loss of the Company for the year;

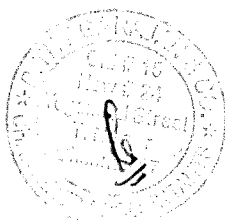
13. The Company has not incurred any expenditure towards Corporate Social Responsibility (CSR) during the current year as required under the provisions of Companies Act, 2013;

Paragraph 9 above has the effect of understatement of the current year's losses to the extent of Rs 607.26 Crores and has the effect of overstatement of reserves and surplus to the extent of Rs 607.26 Crores;

14. Reference is invited to Note 26.8 forming part of the Accounts regarding Inter Unit balances of Rs. (-) 580.62 Crores as at 31st March 2018 (As at Previous Year Rs (-) 645.83 Crores) which is subject to reconciliation. The impact of such non reconciliation is not ascertainable as at 31st March 2018;

15. Reference is invited to Note 2.7 forming part of the Accounts regarding Accounting policy for depreciation on fixed assets which have been calculated as per the regulations of Tamil Nadu Electricity Regulatory Commission and not using the rates arrived at based on useful life in the manner specified in Schedule II of the Companies Act, 2013, impact of which is not ascertainable.

16. In respect of accounting of Fixed Assets sold or withdrawn during the year; the value of deduction from the Gross block does not correspond to the value of such item of fixed asset included in the gross block, which is either at cost or revalued basis. This has the effect of overstatement of Gross block and Net block as at the Year end, the impact of which is not ascertainable fully for want of supporting documents;



17. *In the absence of proper records by the various circles of the Company including GCCs, Operation, Protection and Communication (P&C), Non-Conventional Energy Sources (NCESS) and Head Office, overall service tax liability due and payable and its reconciliation with the actual amount paid, the actual service tax liability from 1st July 2012 is not ascertainable and the impact on the accounts therein is not ascertainable.*
18. *Service tax payable includes amount reimbursable to the vendors towards works contract on production of actual payment of their portion of Service Tax, the amount of which is not ascertainable and to that extent the Service tax payable account is over stated.*
19. *In respect of guarantee commission payable to State Government for providing State Government guarantee for loans obtained by the Company, the Company has not paid Goods and Service Tax (GST) amounting to Rs 1.64 Crores under reverse charge mechanism on such guarantee commission is not in conformity with the provisions of GST;*
20. *Reference is invited to Note 26.20 forming part of the Accounts regarding employee subscription and the employer contributions towards provident fund and other funds, the company has not invested outside as per general practice;*
21. *Reference is invited to Note 26.21 forming part of the Accounts regarding accounting policy for staff loans wherein interest on such loans is recovered and accounted for as income in the books of account after the principal sum has been fully recovered from respective employees concerned. This is not in accordance with generally accepted accounting principles, the effect of which is not ascertainable as at 31st March 2018;*
22. *In the absence of proper records containing scheme wise details for Capital Work in Progress, we are unable substantiate the amount shown as Capital Work in Progress;*

The effect of Paragraphs 14 to 22 above on the Loss of the Company for the year ended 31st March 2018 is not ascertainable and the consequential impact on the resulting balances is not ascertainable.



23. *Reference is invited to Note 11 forming part of Accounts relating to Fixed assets balances wherein in the absence of supporting documents and records, we are not in a position to verify the details of addition to fixed assets made during the year;*
24. *In the absence of full details of the expenses reimbursable to TANTRANSCO from Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO) and vice-versa, and non-confirmation of balances thereon, we are not in a position to certify the correctness or otherwise of these figures in the Statement of Profit and Loss Account and Balance Sheet respectively;*
25. *In the absence of full details of the Revenue/Income reimbursable to TANTRANSCO from TANGEDCO, and non-confirmation of balances thereon, we are not in the position to certify the correctness or otherwise of these figures in the Statement of Profit and Loss Account and Balance Sheet respectively;*
26. *In the absence of reconciliation exercise of inter-unit balances between books of accounts maintained by Head Quarters (HQ) and circles, we are not in a position to certify the correctness of the Inter Unit;*
27. *In view of the fact that inter unit balances of HQ and circles are not reconciled in respect of payments directly made by the HQ to the contractor and/or suppliers of materials, on behalf of the circles, and the fact that such payments are not subsequently completely recorded by the respective circle as per Company policy, and in the absence of confirmation from the respective contractors/suppliers, we are unable to certify the correctness of the liability for supply material and contractors account;*
28. *In the absence of adequate records for Deposit Contribution Works (DCW), the correctness of balances shown in the books of account could not be confirmed;*
29. *There are no general ledgers maintained in the Head Office/Operation/General Construction Circles (GCC) and other units and only monthly statement of account are maintained;*
30. *There are no registers or records to support the value of land belonging to the company and in respect of land purchased by TANTRANSCO for establishment of sub-stations and Transmission lines, in many cases, the title deeds relating to the same are registered in the name TANGEDCO /TNEB and not in the name of TANTRANSCO;*



31. *Due to non-maintenance of proper records and non-confirmation of balance towards Security Deposit, Earnest Money Deposit (EMD) and Other Deposits received from suppliers and contractors, we are not in a position to certify correctness or otherwise of such balances;*
32. *Other than nodal circles wherein separate cash book is maintained since there is a separate bank account operated in the nodal circles only, no separate cash book is maintained for TANTRANSCO;*

The effect of Paragraphs 23 to 32 above on the Loss of the Company for the year ended 31st March 2018 and resulting balances thereon is not ascertainable.

33. *Reference is invited to Note 2.1 forming part of the Accounts regarding Applicability of Ind AS to the Company with effect from Accounting period beginning 1st April 2016 based on the net worth criteria. The Company has not adopted principles laid down in Ind AS notified under Section 133 read with Rule 4A of Companies (Indian Accounting Standards) Rules, 2015, as amended, and the relevant provisions of the Companies Act, 2013 (collectively, "Ind ASs") with effect from April 1, 2016 in accordance with the notification dated February 16, 2015, issued by the Ministry of Corporate Affairs, in the preparation of the Financial Statement for the Year Ended 31st March 2018, including:*

- a) Presentation of Financial Statements as per Ind AS 1 "Presentation of Financial Statements";*
- b) Valuation of inventories as per Ind AS 2 - "Inventories", the effect of which is not ascertainable in the absence of details;*
- c) Accounting of prior period income and expenses as per Ind AS 8 - "Accounting Policies, Changes in Accounting Estimates and Errors", the effect of which is not ascertainable in the absence of details;*
- d) Accounting including recognition, measurement, depreciation of Fixed Assets as per Ind AS 16 - "Property, Plant and Equipment", , the effect of which is not ascertainable in the absence of details;*
- e) Accounting of provision for long term employee benefits like Gratuity, GPF, CPS, Leave encashment, Gratuity etc., as per Ind AS 19 "Employee benefits", the effect of which is not ascertainable in the absence of details;*



- f) Accounting of Income Tax as per Ind AS 12 - "Income taxes", the effect of which is not ascertainable in the absence of details;
- g) Accounting of Grants received as per Ind AS 20- "Accounting for Government Grants and Disclosure of Government Assistance", the effect of which is not ascertainable in the absence of details;
- h) Accounting for provision for impairment of assets as per Ind AS 36 - "Impairment of Assets", effect of which is not ascertainable in the absence of details;
- i) Accounting for borrowing costs as per Ind AS 23 - "Borrowing Costs", the effect of which is not ascertainable in the absence of details;
- j) Accounting of changes in foreign exchange rates as per Ind AS 21 - "The effects of changes in foreign exchange rates", the effect of which is not ascertainable in the absence of details;
- k) Accounting including recognition, measurement and disclosure of provisions, contingent liabilities and contingent assets as per Ind AS 37 - "Provisions, Contingent Liabilities and Contingent Assets", , the effect of which is not ascertainable in the absence of details;
- l) Accounting of revenue as per Ind AS 115 - "Revenue from contracts with customers", the effect of which is not ascertainable in the absence of details
- m) Accounting of revenue as per Ind AS 11 - "Construction contracts", in respect of construction contract service undertaken for TANGEDCO for less than 33 kv sub-stations and lines, the effect of which is not ascertainable in the absence of details

In the absence of full particulars, the effect of Paragraphs 33 above on the Loss of the Company for the year ended 31st March 2018 and resulting balances thereon is not ascertainable.

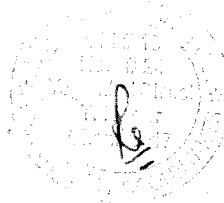


34. Reference is invited to Note 26.1 regarding additional equity share capital for consideration other than cash accounted during the year amounting to Rs 184.56 Crores to give effect to the final transfer scheme in respect of which necessary allotment formalities as per the Companies Act, 2013 has been complied with only in the subsequent Financial Year 2018-19. In the light of the fact that allotment formalities were completed subsequently, the accrual of increase in paid up equity share capital during the year is not in accordance with the Companies Act, 2013 and generally accepted accounting practices and has the effect of overstatement of equity share capital and the receivable from TANGEDCO to that extent;
35. Reference is invited to Note 26.15 regarding construction contract service undertaken for TANGEDCO for less than 33 kv sub-stations and lines which activity does not form part of the main objects clause of the Company as enumerated in the Memorandum of Association of the Company;
36. The Company has not appointed Independent Director to the Board as required under the provisions of Companies Act, 2013;
37. During the year no Internal Auditors have been appointed by the Company in the manner required under Companies Act, 2013;

The effect of Paragraphs 34 to 37 does not have an impact on the loss of the Company for the year ended 31st March 2018.

Emphasis of Matter

38. Reference is invited to Note 2.10 regarding The Exchange rate variation for the drawal of loan has been provided in the accounts. The provision of interest and commitment charges have been made in the accounts as per the data published in the website of Controller of Aid Accounts and Audit, Government of India.
39. Reference is invited to Note 26.6 forming part of Accounts on the non-availability of confirmations of balances for Sundry Creditors, Sundry Debtors, and other loans and Advances , other Deposits, Advances, Amount due to TANGEDCO and Amount due from TANGEDCO and all Staff Advances;
40. Reference is invited to Note 26.7 forming part of Accounts on income from service, the company has not accounted and provided for its liability towards service



tax/GST fully as the amount is not quantified and provision for the same has not been made.

41. *Reference is invited to Note 19 forming part of Accounts regarding transmission charges billed on TANGEDCO and other open access customers which have been limited to the extent of Rs 2,539.61 Crores for the Financial Year 2017-18.*
42. *Reference is invited to Note 20, regarding other income including O&M charges, amounting to Rs.139.30 Crores during the Financial Year 2017-18 (Previous year Rs.105.17 Crores) which is not confirmed by TANGEDCO.*
43. *Reference is invited to Note 26.30 regarding non reconciliation of dues payable to Karnataka on account of Transmission/Wheeling and Reactive energy charges.*

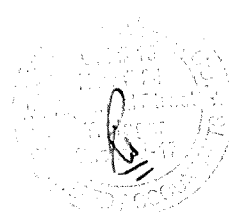
Qualified Opinion

44. In our opinion and to the best of our information and according to the explanations given to us, *subject to the effects of our comments described in the 'Basis for Qualified Opinion' Paragraph 9 to 37*, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India,
 - a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2018 and
 - b) in the case of the Statement of Profit and Loss Account, of the **LOSS** for the year ended on that date; and
 - c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

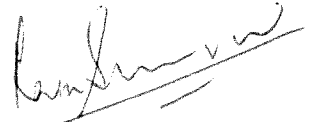
45. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the **Annexure A** statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
46. As required by Section 143 (3) of the Act, we report that:

- a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- b. *Subject to our comments in Paragraph 23 to 32 described in the 'Basis for Qualified Opinion' paragraph*, in our opinion, and proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
- c. The Balance Sheet, the Statement of Profit and Loss Account and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
- d. *In our opinion, the aforesaid financial statements do not comply with the Ind AS specified under Section 133 of the Act as per our comments in Paragraph 33 described in the 'Basis for Qualified Opinion';*
- e. The provisions of section 164 (2) of the Companies Act, 2013, on the disqualification of the directors are not applicable to the company as per paragraph serial No. 19 chapter 11 notification no. G.S.R 463 (E) dated 5th June 2015 of the Department of Company Affairs, Government of India;
- f. With respect to the adequacy of the internal financial controls over financial reporting of the company and the operating effectiveness of such controls, refer to our separate report in **Annexure B**;
- g. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The company has disclosed the impact of pending litigations on its financial position in its financial statement.
 - ii. The company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.



- iii. Transfer of any amount to Investor education and protection fund in accordance with the relevant provisions of the Companies Act, 1956 and rules made thereunder is not applicable to the company during the period under review

For B Thiagarajan & Co
Chartered Accountants
Firm Regn.No.004371S



Ram Srinivasan
Partner
M No. 220112

Place: Chennai

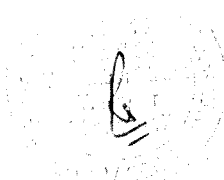
Date: 26.10.18

ANNEXURE A TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to paragraph 45 under 'Report on Other Legal and Regulatory Requirements' of our report of even date to the financial statements of the Company for the year ended 31st March, 2018)

On the basis of checks as we considered appropriate and according to the information and explanations given to us during the course of our audit, we report that:

1. (a) The Government of Tamil Nadu has issued the G.O. for the Final Transfer Scheme with certain amendments vide G.O.(Ms.) No. 49, dated 13.8.2015. The Annual accounts of TANTRANSCO has been prepared duly incorporating the opening Balance as per the Final Transfer Scheme.
(b) *The Company has not maintained proper records showing full particulars including quantitative details and situation of fixed assets.*
(c) *In respect of the title deeds of immovable properties of the Company, since there are no registers or records in support of the Land belonging to the company and since in respect of the land purchased by TANTRANSCO for establishment of sub-stations, and Transmission lines, the title deeds are registered in the name of TANGEDCO /TNEB and not in the name of TANTRANSCO in many cases, we are unable to comment on the accuracy of the same.*
2. *The reconciliation between value of inventories as per stock registers and accounts are not carried out. Also in our opinion systems and procedures in the maintenance of stores ledger/records and their valuation needs strengthening.*
3. We are informed that there is no Company, firm or party to be listed in the register referred to in section 189 of Companies Act, 2013 and hence we have no comments to offer in this respect.

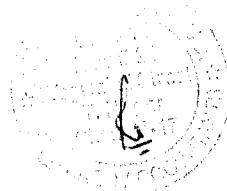


4. The Company has not directly or indirectly advanced loan to the persons covered under Section 185 of the Act or given guarantees or securities in connection with the loan taken by such persons. The Company has not made any investments or given any loan or any guarantee or security in connection with the loan to any person or body corporate covered under Section 186 of the Act during the year and has complied with the provisions of Section 186 of the Act, in respect of investments, loans, guarantee or security outstanding at the year end.
5. The company has not accepted any deposits from the public and hence the directives issued by the Reserve Bank of India and the provisions of Sections 73 to 76 or any other relevant provisions of the Act and the Companies (Acceptance of Deposits) Rules, 2015 with regard to deposits accepted from public are not applicable.
6. Pursuant to the rules made by the Central Government for maintenance of cost records under Sec 148(1) of the Companies Act 2013, we are of the opinion that prima facie the prescribed accounts and records have been maintained, subject to our report in Paragraph 22 to 31 in the *Basis for Qualified Opinion*. We are, however, not required to make a detailed examination of the records with a view to determine whether they are accurate or complete.
7. (a) According to the information and explanations given to us and on the basis of our examination of the books of accounts, and records, the company has been generally regular in depositing undisputed statutory dues to Employee State Insurance, Employee Pension Scheme, Customs duty, Sales Tax, Income tax, Provident Fund contribution, Service tax and other material statutory dues applicable to it with the appropriate authorities. According to the information and explanations given to us, no undisputed demands in respect of the above were in arrears as at March 31, 2018 for a period of more than six months from the date on when they become payable; except as mentioned in the '*Basis for Qualified Opinion*'



- (b) According to the information and explanations given to us, there are no disputed demands in respect of Income tax, Service tax, Customs duty, Sales Tax, and other material statutory dues as applicable, which have been deposited with the relevant statutory authority as at 31st March, 2018, except as described in Paragraph 17 in the '*Basis for Qualified Opinion*' Paragraph relating to unascertainability of service tax dues from 1st July 2012 and Paragraph 19 in the '*Basis for Qualified Opinion*' paragraph, relating to GST on guarantee commission payable to State Government for providing State Government guarantee for loans obtained by the Company not being paid by the Company;
- (c) In our opinion and according to the information and explanations given to us, the company did not have disputed dues of Income Tax, Sales Tax, Wealth Tax, Service Tax, Excise Duty, Customs Duty, Value added Tax, Cess and other material statutory dues with the appropriate authorities during the year applicable to it as on 31st March 2018.
8. The Company has taken loans from financial institutions, and from the government as given below, and has not issued any debentures.

Financial Institution/Agency	Rs. In Crores
Amount	
Rural Electrification Corporation Ltd (REC)	2186.26
Power Finance Corporation Ltd (PFC)	1559.63
National Bank for Agriculture and Rural Development (NABARD)	35.09
Japan International Coordination Agency (JICA)	191.40
KFW	246.00
PTC Financial Service	300.00
TOTAL	4518.38



The above amount of loan from KFW and JICA does not include the additional liability arising out of foreign exchange loss or gain to the tune of 47.4 crores and 71.90 crores respectively which are reinstated to Rs. 293.40 crores and Rs. 263.30 crores respectively

In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to financial institutions *except in respect of the default of repayment of interest dues of the following Loans:*

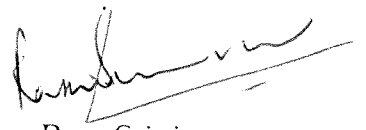
Rs. In Crores		
Financial Institution/Agency	Year of default	Amount of Interest in default
JICA (payment of interest due to State Government)	2014-15 (0.13)	14.98
	2015-16 (2.13)	
	2016-17 (5.30)	
	2017-18 (7.42)	
KFW (payment of interest due to State Government)	2016-17 (1.24)	5.47
	2017-18 (4.23)	
TNEB bonds	2017-18	0.17
Total		20.62

Commitment charges for the loan availed from KFW and JICA since sanction are not paid to Government of Tamil Nadu.

9. Based on information and explanations given by the management, the company has not raised moneys by way of initial public offer or further public offer including debt instruments. According to the information and explanations given to us the loans were utilized for the purpose for which the loans were obtained.
10. Based upon the audit procedures performed and the information and explanations given by the management, we report that no fraud by the Company or on the company by its officers or employees has been noticed or reported during the year.
11. Based upon the audit procedures performed and the information and explanations given by the management, provisions of section 197 read with Schedule V to the Companies Act regarding the managerial remuneration are not applicable.

12. In our opinion, the Company is not a Nidhi Company. Therefore, the provisions of clause 4 (xii) of the Order are not applicable to the Company.
13. In our opinion, all transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013.
14. Based upon the audit procedures performed and the information and explanations given by the management, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, the provisions of clause 3 (xiv) of the Order are not applicable to the Company.
15. Based upon the audit procedures performed and the information and explanations given by the management, the company has not entered into any non-cash transactions with directors or persons connected with him. Accordingly, the provisions of clause 3 (xv) of the Order are not applicable to the Company and hence not commented upon.
16. In our opinion, the company is not required to be registered under section 45 IA of the Reserve Bank of India Act, 1934 and accordingly, the provisions of clause 3 (xvi) of the Order are not applicable to the Company and hence not commented upon.

For B Thiagarajan & Co
Chartered Accountants
Firm Regn.No.004371S



Ram Srinivasan
Partner
M No.220112

Place: Chennai

Date: 26.10.18.

ANNEXURE "B" TO THE INDEPENDENT AUDITOR'S REPORT

Report on the Internal Financial Controls over Financial Reporting under clause (i) of Sub-section 3 of the Section 143 of the Companies Act, 2013 ("the Act")

(Referred to paragraph 46(f) under 'Report on Other Legal and Regulatory Requirements' of our report of even date)

1. We have audited the internal financial controls over financial reporting of **TAMIL NADU TRANSMISSION CORPORATION LIMITED** ("the Company") as of March 31, 2018 in conjunction with our audit of the financial statements of the company for the year ended on that date.

Management's Responsibility for Internal Financial Controls:

2. The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records and the timely preparation of reliable financial information as required under the Companies Act, 2013.

Auditor's Responsibility:

3. Our responsibility is to express an opinion on the company's Internal Financial Controls over Financial Reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Control over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Sec 143(10) of the Companies Act, 2013 to the extent applicable to an audit of Internal Financial Controls. Those standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain

46



reasonable assurance about whether adequate Internal Financial Controls over Financial Reporting was established and maintained and if such controls operated efficiently in all material aspects.

4. Our audit involves procedures to obtain audit evidence about adequacy of the internal financial controls systems over financial reporting and their operating effectiveness. Our audit of Internal Financial Controls over Financial Reporting included obtaining an understanding of Internal Financial Controls over Financial Reporting, assessing the risk that a material weakness exists and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the Auditor's judgment including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's Internal Financial Controls over Financial Reporting.

Meaning of Internal Financial Controls over Financial Reporting:

6. A company's Internal Financial Controls over Financial Reporting is a process designed to provide a reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes in accordance with generally accepted accounting principles. A company's Internal Financial Controls over Financial Reporting includes those policies and procedures that (1) pertain to the maintenance of record that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with the authorization of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely deduction of unauthorized acquisition, use, or disposition of the company's assets that could have a material on the financial statements.

Inherent limitations of Internal Financial Controls over Financial Reporting:

7. Because of the inherent limitations of Internal Financial Controls over Financial Reporting, including the possibility of collusion or improper management override of controls, material mismanagements due to error or fraud may occur and not be deducted. Also projections of any evaluation of the Internal Financial Controls over Financial Reporting to future periods are subject to the risk that the Internal Financial Controls over Financial Reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

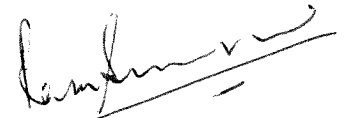
Basis for Qualified Opinion:

8. *The implementation of financial controls and reporting framework, needs to be strengthened by the management;*
9. *No external confirmation had been obtained from trade creditors, trade debtors, security deposits, EMD;*
10. *Reconciliation of Inter Unit accounts and transfers and transactions from and to TANGEDCO have not been carried out and reconciled;*
11. *Fixed assets register is not maintained; fixed assets are not tagged and are not verified on regular basis;*
12. *The process followed for accounting for inventory and periodical verification is inadequate.*

Opinion

13. In our opinion, to the best of our information and according to the explanations given to us, the company has to strengthen the Internal Financial Controls system in the areas as described above, over Financial Reporting and such Internal Financial Controls system over Financial Reporting, established by the company needs to be strengthened and hence was not operating effectively as on 31st March 2018, considering the essential components of Internal Control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India, and these deficiencies have also affected our opinion on financial statements of the company and we have issued a qualified opinion.

For B Thiagarajan & Co
Chartered Accountants
Firm Regn.No.004371S



Ram Srinivasan
Partner
M No.220112

Place: Chennai

Date: 26.10.18.

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FOLLOWING REMARKS ARE OFFERED ON THE OBSERVATION/COMMENTS OF THE STATUTORY AUDITOR ON THE ACCOUNTS FOR 2017-18		
	OBSERVATION OF STATUTORY AUDITOR	MANAGEMENT REPLY
Sl.No.	<u>BASIS FOR QUALIFIED OPINION :</u>	
9	Reference is invited to Note 26.3 forming part of the Accounts regarding depreciation on the revalued portion of assets adjusted against the Revaluation Reserve for the Financial Years 2010-11 to 2016-17 which is not in accordance with Indian Accounting Standards ("Ind AS") and the provisions of Companies Act, 2013. The impact of such adjustments is the understatement of the Depreciation charged to the Statement of Profit and Loss Account and consequentially the Loss before tax as per Statement of Profit and Loss Account for the current year of the Company by Rs 607.26 Crores (up to Previous Year Rs. 1,821.78 Crores) and impact of such adjustments for the Financial Years 2014-15, 2015-16, 2016-17 & 2017-18 is the overstatement of the Surplus as per the Balance Sheet by Rs 2,429.04 Crores (upto Previous Year Rs. 1,821.78 Crores);	The company is consistently adopting the Accounting Policies as adopted in the earlier years.
10	Reference is invited to Note 26.15 forming part of the Accounts regarding accounting treatment for construction contract services undertaken by the Company for TANGEDCO which are routed through the Capital Work in Progress Account instead of accounting for the same as a revenue transaction which is not accordance with generally accepted accounting principles and practices. The impact of the same is not ascertainable for the year ended 31 st March 2018	The inter-company transaction details are available in both TANTRANSCO and TANGEDCO circles; however the reconciliation will be completed in Head Quarter during the FY 2017-18
11	Reference is invited to Note 26.14 forming part of the Accounts regarding pension payments of existing pensioners of erstwhile TNEB being paid by TANGEDCO since no segregation of pensioners' liability has been finalized in the provisional transfer scheme. The Company has not recognised the overall liability towards pension dues. The payments of pension to those who have retired from 1 st April 2017 to 31 st March 2018 are made by TANGEDCO and one seventh towards TANTRANSCO's share for the Financial Year 2017-18 to the tune of Rs. 319.39 Crores has been made in the accounts	Factual
12	Reference is invited to Note 26.31 forming part of the Accounts regarding interest amounting to Rs.4,174.17 Crores levied by TANGEDCO for the period from Financial Year 2010-11 to 2017-18 on the net amount payable by the Company to TANGEDCO and accounted by the company during the year. In the absence of a clear contractual arrangement indicating policy, rate of interest, basis and method of computation of interest charged by TANGEDCO on the net payable balance, which is neither confirmed nor reconciled, we are unable to express an opinion on the correctness of the basis and quantum of interest accounted by the Company during the year and the consequent impact of the loss of the company for the year.	The amount has been accounted by TANTRANSCO pending reconciliation of the net amount payable by TANTRANSCO to TANGEDCO and also pending finalisation of the Terms between both the companies.
13	The Company has not incurred any expenditure towards Corporate Social Responsibility (CSR) during the current year as required under the provisions of Companies Act, 2013; Paragraphs 9 to 12 above have the effect of understatement of the current year's losses to the extent of Rs 607.26 Crores and has the effect of overstatement of reserves and surplus to the extent of Rs 607.26 Crores	The framing of policy is under process. TANTRANSCO has incurred loss for the past two years. Hence, incurring expenditure under CSR policy does not arise

	OBSERVATION OF STATUTORY AUDITOR	MANAGEMENT REPLY
Sl.No.	BASIS FOR QUALIFIED OPINION :	
14	Reference is invited to Note 26.8 forming part of the Accounts regarding Inter Unit balances of Rs. (-) 580.62 Crores as at 31 st March 2018 (As at Previous Year Rs (-) 645.83 Crores) which is subject to reconciliation. The impact of such non reconciliation is not ascertainable as at 31 st March 2018	Factual
15	Reference is invited to Note 2.7 forming part of the Accounts regarding Accounting policy for depreciation on fixed assets which have been calculated as per the regulations of Tamil Nadu Electricity Regulatory Commission and not using the rates arrived at based on useful life in the manner specified in Schedule II of the Companies Act, 2013, impact of which is not ascertainable	Factual
16	In respect of accounting of Fixed Assets sold or withdrawn during the year, the value of deduction from the Gross block does not correspond to the value of such item of fixed asset included in the gross block, which is either at cost or revalued basis. This has the effect of overstatement of Gross block and Net block as at the Year end, the impact of which is not ascertainable fully for want of supporting documents	The difference due to revalued value of assets sold/withdrawn will be worked out and incorporated in the books of accounts during the FY 2017-18
17	In the absence of proper records by the various circles of the Company including GCCs, Operation, Protection and Communication (P&C), Non-Conventional Energy Sources (NCEs) and Head Office, overall service tax liability due and payable and its reconciliation with the actual amount paid, the actual service tax liability from 1 st July 2012 is not ascertainable and the impact on the accounts therein is not ascertainable	Service tax payments are regulated in order to comply with the provisions of the present act in force
18	Service tax payable includes amount reimbursable to the vendors towards works contract on production of actual payment of their portion of Service Tax, the amount of which is not ascertainable and to that extent the Service tax payable account is over stated	Service tax payments are regulated in order to comply with the provisions of the present act in force
19	In respect of guarantee commission payable to State Government for providing State Government guarantee for loans obtained by the Company, the Company has not paid Goods and Service Tax (GST) amounting to Rs 1.64 Crores under reverse charge mechanism on such guarantee commission is not in conformity with the provisions of GST	Factual
20	Reference is invited to Note 26.20 forming part of the Accounts regarding employee subscription and the employer contributions towards provident fund and other funds, the company has not invested outside as per general practice	Factual
21	Reference is invited to Note 26.21 forming part of the Accounts regarding accounting policy for staff loans wherein interest on such loans is recovered and accounted for as income in the books of account after the principal sum has been fully recovered from respective employees concerned. This is not in accordance with generally accepted accounting principles, the effect of which is not ascertainable as at 31 st March 2018	Factual
22	In the absence of proper records containing scheme wise details for Capital Work in Progress, we are unable substantiate the amount shown as Capital Work in Progress; The effect of Paragraphs 13 to 21 above on the Loss of the Company for the year ended 31 st March 2018 is not ascertainable and the consequential impact on the resulting balances is not ascertainable	The Schemewise Register is being maintained at all the General Construction Circle
23	Reference is invited to Note 11 forming part of Accounts relating to Fixed assets balances wherein in the absence of supporting documents and records, we are not in a position to verify the details of addition to fixed assets made during the year;	The assets registers are reconstructed in all units and updating is in progress

Sl.No.	OBSERVATION OF STATUTORY AUDITOR	MANAGEMENT REPLY
	BASIS FOR QUALIFIED OPINION :	
24	<i>In the absence of full details of the expenses reimbursable to TANTRANSCO from Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO) and vice-versa, and non-confirmation of balances thereon, we are not in a position to certify the correctness or otherwise of these figures in the Statement of Profit and Loss Account and Balance Sheet respectively</i>	<i>The inter-company transaction details are available in both TANTRANSCO and TANGEDCO circles; however the reconciliation will be completed in Head Quarter during the FY 2018-19</i>
25	<i>In the absence of full details of the Revenue/Income reimbursable to TANTRANSCO from TANGEDCO, and non-confirmation of balances thereon, we are not in the position to certify the correctness or otherwise of these figures in the Statement of Profit and Loss Account and Balance Sheet respectively</i>	<i>The inter-company transaction details are available in both TANTRANSCO and TANGEDCO circles; however the reconciliation will be completed in Head Quarter during the FY 2018-19</i>
26	<i>In the absence of reconciliation exercise of inter-unit balances between books of accounts maintained by Head Quarters (HQ) and circles, we are not in a position to certify the correctness of the Inter Unit</i>	<i>The inter-unit transaction details are available in both headquarters and circles, however the reconciliation will be completed in Head Quarter during the FY 2018-19</i>
27	<i>In view of the fact that inter unit balances of HQ and circles are not reconciled in respect of payments directly made by the HQ to the contractor and/or suppliers of materials, on behalf of the circles, and the fact that such payments are not subsequently completely recorded by the respective circle as per Company policy, and in the absence of confirmation from the respective contractors/suppliers, we are unable to certify the correctness of the liability for supply material and contractors account</i>	<i>In respect of liability for supply of material and contractors account, it is factual. However steps will be taken to obtain the confirmations by 31.3.2019.</i>
28	<i>In the absence of adequate records for Deposit Contribution Works (DCW), the correctness of balances shown in the books of account could not be confirmed</i>	<i>The records being maintained will be updated and reconciled by 31.3.2018 since the opening balance under this head has been incorporated as per the Final Transfer Scheme during the FY 2015-16</i>
29	<i>There are no general ledgers maintained in the Head Office/Operation/General Construction Circles (GCC) and other units and only monthly statement of account are maintained</i>	<i>General ledger is being maintained. However the same will be updated.</i>
30	<i>There are no registers or records to support the value of land belonging to the company and in respect of land purchased by TANTRANSCO for establishment of sub-stations and Transmission lines, in many cases, the title deeds relating to the same are registered in the name TANGEDCO/TNEB and not in the name of TANTRANSCO</i>	<i>The details of Land allotted to TANTRANSCO under the Final Transfer Scheme is available. The updation of Assets register for the land purchased subsequent to the Final Transfer Scheme is underway. From the FY 2017, the Lands purchased by TANTRANSCO are registered in the name of TANTRANSCO only.</i>
31	<i>Due to non-maintenance of proper records and non-confirmation of balance towards Security Deposit, Earnest Money Deposit (EMD) and Other Deposits received from suppliers and contractors, we are not in a position to certify correctness or otherwise of such balances</i>	<i>Factual. However steps will be taken to obtain the confirmations by 31.03.2019.</i>
32	<i>Other than nodal circles wherein separate cash book is maintained since there is a separate bank account operated in the nodal circles only, no separate cash book is maintained for TANTRANSCO; The effect of Paragraphs 22 to 31 above on the Loss of the Company for the year ended 31st March 2018 and resulting balances thereon is not ascertainable</i>	<i>Factual</i>
33	<i>Reference is invited to Note 2.1 forming part of the Accounts regarding Applicability of Ind AS to the Company with effect from Accounting period beginning 1st April 2016 based on the net worth criteria. The Company has not adopted principles laid down in Ind AS notified under Section 133 read with Rule 4A of Companies (Indian Accounting Standards) Rules, 2015, as amended, and the relevant provisions of the Companies Act, 2013 (collectively, "Ind ASs") with effect from April 1, 2016 in accordance with the notification dated February 16, 2015, issued by the Ministry of Corporate Affairs, in the preparation of the Financial Statement for the Year Ended 31st March 2018, including:</i>	<i>TANTRANSCO is in the process of detailed analysis of financial implications of adopting "Ind AS". It is proposed to adopt the same in the FY 2018-19</i>

	OBSERVATION OF STATUTORY AUDITOR	MANAGEMENT REPLY
Sl.No.	<u>BASIS FOR QUALIFIED OPINION :</u>	
a	Presentation of Financial Statements as per Ind AS 1 "Presentation of Financial Statements"	
b	Valuation of inventories as per Ind AS 2 - "Inventories", the effect of which is not ascertainable in the absence of details	The company is consistently adopting the Accounting Policies as adopted in the earlier years.
c	Accounting of prior period income and expenses as per Ind AS 8 - "Accounting Policies, Changes in Accounting Estimates and Errors", the effect of which is not ascertainable in the absence of details	The company is consistently adopting the Accounting Policies as adopted in the earlier years.
d	Accounting including recognition, measurement, depreciation of Fixed Assets as per Ind AS 16 - "Property, Plant and Equipment", , the effect of which is not ascertainable in the absence of details	The company is consistently adopting the Accounting Policies as adopted in the earlier years.
e	Accounting of provision for long term employee benefits like Gratuity, GPF, CPS, Leave encashment, Gratuity etc., as per Ind AS 19 "Employee benefits", the effect of which is not ascertainable in the absence of details	As per restructuring G.O. No. 100 dated 19.10.2010, the transfer of employees is provisional for a period of 3 years. However the company is in the process of appointing independent consultants to do actuarial valuation. Hence the actuarial valuation of liabilities towards pension commitments would be made along with the finalization of employees transfer.
f	Accounting of Income Tax as per Ind AS 12 - "Income taxes", the effect of which is not ascertainable in the absence of details	The Question of deferred taxation does not arise, as TANTRANSCO has its own share of carried forward losses from erstwhile TNEB.
g	Accounting of Grants received as per Ind AS 20- "Accounting for Government Grants and Disclosure of Government Assistance", the effect of which is not ascertainable in the absence of details	The company is consistently adopting the Accounting Policies as adopted in the earlier years.
h	Accounting for provision for impairment of assets as per Ind AS 36 - "Impairment of Assets", effect of which is not ascertainable in the absence of details	The company is consistently adopting the Accounting Policies as adopted in the earlier years.
i	Accounting for borrowing costs as per Ind AS 23 - "Borrowing Costs", the effect of which is not ascertainable in the absence of details	The company is consistently adopting the Accounting Policies as adopted in the earlier years.
j	Accounting of changes in foreign exchange rates as per Ind AS 21 - "The effects of changes in foreign exchange rates", the effect of which is not ascertainable in the absence of details	The company is consistently adopting the Accounting Policies as adopted in the earlier years.
k	Accounting including recognition, measurement and disclosure of provisions, contingent liabilities and contingent assets as per Ind AS 37 - "Provisions, Contingent Liabilities and Contingent Assets", , the effect of which is not ascertainable in the absence of details	The company is consistently adopting the Accounting Policies as adopted in the earlier years.
l	Accounting of revenue as per Ind AS 115 - "Revenue from contracts with customers", the effect of which is not ascertainable in the absence of details	The details are available in the circles
m	Accounting of revenue as per Ind AS 11 - "Construction contracts", in respect of construction contract service undertaken for TANGEDCO for less than 33 kv sub-stations and lines, the effect of which is not ascertainable in the absence of details. In the absence of full particulars, the effect of Paragraphs 32 above on the Loss of the Company for the year ended 31 st March 2018 and resulting balances thereon is not ascertainable	Since Transfer of personnel is yet to be finalized and this issue could be addressed on finalization of Transfer of Personnel
34	Reference is invited to Note 26.1 regarding additional equity share capital for consideration other than cash accounted during the year amounting to Rs 184.56 Crores to give effect to the final transfer scheme in respect of which necessary allotment formalities as per the Companies Act, 2013 has been complied with only in the subsequent Financial Year 2018-19. In the light of the fact that allotment formalities were completed subsequently, the accrual of increase in paid up equity share capital during the year is not in accordance with the Companies Act, 2013 and generally accepted accounting practices and has the effect of overstatement of equity share capital and the receivable from TANGEDCO to that extent	Factual

	OBSERVATION OF STATUTORY AUDITOR	MANAGEMENT REPLY
Sl.No.	BASIS FOR QUALIFIED OPINION :	
35	Reference is invited to Note 26.15 regarding construction contract service undertaken for TANGEDCO for less than 33 kv sub-stations and lines which activity does not form part of the main objects clause of the Company as enumerated in the Memorandum of Association of the Company	Factual, since staff transfer scheme is yet to be finalized separate construction circle is not yet formed for TANGEDCO, 33 KV level works are being undertaken by TANTRANSCO. However action will be taken early to confine the activity above 110 KV level.
36	The Company has not appointed Independent Director to the Board as required under the provisions of Companies Act, 2013	Appointment of Independent Director is under process
37	During the year no Internal Auditors have been appointed by the Company in the manner required under Companies Act, 2013; The effect of Paragraphs 33 to 36 does not have an impact on the loss of the Company for the year ended 31 st March 2018	There is an Internal Audit Department functioning under the control of Senior Deputy Chief Internal Audit Officer to conduct internal audit and to check other internal controls over the system. However, necessary action will be initiated to comply with the provision stated in the Companies Act 2013 to appoint a professional as a internal auditor.
	Emphasis of Matter	
38	Reference is invited to Note 2.10 regarding The Exchange rate variation for the drawal of loan has been provided in the accounts. The provision of interest and commitment charges have been made in the accounts as per the data published in the website of Controller of Aid Accounts and Audit, Government of India	Factual
39	Reference is invited to Note 26.6 forming part of Accounts on the non-availability of confirmations of balances for Sundry Creditors, Sundry Debtors, and other loans and Advances , other Deposits, Advances, Amount due to TANGEDCO and Amount due from TANGEDCO and all Staff Advances	Steps will be taken to obtain confirmation in respect of balances for Sundry Creditors, Sundry Debtors, Loans and Advances, other deposits, advances, amount due to TANGEDCO and amount due from TANGEDCO by 31.3.2019.
40	Reference is invited to Note 26.7 forming part of Accounts on income from service, the company has not accounted and provided for its liability towards service tax/GST fully as the amount is not quantified and provision for the same has not been made.	Factual
41	Reference is invited to Note 19 forming part of Accounts regarding transmission charges receivable from TANGEDCO and other open access customers which have been limited to the extent of Rs 2,539.61 Crores for the Financial Year 2017-18	Factual
42	Reference is invited to Note 20, regarding other income including O&M charges, amounting to Rs.139.30 Crores during the Financial Year 2017-18 (Previous year Rs.105.17 Crores) which is not confirmed by TANGEDCO	From the FY 2012-13 onwards O & M charges are accounted in the books of TANTRANSCO. The technical clarification on this issue is to be discussed and conclusion is to be arrived at between the two companies .
43	Reference is invited to Note 26.30 regarding non reconciliation of dues payable to Karnataka on account of Transmission/Wheeling and Reactive energy charges	Factual
46	As required by Section 143 (3) of the Act, we report that:	
a	We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.	Factual
b	Subject to our comments in Paragraph 22 to 31 described in the 'Basis for Qualified Opinion' paragraph, in our opinion, and proper books of account as required by law have been kept by the Company so far as it appears from our	Factual
c	The Balance Sheet, the Statement of Profit and Loss Account and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;	Factual
d	In our opinion, the aforesaid financial statements do not comply with the Ind AS specified under Section 133 of the Act as per our comments in Paragraph 33 described in the 'Basis for Qualified Opinion'	Factual
e	The provisions of section 164 (2) of the Companies Act, 2013, on the disqualification of the directors are not applicable to the company as per paragraph serial No. 19 chapter 11 notification no. G.S.R 463 (E) dated 5th June 2015 of the Department of Company Affairs, Government of India;	Factual
f	With respect to the adequacy of the internal financial controls over financial reporting of the company and the operating effectiveness of such controls, refer to our separate report in Annexure B;	Factual

	OBSERVATION OF STATUTORY AUDITOR	MANAGEMENT REPLY
Sl.No.	BASIS FOR QUALIFIED OPINION :	
g	With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:	Factual
i	The company has disclosed the impact of pending litigations on its financial position in its financial statement.	Factual
ii	The company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.	Factual
iii	Transfer of any amount to Investor education and protection fund in accordance with the relevant provisions of the Companies Act, 1956 and rules made thereunder is not applicable to the company during the period under review	Factual
	ANNEXURE A TO THE INDEPENDENT AUDITOR'S REPORT	Factual
	(Referred to paragraph 46 under 'Report on Other Legal and Regulatory Requirements' of our report of even date to the financial statements of the Company for the year ended 31 st March, 2018)	Factual
	On the basis of checks as we considered appropriate and according to the information and explanations given to us during the course of our audit, we report that	Factual
1(a)	The Government of Tamil Nadu has issued the G.O. for the Final Transfer Scheme with certain amendments vide G.O.(Ms.) No. 49, dated 13.8.2015. The Annual accounts of TANTRANSCO has been prepared duly incorporating the opening Balance as per the Final Transfer Scheme.	Factual
b	The Company has not maintained proper records showing full particulars including quantitative details and situation of fixed assets.	The assets registers are reconstructed in all units and updating is in progress.
c	In respect of the tiles deeds of immovable properties of the Company, since there are no registers or records in support of the Land belonging to the company and since in respect of the land purchased by TANTRANSCO for establishment of sub-stations, and Transmission lines, the title deeds are registered in the name TANGEDCO/TNEB and not in the name of TANTRANSCO in many cases, we are unable to comment on the accuracy of the same.	The details of Land allotted to TANTRANSCO under the Final Transfer Scheme is available. The updation of Assets register for the land purchased subsequent to the Final Transfer Scheme is underway. From the FY 2017, the Lands purchased by TANTRANSCO are in the name of TANTRANSCO only
2	The reconciliation between value of inventories as per stock registers and accounts are not carried out. Also in our opinion Systems and Procedures in the maintenance of stores ledger/records and their valuation needs strengthening.	Reconciliation between value of inventories as per stock registers and accounts are regularly being carried out. However, steps are being taken to further strengthening the maintenance of stores ledger/records.
3	We are informed that there is no Company, firm or party to be listed in the register referred to in section 189 of Companies Act, 2013 and hence we have no comments to offer in this respect.	Factual
4	The Company has not directly or indirectly advanced loan to the persons covered under Section 185 of the Act or given guarantees or securities in connection with the loan taken by such persons. The Company has not made any investments or given any loan or any guarantee or security in connection with the loan to any person or body corporate covered under Section 186 of the Act during the year and has complied with the provisions of Section 186 of the Act, in respect of investments, loans, guarantee or security outstanding at the year end.	Factual
5	The company has not accepted any deposits from the public and hence the directives issued by the Reserve Bank of India and the provisions of Sections 73 to 76 or any other relevant provisions of the Act and the Companies (Acceptance of Deposits) Rules, 2015 with regard to deposits accepted from public are not applicable.	Factual
6	Pursuant to the rules made by the Central Government for maintenance of cost records under Sec 148(1) of the Companies Act 2013, we are of the opinion that prima facie the prescribed accounts and records have been maintained, subject to our report in Paragraph 22 to 32 in the Basis for Qualified Opinion. We are, however, not required to make a detailed examination of the records with a view to determine whether they are accurate or complete.	Factual

OBSERVATION OF STATUTORY AUDITOR		MANAGEMENT REPLY
Sl.No.	BASIS FOR QUALIFIED OPINION :	
7(a)	According to the information and explanations given to us and on the basis of our examination of the books of accounts, and records, the company has been generally regular in depositing undisputed statutory dues to Employee State Insurance, Employee Pension Scheme, Customs duty, Sales Tax, Income tax, Provident Fund contribution, Service tax and other material statutory dues applicable to it with the appropriate authorities. According to the information and explanations given to us, no undisputed demands in respect of the above were in arrears as at March 31, 2018 for a period of more than six months from the date on when they become payable; except as mentioned in the 'Basis for Qualified Opinion'	Factual
b	According to the information and explanations given to us, there are no disputed demands in respect of Income tax, Service tax, Customs duty, Sales Tax, and other material statutory dues as applicable, which have been deposited with the relevant statutory authority as at 31 st March, 2018, except as described in Paragraph 16 in the 'Basis for Qualified Opinion' Paragraph relating to unascertainability of service tax dues from 1 st July 2012 and Paragraph 18 in the 'Basis for Qualified Opinion' paragraph, relating to GST on guarantee commission payable to State Government for providing State Government guarantee for loans obtained by the Company not being paid by the Company	Factual
c	In our opinion and according to the information and explanations given to us, the company did not have disputed dues of Income Tax, Sales Tax, Wealth Tax, Service Tax, Excise Duty, Customs Duty, Value added Tax, Cess and other material statutory dues with the appropriate authorities during the year applicable to it as on 31 st March 2018.	Factual
8	The Company has taken loans from financial institutions, and from the government as given below, and has not issued any debentures.	
	Rs. In Crores	
	Financial Institution/Agency Amount (Rs. in Cr.)	
	Rural Electrification Corporation Ltd (REC)- Rs. 2186.26	
	Power Finance Corporation Ltd (PFC) Rs.1559.63	
	National Bank for Agriculture and Rural Development (NABARD) Rs. 35.09	
	Japan International Coordination Agency (JICA) Rs. 191.40	
	KFW Rs. 246.00	
	PTC Financial Service Rs. 300.00	
	TOTAL Rs. 4518.38	
	The above amount of loan from KFW and JICA does not include the additional liability arising out of foreign exchange loss or gain to the tune of 47.4 crores and 71.90 crores respectively which are reinstated to Rs. 293.40 crores and Rs. 263.30 crores respectively	Factual
	In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to financial institutions except in respect of the default of repayment of interest dues of the following Loans:	Factual
	Rs. In Crores	
	Financial Institution Year of default Amount of interest in default	
	JICA 2014-15 (0.13)	
	14.98	
	2015-16 (2.13)	
	2016-17 (5.30)	
	2017-18 (7.42)	
	KFW 2016-17 (1.24)	
	2017-18 (4.23)	
	5.47	
	2017-18	
	0.17	
	20.62	
	Commitment charges for the loan availed from KFW and JICA since sanction are not paid to Government of Tamil Nadu	Factual
9	Based on information and explanations given by the management, the company has not raised moneys by way of initial public offer or further public offer including debt instruments. According to the information and explanations given to us the loans were utilized for the purpose for which the loans were obtained.	Factual

	OBSERVATION OF STATUTORY AUDITOR	MANAGEMENT REPLY
Sl.No.	BASIS FOR QUALIFIED OPINION :	
10	Based upon the audit procedures performed and the information and explanations given by the management, we report that no fraud by the Company or on the company by its officers or employees has been noticed or reported during the year	<i>Factual</i>
11	Based upon the audit procedures performed and the information and explanations given by the management, provisions of section 197 read with Schedule V to the Companies Act regarding the managerial remuneration are not applicable	<i>Factual</i>
12	In our opinion, the Company is not a Nidhi Company. Therefore, the provisions of clause 4 (xii) of the Order are not applicable to the Company.	<i>Factual</i>
13	In our opinion, all transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013.	<i>Factual</i>
14	Based upon the audit procedures performed and the information and explanations given by the management, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, the provisions of clause 3 (xiv) of the Order are not applicable to the Company.	<i>Factual</i>
15	Based upon the audit procedures performed and the information and explanations given by the management, the company has not entered into any non-cash transactions with directors or persons connected with him. Accordingly, the provisions of clause 3 (xv) of the Order are not applicable to the Company and hence not commented upon	<i>Factual</i>
16	In our opinion, the company is not required to be registered under section 45 IA of the Reserve Bank of India Act, 1934 and accordingly, the provisions of clause 3 (xvi) of the Order are not applicable to the Company and hence not commented upon	<i>Factual</i>
	ANNEXURE "B" TO THE INDEPENDENT AUDITOR'S REPORT	
	Report on the Internal Financial Controls over Financial Reporting under clause (i) of Sub-section 3 of the Section 143 of the Companies Act, 2013 ("the Act")	<i>Factual</i>
	(Referred to paragraph 47(f) under 'Report on Other Legal and Regulatory Requirements' of our report of even date)	<i>Factual</i>
1	We have audited the internal financial controls over financial reporting of TAMIL NADU TRANSMISSION CORPORATION LIMITED ("the Company") as of March 31, 2018 in conjunction with our audit of the financial statements of the company for the year ended on that date.	<i>Factual</i>
	Management's Responsibility for Internal Financial Controls:	<i>Factual</i>
2	The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records and the timely preparation of reliable financial information as required under the Companies Act, 2013.	<i>Factual</i>
	Auditor's Responsibility:	
3	Our responsibility is to express an opinion on the company's Internal Financial Controls over Financial Reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Control over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Sec 143(10) of the Companies Act, 2013 to the extent applicable to an audit of Internal Financial Controls. Those standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate Internal Financial Controls over Financial Reporting was established and maintained and if such controls operated efficiently in all material aspects.	<i>Factual</i>

	OBSERVATION OF STATUTORY AUDITOR	MANAGEMENT REPLY
Sl.No.	BASIS FOR QUALIFIED OPINION :	
4	Our audit involves procedures to obtain audit evidence about adequacy of the internal financial controls systems over financial reporting and their operating effectiveness. Our audit of Internal Financial Controls over Financial Reporting included obtaining an understanding of Internal Financial Controls over Financial Reporting, assessing the risk that a material weakness exists and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the Auditor's judgment including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error.	<i>Factual</i>
5	We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's Internal Financial Controls over Financial Reporting.	<i>Factual</i>
	Meaning of Internal Financial Controls over Financial Reporting:	<i>Factual</i>
6	A company's Internal Financial Controls over Financial Reporting is a process designed to provide a reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes in accordance with generally accepted accounting principles. A company's Internal Financial Controls over Financial Reporting includes those policies and procedures that (1) pertain to the maintenance of record that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with the authorization of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely deduction of unauthorized acquisition, use, or disposition of the company's assets that could have a material on the financial statements.	<i>Factual</i>
	Inherent limitations of Internal Financial Controls over Financial Reporting:	
7	Because of the inherent limitations of Internal Financial Controls over Financial Reporting, including the possibility of collusion or improper management override of controls, material mismanagements due to error or fraud may occur and not be deducted. Also projections of any evaluation of the Internal Financial Controls over Financial Reporting to future periods are subject to the risk that the Internal Financial Controls over Financial Reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.	<i>Factual</i>
	Basis for Qualified Opinion:	
8	The implementation of financial controls and reporting framework, needs to be strengthened by the management;	<i>The financial control framework have been well defined and documented. There are accounting and other manuals, proper delegation of power based on which the entire control including financial control frame work is regulated. Steps will be taken to further strengthening of the implementation of control framework.</i>
9	No external confirmation had been obtained from trade creditors, trade debtors, security deposits, EMD;	<i>Steps will be taken to obtain confirmation in respect of balances for sundry creditors, sundry debtors, loans and advances, other deposits, advances, amount due to TANGEDCO and amount due from TANGEDCO by 2019.</i>
10	Reconciliation of Inter Unit accounts and transfers and transactions from and to TANGEDCO have not been carried out and reconciled;	<i>Inter unit accounts and transactions from and to TANGEDCO will be carried out during the FY 2018-19</i>
11	Fixed assets register is not maintained; fixed assets are not tagged and are not verified on regular basis;	<i>The assets registers are reconstructed in all units and updation is under progress</i>
12	The process followed for accounting for inventory and periodical verification is inadequate.	<i>The process followed for accounting for inventory is adequate and periodical verification of stores is also being done. However, steps will be taken to strengthen the inventory control.</i>

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SECRETARIAL AUDIT REPORT-MR-3
FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2018

[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies
(Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,
The Members,
Tamilnadu Transmission Corporation Limited,
NPKRR Maligai, (TNEB OFFICE),
144, Anna Salai,
Chennai – 600002.

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **M/S. Tamilnadu Transmission Corporation Limited** (hereinafter called the “Company”), a Government Company as defined under Section 2(45) of the Companies Act, 2013. Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on our verification of the Company’s books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, We hereby report that in our opinion, the Company has, during the Financial Year ended on 31st March 2018 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter with certain deviations:

We have examined the books, papers, minute books, forms, documents and returns filed and other records maintained by the Company as given in Annexure – A for the Financial Year ended on 31st March 2018, to the extent applicable, according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the Rules made there under;
- (ii) Foreign Exchange Management Act, 1999 and the Rules And Regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;

Branches at : • Bangalore • Tirupur

VMACS

We have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India.

During the period under review and based on the documents provided and declarations given by the Company, we are of the opinion that the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, etc, mentioned above except these stated in the **Annexure C** which is annexed as a part of the Report.

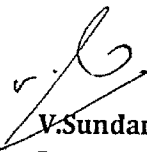
We further report that

The constitution of the Board as well as the Committees of the Board is in compliance with the Companies Act, 2013, agenda and detailed notes on agenda are being sent to the directors before the meeting, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority decision is carried through while the dissenting members' views, did not arise for the year under review.

We further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

For V. Mahesh & Associates



V. Sundar
Practicing Company Secretary
M. No. F4542
C.P No. : 20920

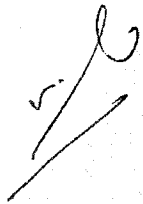
Place: Chennai
Date: 10/12/2018

Note: This Report is to be read with our letter of even date which is annexed as 'ANNEXURE A, B and C' and forms an integral part of this report.

ANNEXURE - A

List of documents verified during the process of Audit:

1. Memorandum & Articles of Association of the Company.
2. Minutes of the meetings of the Board of Directors, Audit Committee, along with Attendance Register held during the financial year under review.
3. Minutes of General Body Meetings held during the financial year under review.
4. Notices calling for Board and Committee Meetings.
5. E-Forms filed by the Company, from time-to-time, under applicable provisions of the Companies Act, 2013 and attachments thereof during the financial year under review.



ANNEXURE - B

To,
Tamilnadu Transmission Corporation Limited,
NPKRR MALIGAI, (TNEB OFFICE),
144, ANNA SALAI,
CHENNAI - 600002.

Our report of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit. On verification, we found the following.

The discrepancy list and qualifications are enclosed in Annexure C.

2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.

3. We were not required to verify the correctness and appropriateness of financial records and Books of Accounts of the Company and we have relied on the Audited Accounts certified by the Statutory Auditors.

4. Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.

5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.

6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

For V. Mahesh & Associates


V. Sundar

Practicing Company Secretary

M. No. F4542

C.P No. : 20920

Place: Chennai
Date: 10/12/2018

ANNEXURE - C**1. BOARD MEETING AND COMMITTEE MEETING****List of Non- Compliances:**

1. Mismatch in the date of Board meeting entered in the forms (MGT-14, AOC-4 and MGT-7) was observed.
2. Mr. M.S. Shanmugam, Director is Disqualified to continue as a director going by the provisions of Section 167 (1)(b) of the Companies Act, 2013
3. Certain Charges registered during the year was not recorded in the Board Meeting minutes.

2. ANNUAL GENERAL MEETING:**Non-Compliances:**

1. The AGM extension has been obtained for 3 months but the AGM was convened after the expiry of 3 months, i.e extension was obtained only upto 31st December 2017, but the AGM was convened on 30th January 2018.

3. CORPORATE SOCIAL RESPONSIBILITY (CSR) COMMITTEE:

1. As per the requirements of the Companies Act 2013 and as applicable to such size of companies, CSR Policy is not framed and was not disclosed in the website and also no mention of this in the Directors Report to the Audited Annual Financials and Reports for the Financial Year 2017-18 as required.
2. The Company is required under the provisions of the Companies Act 2013 to allocate and spend 2% of the last three[3] years average Net Profits computed pursuant to the provisions of Section 198 of the Companies Act 2013 read with and as per Schedule VII to the Companies Act, 2013.
Further that If the company fails to spend such amount, the Board shall specify the reasons for the same in the Board Report.
3. CSR Committee is NOT formed.

4. AUDIT COMMITTEE MEETING:

1. Composition of Audit Committee to be disclosed.
2. Disclosure about Audit Committee- inter alia, among others, the Scope, terms and reference, Policy , details of the meetings of the Audit Committee to be disclosed in the Directors' Report and on the company's website.
3. Attendance and members/ Directors of the Audit Committee and dates/ details of such Audit Committee meetings forming part of the Board's Report to be mentioned.

VMACS

4. Though CFO being a KMP, is Not a member of the Audit Committee, CFO should be presenting the documents and information pertaining to Finance, Accounts & all such related information and documents to be placed before every Audit Committee meetings for deliberations. From the verification of records, we find to that extent compliance is required.

5. **VIGIL MECHANISM:**

There is no mention about the establishment of Vigil Mechanism for Directors and employees and provisions pertaining to reporting thereof as required under the provisions of Section 177[9] & 177[10] of the Companies Act 2013 in the Audit Committee and also no such disclosure are made in the Audit Committee with respect to details of existence of such Vigil mechanism by the company and on its website and in the Boards' Report.

However, as per the information made available to us on discussion, the Company has disclosed that the Tamil Nadu State Government has appointed a separate wing headed by the ADGP in the cadre of IPS, under their control, vigilance cell & enforcement wings are functioning.

Further the Audit Committee meetings' discussions/ recommendations were not reviewed by the Board in the Board meeting/s.

6. **INTERNAL AUDIT:**

1. Internal Auditor shall be a Chartered Accountant or a Cost Accountant or such other professional as prescribed under the Companies Act 2013.
2. Form MGT 14 has to be filed for such appointment of Internal Auditor as per Rule 8 of Section 179(3).
3. The Scope, terms of reference of such appointment of Internal Auditor and such internal audit reports to be placed before the Audit Committee.

7. **REGISTERS**

1. Register of Charges to be updated in New Register and has to be altered according to modification of charges.
2. Register of Members to be updated as per Companies Act 2013.
3. Register of Director to be updated as per Companies Act, 2013

For V. Mahesh & Associates



V. Sundar

Practicing Company Secretary

M. No. F4542

C.P No. : 20920

Place: Chennai

Date: 10/12/2018

TAMIL NADU TRANSMISSION CORPORATION LIMITED

**MANAGEMENT REPLY FOR THE SECRETARIAL AUDIT REPORT FOR THE
FINANCIAL YEAR ENDED 31.03.2018.**

SL. No.	Secretarial Audit Comment	Management Reply
1	List of Non- Compliances: Mismatch in the date of Board meeting entered in the forms (MGT-14, AOC-4 and MGT-7) was observed.	The date of notice for AGM is 27-01-2018 which has been mentioned on the date of authorization.
2	Mr. M.S. Shanmugam, Director is Disqualified to continue as a director going by the provisions of Section 167 (1)(b) of the Companies Act, 2013.	Mr Shanmugam, IAS, Ind Sec has been ceased from the Board & Mr Arun Roy IAS (DIN No. 01726117) has been appointed as Director for TANTRANSCO w.e.f 27-08-2018.
3	Certain Charges registered during the year was not recorded in the Board Meeting minutes.	Approval for availment of loan is obtained from Borrowing committee in the first instance. Based on which loan documentation is completed in all respects & charge creation is filed with ROC. Subsequently the loan approval is got ratified by the Board. Hence there is a mismatch in charge creation date and board meeting date. However, all the charges have been placed in the Board meeting and minuted appropriately.
4	ANNUAL GENERAL MEETING: The AGM extension has been obtained for 3 months but the AGM was convened after the expiry of 3 months, i.e extension was obtained only upto 31st December 2017, but the AGM was convened on 30th January 2018.	The comments of C&AG of India U/s 143 (6)(b) of the Companies Act 2013 on the accounts of TANTRANSCO for the year ended 31.03.2017 was received only on 24.01.2018. Hence the AGM could be conducted only on 30.01.2018.
5.	CORPORATE SOCIAL RESPONSIBILITY (CSR) COMMITTEE:	
	As per the requirements of the Companies Act 2013 and as applicable to such size of companies, CSR Policy is not framed and was not disclosed in the website and also no mention of this in the Directors Report to the Audited Annual Financials and Reports for the Financial Year 2017-18 as required.	Formulation of policy under process and will be finalised shortly. TANTRANSCO is a showing loss for the past 3 years. Hence allocation & spending of 2% of the last three years average net profit does not arise.

	The Company is required under the provisions of the Companies Act 2013 to allocate and spend 2% of the last three[3] years average Net Profits computed pursuant to the provisions of Section 198 of the Companies Act 2013 read with and as per Schedule VII to the Companies Act, 2013. Further that If the company fails to spend such amount, the Board shall specify the reasons for the same in the Board Report. CSR Committee is NOT formed.	
6	AUDIT COMMITTEE MEETING:	
	Composition of Audit Committee to be disclosed. Disclosure about Audit Committee- inter alia, among others, the Scope, terms and reference, Policy , details of the meetings of the Audit Committee to be disclosed in the Directors' Report and on the company's website. Attendance and members/ Directors of the Audit Committee and dates/ details of such Audit Committee meetings forming part of the Board's Report to be mentioned. Though CFO being a KMP, is Not a member of the Audit Committee, CFO should be presenting the documents and information pertaining to Finance, Accounts & all such related information and documents to be placed before every Audit Committee meetings for deliberations. From the verification of records, we find to that extent compliance is required.	Audit committee has already been formed. Action to be taken by the accounts wing to display the same in the Company's website. Obtained signature from all the members in the Attendance without any omission. the same is placed subsequently in the Board Meeting once approved by the Audit committee. CFC is presenting the documents after obtained approval from the CH/TR.
7	VIGIL MECHANISM:	
	There is no mention about the establishment of Vigil Mechanism for Directors and employees and provisions pertaining to reporting thereof as required under the provisions of Section 177[9] & 177[10]	A Common vigilance wing for both TANGEDCO & TANTRANSCO is functioning to take care of vigilance activities. Action will be initiated to comply with

	of the Companies Act 2013 in the Audit Committee and also no such disclosure are made in the Audit Committee with respect to details of existence of such Vigil mechanism by the company and on its website and in the Boards' Report. However, as per the information made available to us on discussion, the Company has disclosed that the Tamil Nadu State Government has appointed a separate wing headed by the ADGP in the cadre of IPS, under their control, vigilance cell & enforcement wings are functioning. Further the Audit Committee meetings' discussions/ recommendations were not reviewed by the Board in the Board meetings.	the provisions of Companies Act in this regard.
8	INTERNAL AUDIT:	
	Internal Auditor shall be a Chartered Accountant or a Cost Accountant or such other professional as prescribed under the Companies Act 2013. Form MGT 14 has to be filed for such appointment of Internal Auditor as per Rule 8 of Section 179(3). The Scope, terms of reference of such appointment of Internal Auditor and such internal audit reports to be placed before the Audit Committee	A separate Internal Audit wing is functioning in TANTRANSCO under Senior Deputy Chief Internal Audit Officer. However, action will be taken to comply with the provisions of the Co Act 2013 in this regard.
9	REGISTERS	
	Register of Charges to be updated in New Register and has to be altered according to modification of charges. Register of Members to be updated as per Companies Act 2013. Register of Director to be updated as per Companies Act,2013	Noted.

Sd 14-12-2018
Chief Financial Controller
TANTRANSCO

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Statement of Profit and Loss for the year ended 31st March 2018

		Amounts in ₹ Lakhs	
	Note	Year Ended 31-Mar-2018	Year Ended 31-Mar-2017
INCOME			
Revenue from Operations	19	2,53,960.62	2,28,834.65
Other Income	20	24,224.08	28,973.07
Total Revenue		2,78,184.70	2,57,807.72
EXPENSES			
Employee Benefit Expenses	21	1,09,103.69	97,168.03
Finance Costs	22	1,21,711.10	1,03,021.98
Depreciation (Net)	11	75,228.89	59,036.40
Other Expenses	23	26,937.49	24,593.03
Total Expenses		3,32,981.17	2,83,819.44
PROFIT BEFORE PRIOR PERIOD, EXTRAORDINARY, EXCEPTIONAL ITEMS AND TAXATION		(54,796.47)	(26,011.72)
a) Net prior period expenses/(Income)	24	(5,683.08)	1,411.66
b) Extraordinary charges	25	83.81	70.11
c) Exceptional Item	26.31	4,17,417.00	-
PROFIT BEFORE TAXATION		(4,66,614.19)	(27,493.49)
Less: Provision for Taxation:			
- Current Tax		-	-
- Deferred Tax		-	-
Total Tax Expenses		-	-
NET PROFIT FOR THE YEAR FROM CONTINUING		(4,66,614.19)	(27,493.49)
Profit/Loss from Discontinuing Operations		-	-
Tax Expense of Discontinuing Operations		-	-
Profit/ (Loss) from Discontinuing Operations (after Tax)		-	-
NET PROFIT FOR THE YEAR		(4,66,614.19)	(27,493.49)
Earnings per equity share of Re.10 each			
Basic/ Diluted Earnings per Share of Rs. 10 each		(11.28)	(0.66)

Significant Accounting Policies 2

Other Notes 26

The accompanying notes are an integral part of financial statements

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

For B. Thiagarajan & Co.,

Chartered Accountants

F.Reg No:004371S

Ram Srinivasan

Partner

M.No : 220112

For Tamil Nadu Transmission Corporation Limited

N Mahendiran

Chief Financial Controller

M Maheswari Bai

Director Finance

DIN: 07160357

Suresh Kumar

Company Secretary

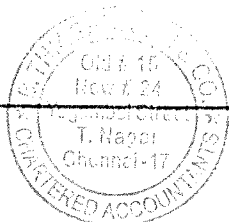
S. Shanmugam

Managing Director

DIN:07471901

Place: Chennai

Date: 26.10.18.



Balance Sheet as at 31st March 2018

		Amounts in ₹ Lakhs	
	Note	As at 31-Mar-2018	As at 31-Mar-2017
EQUITY AND LIABILITIES			
Shareholders Funds			
a) Share Capital	3	4,74,142.77	4,13,553.03
b) Reserves and Surplus	4	(26,575.95)	5,04,403.16
		<u>4,47,566.82</u>	<u>9,17,956.19</u>
Non-current liabilities			
a) Long term Borrowings	5	14,42,570.45	11,56,740.59
b) Other long term liabilities	6	2,48,378.39	2,19,675.99
		<u>16,90,948.84</u>	<u>13,76,416.57</u>
Current liabilities			
a) Short term Borrowings	7	11,207.24	-
b) Trade Payables	8	17,51,738.05	28,49,437.40
c) Other Current Liabilities	9	4,41,831.90	3,98,929.73
d) Short term Provisions	10	15,893.04	10,100.42
		<u>22,20,670.23</u>	<u>32,58,467.55</u>
TOTAL		<u>43,59,185.89</u>	<u>55,52,840.31</u>
ASSETS			
Non-current Assets			
i) Property, Plant and Equipment	11	30,74,225.96	28,94,171.68
ii) Capital Work in Progress	12	6,15,364.96	6,39,745.28
iii) Long term loans and advances	13	3,051.85	1,536.07
		<u>36,92,642.76</u>	<u>35,35,453.03</u>
Current Assets			
i) Inventories	14	21,501.77	13,040.55
ii) Trade Receivables	15	6,28,811.19	19,92,717.34
iii) Cash and Cash Equivalents	16	12,257.59	7,760.11
iv) Short term loans and advances	17	3,628.15	3,656.27
v) Other Current Assets	18	344.43	213.02
		<u>6,66,543.13</u>	<u>20,17,387.28</u>
TOTAL		<u>43,59,185.89</u>	<u>55,52,840.31</u>

Significant Accounting Policies

2

Other Notes

26

The accompanying notes are an integral part of financial statements

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

For B. Thiagarajan & Co.,

Chartered Accountants

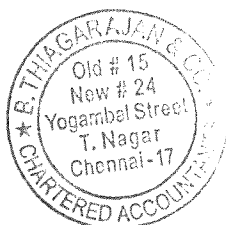
Reg No:004371S

For Tamil Nadu Transmission Corporation Limited

Ram Srinivasan

Partner

M.No : 220112



N Mahendiran

Chief Financial Controller

M Maheswari Bai

Director Finance

DIN: 07160357

D Suresh Kumar

Company Secretary

S Shanmugam

Managing Director

DIN:07471901

Place: Chennai

Date: 26.10.18.

Notes to Financial Statements for the Year Ended 31st March 2018**3 Share Capital**

	Amounts in ₹ Lakhs	
	As at Mar 31, 2018	As at March 31, 2017
Authorised		
10,00,00,00,000 shares of Rs. 10 each (Previous Year)		
10,00,00,00,000 shares of Rs. 10 each)	1000000,00,000	1000000,00,000
Issued, Subscribed and Paid up		
4,74,14,27,678 shares of Rs. 10 each (Previous Year)		
4,13,55,30,285 shares of Rs 10 each)	4,74,142.77	4,13,553.03
	4,74,142.77	4,13,553.03

(a) Reconciliation of share outstanding at the beginning of the year and at the end of the year

Equity shares of Rs 10 each

	As at Mar 31, 2018	As at March 31, 2017
Opening number of shares outstanding	41355,30,285	41355,30,285
Add : Shares issued	6058,97,393	-
Closing number of shares outstanding	47414,27,678	41355,30,285

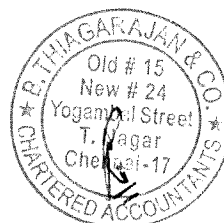
(b) Terms / Rights attached to equity shares

The Company has only one class of equity shares having a par value of Rs 10 per share. Each holder of equity shares is entitled to one vote per share.

As regards capital, the holders of equity shares are entitled to receive remaining assets of the Company after distribution of preferential amounts. The distribution to the equity shareholders will be in the proportion to the number of shares held by them.

(c) Details of Shares held by Holding Company and details of Shareholder holding more than 5% equity shares

Name of Shareholder	As at Mar 31, 2018	As at March 31, 2017
TNEB Limited	47413,77,678	41354,80,285
(% holding)	100.00%	100.00%



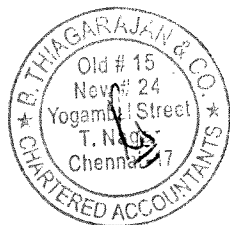
Notes to Financial Statements for the Year Ended 31st March 2018

4 Reserves and Surplus

	Amounts in ₹ Lakhs	
	As at Mar 31, 2018	As at March 31, 2017
(a) Foreign Exchange Variance Reserve		
As per last Balance Sheet	3,766.99	-
Add: Additions to reserve	-	3,766.99
Less: Deductions to reserve	3,766.99	-
	-	3,766.99
(b) Revaluation reserve		
As per last Balance Sheet	4,11,318.82	4,72,043.79
Add: Additions to reserve	127.85	0.81
Less: Deductions to reserve	60,725.78	60,725.78
	3,50,720.90	4,11,318.82
(c) Surplus in the Statement of Profit & Loss		
As per last Balance Sheet	89,317.35	1,16,810.84
Add: Profit/(Loss) for the year	(4,66,614.19)	(27,493.49)
Add/(Less) : Appropriations	-	-
Net Surplus/(Deficit) in the Statement of Profit and Loss	(3,77,296.84)	89,317.35
	(26,575.95)	5,04,403.16

5 Long term Borrowings

	Amounts in ₹ Lakhs	
	As at Mar 31, 2018	As at March 31, 2017
Secured		
Term Loans from Financial Institutions (Refer Note 26.32(A) for terms of long term borrowings)	11,36,388.82	8,48,671.86
	11,36,388.82	8,48,671.86
Unsecured		
Bonds (Refer Note 26.32(B) for terms of long term borrowings)	60,317.06	1,05,551.06
Term Loans from Financial Institutions (Refer Note 26.32(C) & (D) for terms of long term borrowings)	2,45,864.58	2,02,517.67
	3,06,181.63	3,08,068.73
	14,42,570.45	11,56,740.59



Notes to Financial Statements for the Year Ended 31st March 2018**6 Other Long term liabilities**

	<i>Amounts in ₹ Lakhs</i>	
	As at Mar 31, 2018	As at March 31, 2017
Government Grants	36,652.78	32,802.50
Consumers' Contribution	1,20,664.01	1,15,866.74
Earnest Money Deposits and Retention Money	91,061.60	71,006.75
	2,48,378.39	2,19,675.99

7 Short term borrowings

	<i>Amounts in ₹ Lakhs</i>	
	As at Mar 31, 2018	As at March 31, 2017
Cash Credits from Banks (<i>Refer Note 26.33 for terms of Short Term Borrowings</i>)	11,207.24	-
	11,207.24	-

8 Trade Payables

	<i>Amounts in ₹ Lakhs</i>	
	As at Mar 31, 2018	As at March 31, 2017
Sundry Creditors for Capital Goods	68,979.17	97,706.01
Sundry Creditors for Goods and services	198.60	198.85
Dues to related party (<i>Refer Note below</i>)	16,82,560.28	27,51,532.53
	17,51,738.05	28,49,437.40

Note:

Represents amounts payable to TANGEDCO by the Company. During the year, the Company netted off a sum of Rs 15,392.38 Crores against Trade Receivable balance to the extent reconciled with TANGEDCO.



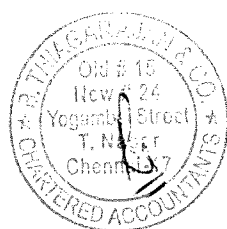
Notes to Financial Statements for the Year Ended 31st March 2018

9 Other Current Liabilities

	<i>Amounts in ₹ Lakhs</i>	
	As at Mar 31, 2018	As at March 31, 2017
Current maturities of long-term borrowing	1,75,847.67	1,73,083.63
Interest accrued but not due on borrowings	12,868.55	12,574.76
Interest accrued and due on borrowings	2,062.01	936.63
Other Liabilities and provisions	2,29,041.36	1,98,527.57
Consumer's Contribution for capital works in progress	21,972.23	13,782.66
Duties and levies payables	40.07	24.48
	4,41,831.90	3,98,929.73

10 Short term Provisions

	<i>Amounts in ₹ Lakhs</i>	
	As at Mar 31, 2018	As at March 31, 2017
Employee benefit provisions	15,893.04	10,100.42
	15,893.04	10,100.42



Notes to Financial Statements for the Year Ended 31st March 2018

11 Property, Plant and Equipment

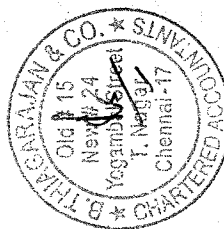
Amounts in ₹ Lakhs									
Description of Asset	Gross Block			Accumulated Depreciation			Net Block		
	As at 1st Apr 2017	Additions	Disposals	As at 31st Mar 2018	For the year	Disposals	Other adjustments	As at 31st Mar 2018	As at 31 March 2017
a) Tangible Assets									
Freehold Land	7,46,951.47	2,019.27	-	7,48,970.75	-	-	-	7,48,970.75	7,46,951.47
Buildings	78,463.60	9,608.82	-	88,072.42	1,991.94	-	630.23	76,435.34	69,448.69
Hydraulic works	277.79	-	-	277.79	14.06	-	(11.08)	219.78	60.99
Other civil works	1,12,317.12	20,514.57	-	1,32,831.69	3,769.39	-	1.22	1,19,186.56	1,02,442.60
Plant and Machinery	9,50,594.01	2,02,886.00	88.27	11,53,391.74	27,133.34	80.79	23,325.76	8,99,364.99	7,46,945.57
Lines & Cables Network	14,98,092.95	81,021.58	5.18	15,79,109.36	42,136.76	4.66	36,968.14	12,28,324.50	12,26,408.33
Vehicles	257.67	3.90	2.10	259.48	24.48	5.10	-	94.59	112.16
Furniture & Fixtures	566.72	11.43	3.90	574.25	35.87	0.30	-	322.46	350.51
Office Equipment	2,017.88	96.25	0.92	2,113.21	180.55	0.23	-	1,179.22	1,264.21
Assets not in use								289.53	187.14
TOTAL	33,89,539.21	3,16,161.84	100.36	37,05,600.69	75,286.40	91.08	60,914.27	30,74,225.96	28,94,171.68

Amounts in ₹ Lakhs

12 Capital Work-in Progress

Amounts in ₹	
As at 31st Mar 2018	As at 31 March 2017
6,15,364.96	6,39,745.28

Capital Work-in Progress



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Notes to Financial Statements for the Year Ended 31st March 2018**13 Long term loans and advances**

	Amounts in ₹ Lakhs	
	As at Mar 31, 2018	As at March 31, 2017
<i>Unsecured, Considered good</i>		
Capital advances	2,632.02	1,105.07
Security and other deposits	419.82	431.01
	<u>3,051.85</u>	<u>1,536.07</u>

14 Inventories

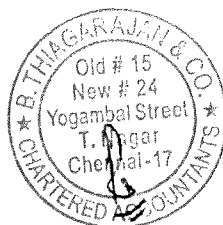
	Amounts in ₹ Lakhs	
	As at Mar 31, 2018	As at March 31, 2017
Capital Stores and Spares	21,501.77	13,040.55
	<u>21,501.77</u>	<u>13,040.55</u>

15 Trade Receivables

	Amounts in ₹ Lakhs	
	As at Mar 31, 2018	As at March 31, 2017
15.1 Outstanding for a period exceeding six months		
Unsecured, Considered good (Refer Note below)	6,04,815.88	19,74,816.10
Unsecured, Considered doubtful	-	-
	<u>6,04,815.88</u>	<u>19,74,816.10</u>
Provision for doubtful receivables	-	-
	<u>6,04,815.88</u>	<u>19,74,816.10</u>
15.2 Other receivables		
Unsecured, Considered good (Refer Note below)	23,995.31	17,901.24
Unsecured, Considered doubtful	-	-
	<u>23,995.31</u>	<u>17,901.24</u>
Provision for doubtful receivables	-	-
	<u>23,995.31</u>	<u>17,901.24</u>
	<u>6,28,811.19</u>	<u>19,92,717.34</u>

Note:

- Includes amounts receivable of Rs 6,602.53 Crores (Previous Year Rs 20,388.71 Crores) from TANGEDCO by the Company. During the year, the Company netted off a sum of Rs 15,392.38 Crores against Trade Receivable balance to the extent reconciled with TANGEDCO.
- An amount of Rs. (580.62) Crores (Previous year Rs. -645.83 Crores) representing unreconciled Inter unit balance has been netted off against the Trade Receivable balance.



Notes to Financial Statements for the Year Ended 31st March 2018

16 Cash and Cash Equivalents

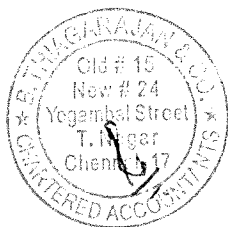
	Amounts in ₹ Lakhs	
	As at Mar 31, 2018	As at March 31, 2017
Balance with Banks		
- In Current Account	11,274.06	6,488.83
- In Fixed Deposits	858.50	1,066.00
Cash and Cheques in hand	125.02	205.28
	12,257.59	7,760.11

17 Short term Loans and Advances

	Amounts in ₹ Lakhs	
	As at Mar 31, 2018	As at March 31, 2017
Unsecured, Considered good		
Loans and advances to staff	3,528.22	3,637.90
Amounts recoverable from staff	85.24	5.59
Advances to suppliers	8.80	8.33
Tax Deducted at Source	5.89	4.45
	3,628.15	3,656.27

18 Other Current Assets

	Amounts in ₹ Lakhs	
	As at Mar 31, 2018	As at March 31, 2017
Unbilled Revenue	344.43	213.02
	344.43	213.02



Tamil Nadu Transmission Corporation Limited

CIN: U40109TN2009SGC071948

NPKRR Maligai (TNEB Office), 144, Anna Salai, Chennai 600 002

Annual Report 2017-18

Notes to Financial Statements for the Year Ended 31st March 2018

19 Revenue From Operations

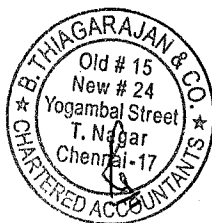
	Amounts in ₹ Lakhs	
	Year ended 31-Mar-2018	Year ended 31-Mar-2017
Transmission charges	2,53,960.62	2,28,834.65
	<u>2,53,960.62</u>	<u>2,28,834.65</u>

20 Other Income

	Amounts in ₹ Lakhs	
	Year ended 31-Mar-2018	Year ended 31-Mar-2017
Operation and Maintenance Charges	13,929.68	10,516.69
Interest on staff loans and advances	191.00	186.80
Interest from Banks	26.72	0.23
Income from sale of scrap	89.53	125.03
Miscellaneous Receipts including Liquidated damages recover	9,987.16	18,144.31
	<u>24,224.08</u>	<u>28,973.07</u>

21 Employee Benefits Expense

	Amounts in ₹ Lakhs	
	Year ended 31-Mar-2018	Year ended 31-Mar-2017
Salaries and allowances	81,627.27	69,797.83
Bonus	1,674.38	1,486.07
Contribution to Provident and Other Funds	1,735.53	1,419.61
Terminal Benefits	35,393.14	35,565.51
Staff Welfare Expenses	76.41	43.40
Director's Remuneration	102.42	68.49
	<u>1,20,609.16</u>	<u>1,08,380.91</u>
Less:		
Employee Benefit Expense Capitalised	11,505.46	11,212.88
	<u>1,09,103.69</u>	<u>97,168.03</u>



Notes to Financial Statements for the Year Ended 31st March 2018

22 Finance Costs

	Amounts in ₹ Lakhs	
	Year ended 31-Mar-2018	Year ended 31-Mar-2017
Interest expenses		
- Bonds	12,868.87	14,650.12
- Term loans	1,29,351.66	1,10,541.35
- Working capital Loan	459.27	-
- Interest on Provident and Pension Funds	4,024.67	3,204.84
Processing and Commitment charges	401.36	442.02
Other Finance costs		
Guarantee commission	1,072.20	1,098.40
Penal Interest	188.88	1,102.43
Other costs	8,203.37	2.79
	<u>1,56,570.29</u>	<u>1,31,041.96</u>
Less:		
Interest and finance costs capitalised	34,859.19	28,019.98
	<u>1,21,711.10</u>	<u>1,03,021.98</u>



(a)

Notes to Financial Statements for the Year Ended 31st March 2018**23 Other Expenses***Amounts in ₹ Lakhs*

	Year ended 31-Mar-2018	Year ended 31-Mar-2017
Insurance	23,260.12	21,468.63
Repairs and Maintenance	-	-
- Plant & Machinery	645.28	1,033.01
- Buildings and Civil works	137.34	68.14
- Lines, Cables and Networks	312.12	318.81
- Others	87.98	84.79
Rent/Rates and Taxes	219.76	199.88
Telephone/Postage/Telegram/Telex charges	159.47	114.97
Legal and consultancy charges	211.95	124.38
Conveyance & Travel	1,468.03	1,371.88
Printing & Stationery	49.03	48.21
Watch and Ward Expenses.	1,209.63	1,099.69
Freight	254.56	50.71
Audit Fees (<i>Refer Note below</i>)	12.10	8.40
Miscellaneous Expenses	473.84	608.31
	28,501.22	26,599.80
Less:		
Other Expenses Capitalised	1,563.73	2,006.77
	26,937.49	24,593.03
(a) Note: Payment to Auditors (including taxes) for		
- Statutory audit	7.50	6.00
- Certification	1.00	-
- Expenses	1.75	1.50
- For Taxes	1.85	0.90
	12.10	8.40

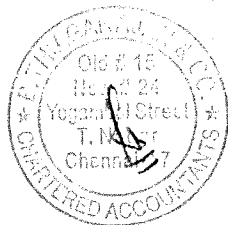


Notes to Financial Statements for the Year Ended 31st March 2018**24 Net prior period Expenses/(Income)**

	<i>Amounts in ₹ Lakhs</i>	
	Year ended 31-Mar-2018	Year ended 31-Mar-2017
Prior Period Income		
Receipts from consumers	2.33	46.59
Interest Income	-	0.16
Excess depreciation provided	11.08	-
Excess provision for Finance costs	290.73	102.80
Excess provision - Others	365.50	344.05
Other income	9,532.11	1,459.75
	10,202.46	1,953.35
Prior Period Expenses		
Employees cost under provided	2,363.96	278.06
Depreciation under provided	199.58	-
Finance costs under provided	303.82	247.19
Other charges under provided	1,652.01	2,839.77
	4,519.38	3,365.01
Net Prior period expenses/(Income)	(5,683.08)	1,411.66

25 Extraordinary items (Net)

	<i>Amounts in ₹ Lakhs</i>	
	Year ended 31-Mar-2018	Year ended 31-Mar-2017
Extra-ordinary debits (including subsidies received against loss on account of flood, fire, cyclone)	83.81	70.11
Extraordinary items (Net)	83.81	70.11



Statement of Cash Flows for the year ended 31st March 2018

Particulars	Amounts in ₹ Lakhs	
	Year ended 31-Mar-2018	Year ended 31-Mar-2017
Cash flow from operating activities		
Profit before Exceptional items and Taxation	(4,66,614.19)	(27,493.49)
Adjustments for :		
Depreciation and amortization expenses	75,474.90	59,114.29
Interest Income	(26.72)	(0.23)
Finance Costs	1,21,711.10	1,03,021.98
Unrealised foreign exchange loss	(3,766.99)	-
	(2,73,221.90)	1,34,642.55
Operating profit before working capital changes		
Movements in working capital:		
(Increase) / Decrease in inventories	(8,461.23)	8,229.64
(Increase) / Decrease in trade receivables	(1,14,742.18)	(4,00,152.42)
(Increase)/Decrease in Short term loans and advances	28.12	(438.70)
(Increase)/Decrease in Other current assets	(131.41)	(121.37)
(Increase)/Decrease in Long term loans and advances	(1,515.77)	16,480.64
Increase/(Decrease) in Other long term liabilities	28,702.40	24,862.76
Increase/(Decrease) in Trade Payables	4,41,538.70	4,56,825.24
Increase/(Decrease) in Other Current Liabilities	42,902.17	45,412.09
Increase/(Decrease) in Short term provisions	5,792.62	1,188.23
	3,94,113.44	1,52,286.12
Cash Generated from Operations	1,20,891.53	2,86,928.67
Income taxes paid	-	-
Net cash generated from operating activities (A)	1,20,891.53	2,86,928.67
Cash flow from investing activities		
Purchase of Property, Plant and Equipment (Net)	(3,16,127.10)	(3,35,304.29)
Movement in Capital Work in Progress	24,380.32	(26,669.59)
Interest received	26.72	0.23
Net cash used in investing activities (B)	(2,91,720.07)	(3,61,973.64)
Cash flow from financing activities		
Proceeds / (Repayment) of long term borrowings	2,85,829.87	1,81,341.44
Proceeds / (Repayment) of short term borrowings	11,207.24	-
Finance Costs	(1,21,711.10)	(1,03,021.98)
Net cash used in financing activities (C)	1,75,326.01	78,319.46
Net increase in cash and cash equivalents(A+B+C)	4,497.48	3,274.48
Cash & cash equivalents at the beginning of the year	7,760.11	4,485.63
Cash and cash equivalents at the end of the year	12,257.59	7,760.11



Statement of Cash Flows for the year ended 31st March 2018

Particulars	Amounts in ₹ Lakhs	
	Year ended 31-Mar-2018	Year ended 31-Mar-2017
Components of cash and cash equivalents		
Cash on hand	125.02	205.28
Balance with Banks		
- In Current Account	11,274.06	6,488.83
- In Fixed Deposits	858.50	1,066.00
Total cash and cash equivalents	12,257.59	7,760.11

Note: Previous year figures are regrouped / reclassified wherever necessary
The accompanying notes forms an integral part of the financial statements

Per our report of even date

For B. Thiagarajan & Co.,

Chartered Accountants

F.Reg No:004371S

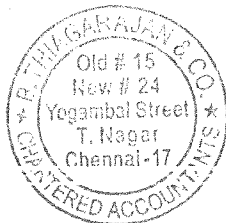
Ram Srinivasan

Partner

M.No : 220112

Place: Chennai

Date: 26.10.18



For Tamil Nadu Transmission Corporation Limited

N Mahendiran

Chief Financial Controller

M D Suresh Kumar
Company Secretary

M Maheswari Bai

Director Finance

DIN: 07160357

S Shanmugam

Managing Director

DIN:07471901

Tamil Nadu Transmission Corporation Limited

CIN: U40109TN2009SGC071948

NPKRR Maligai (TNEB Office), 144, Anna Salai, Chennai 600 002

Notes forming part of the Financial Statements for the Year Ended 31st March 2018

26. NOTES TO ACCOUNT

26.1 Share Capital

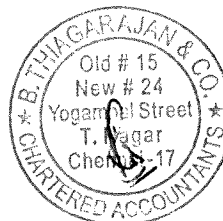
In the 1st AGM of TANTRANSCO held on 07.12.2010, the authorized share capital of the Company was increased to Rs.2500 Crores (250 Crores Equity Shares of Rs.10 each).

In the 3rd AGM of the company held on 27.09.2012, the authorized share capital of the Company was increased to Rs.5000 Crores (500 Crores Equity shares of Rs.10 each).

In the 6th AGM of the company held on 29.12.2015, the authorized share capital of the Company was increased to Rs.10000 Crores (1000 Crores Equity Shares of Rs.10 each).

The allocation of Equity Share Capital infused by TNEB Ltd. to the two subsidiary companies namely TANGEDCO and TANTRANSCO, subsequent to restructuring has been made in the proportion of Equity Share Capital of the two companies as per first provisional transfer scheme notified vide GO. Ms. No. 100 dated 19.10.2010. The proportion of Equity Share Capital between the two companies has been revised based on the final transfer scheme notified vide GO. Ms. NO.49 dated 13.08.2015 and the impact of the same has been effected in Balance Sheet during FY 2017-18. Due to the above adjustment additional equity shares have been issued to the holding Company TNEB LTD to the tune of 60,58,97,393 number of shares and consequently there is an increase in paid-up share capital to the tune of Rs. 605,89,73,930/-.

The GOTN had earmarked Rs. 1927,49,77,930/- vide G.O.No.2, dt.02.01.2012 as Equity Share Capital and the same had been filed with Registrar of Companies. In the final G.O. on Re-Organisation notified vide G.O. Ms. 49 dated 13.08.2015 an amount of Rs.1506,15,48,780/- had been allotted to TANTRANSCO and recognised in the books of account resulting in a difference of Rs.421,34,29,150/- between the books of accounts and the RoC records.



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Tamil Nadu Transmission Corporation Limited

CIN: U40109TN2009SGC071948

NPKRR Maligai (TNEB Office), 144, Anna Salai, Chennai 600 002

Notes forming part of the Financial Statements for the Year Ended 31st March 2018

Further, the proportion of Equity Share capital between the Company and TANGEDCO was revised based on final transfer scheme notified vide GO No. Ms 49 dated 13.08. 2015 and has resulted in allotment of equity share to the Company to the tune of Rs. 605,89,73,930/- as per the books of account which has been recognised as at the year end. Consequently, the receivable balance from TANGEDCO has been increased to the above extent.

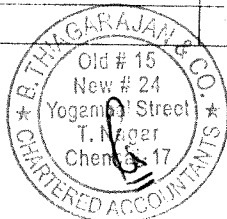
Arising out of the above, the differential allotment of Rs 184,55,61,110 (18,45,56,111 equity shares of Rs. 10 each) was approved by the Board in its meeting held on 30.04.2018 and necessary RoC allotment formalities have been complied thereafter in the Financial Year 2018-19.

26.2 Revaluation of Assets

The erstwhile TNEB fixed assets have been allocated inter-alia to TANTRANSCO as notified vide GO No. 100 dated 19.10.2010 and subsequent amendment to the said GO vide G.O.(Ms).No. 2 dated 2.1.2012. As per the final transfer scheme notified vide GO 49 dated 13.08.2015, the fixed assets of the erstwhile TNEB have been taken over by Government of Tamil Nadu and re-vested with TANTRANSCO. Out of the group of Fixed Assets, the groups namely Land and Land Rights, Buildings, Plant and Machinery and Lines and Cable Network have been re-valued and revised as per the Consultant's report. The difference between the Book value the re-valued amount as approved by the GoTN is treated as Revaluation Reserve by the Government and the same is incorporated in the books of TANTRANSCO as detailed under:

(Rs. in Crores)

S No	Name of the Asset	Re-valued Value	Book value	Surplus
1	Land & Land Rights	20320	349	19971
2	Buildings	1611	848	763
3	Plant & Machinery	19822	9542	10280
4.	Lines, Cables & Network	27380	6953	20427
	TOTAL	69133	17692	51441



Notes forming part of the Financial Statements for the Year Ended 31st March 2018

The above Revaluation Reserve of Rs. 51,441 Crores has been adjusted against accumulated losses of the erstwhile TNEB as on 31.10.2010 as under.

(Rs. in Crores)

S No	Particulars	Amount
1.	Revaluation Reserve	51,441
2	Less: Accumulated Losses of the erstwhile TNEB after adjusting non operative accounts.	31,524
3.	Balance Reserve carried forward to successor companies	19,917

The surplus of Rs. 7163,57,99,323/- represents portion pertaining to the Company and is being carried forward.

26.3 Depreciation

The Depreciation on the re-valued portion of asset is adjusted against the Revaluation Reserve to an extent of Rs. 1,258.50 Crores upto Financial Year 2013-14 and Rs 2,429.04 Crores from Financial Year 2014-15 to 2017-18.

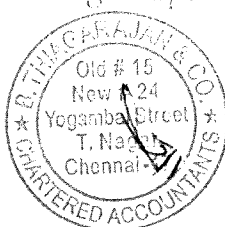
Depreciation to the tune of Rs 57.52 Lakhs (Previous Year Rs 42.27 Lakhs) pertaining to assets used for construction in projects has been capitalised during the year.

26.4 Unsecured Term loans from Foreign Financial Institutions

Japan International Co-operation Agency (JICA) Loan

Certain Transmission Scheme of TANTRANSCO have been tied up with financial assistance from Japan International Co-operation Agency (JICA) through the Govt. of India for Rs. 3572.93 Crores (or Y 60740 million), excluding taxes and duties. The Govt. of Tamil Nadu has accorded administrative sanction for the total project cost of Rs. 5014.32 Crores (including taxes and duties) vide G.O. (Ms) No. 32 Energy (A1) Department dated 29.4.2015.

The interest and commitment charges upto 31.3.2018 for the JICA Loan is duly provided in the accounts.



Tamil Nadu Transmission Corporation Limited

CIN: U40109TN2009SGC071948

NPKRR Maligai (TNEB Office), 144, Anna Salai, Chennai 600 002

Notes forming part of the Financial Statements for the Year Ended 31st March 2018

Loan from KfW, Germany

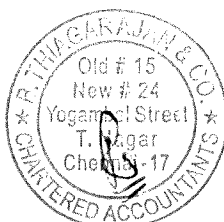
Certain Transmission Schemes of TANTRANSCO have been tied up with financial assistance from KfW, Germany, for a total project cost of Rs. 1593 Crores. The total project cost is met out by way of loan from KfW- 40%, NCEF Grant from Govt. of India - 40% and Equity by TANTRANSCO - 20%. The Govt. of Tamil Nadu has accorded administrative sanction for the total project cost of Rs. 1593 crore vide G.O. (Ms) No. 34 Energy (A1) Department dated 7.5.2015.

The interest and commitment charges upto 31.3.2018 for the KfW Germany Loan is duly provided in the accounts.

Accounting of JICA and KfW loans as on the Balance Sheet date

As per the provisions of Electricity (Supply) Annual Accounts Rules, 1985, the loan liability in foreign currency outstanding at the Balance Sheet date has been translated at the exchange rate i.e RBI selling rate applicable for Government transactions published by Controller of Aid, Accounts and Audit, Government of India. The difference due to the translation of loan balance payable as at the year-end amounting to Rs 81.63 Crores, representing a loss for the year, has been charged to Statement of Profit and Loss Account after adjusting the outstanding in credit of Foreign Exchange Reserve Variance as at the beginning of the year.

- 26.5 The updating of the fixed assets/stock registers is under process as per the Final Transfer Scheme.
- 26.6 The balance as on 31.3.2018 in sundry creditors, Sundry debtors, and Loans & Advances are subject to confirmation.
- 26.7 In respect of income from services the company has accounted and paid Service Tax/Goods and Service Tax wherever applicable.
- 26.8 Inter unit account for value of Rs. (580.62) Crores (Previous year Rs. -645.83 Crores) is not reconciled.



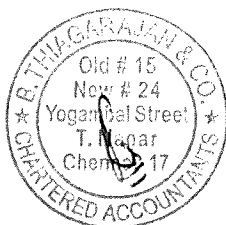
Tamil Nadu Transmission Corporation Limited

CIN: U40109TN2009SGC071948

NPKRR Maligai (TNEB Office), 144, Anna Salai, Chennai 600 002

Notes forming part of the Financial Statements for the Year Ended 31st March 2018

- 26.9 The portion of interest on borrowing for the financing of capital asset and other finance cost at construction stage capitalised for the year is Rs.348.59 Crores (Previous Year Rs. 280.20 Crores).
- 26.10 CIF Value of Imports - Rs Nil (Previous Year Rs Nil)
- 26.11 Expenditure in Foreign Currency -- Rs Nil (Previous Year Rs Nil)
- 26.12 Earnings in Foreign Currency -- Rs Nil (Previous Year Rs Nil)
- 26.13 TANTRANSCO has charged the revenue towards transmission and other charges at the rate determined by the State Commission vide its Suo-motu Transmission Tariff Order No.8 dated 11.12.2014 upto 10.08.2017 and vide T.O No. 2 dated 11.08.2017 (effective from 11.08.2017).
- 26.14 The pension payments of existing pensioners of erstwhile TNEB are being paid by TANGEDCO since no segregation of pensioners' liability has been finalised in the provisional transfer scheme. The payments of pension to those who have retired from 1.4.2017 to 31.03.2018 are made by TANGEDCO and provision of one seventh of the total liability towards TANTRANSCO's share for the FY 2017-18 to the tune of Rs. 319.39 Crores has been made in the accounts.
- 26.15 In respect of construction contract services undertaken by the Company for TANGEDCO, the transactions are recorded through the Capital Work in Progress Account. Accordingly, the Capital work in Progress as on 31.03.2018 includes work in progress undertaken for TANGEDCO.
- 26.16 TANTRANSCO provided 1% Insurance Reserve on Net Fixed Asset excluding land as on 31.3.2018 at Transmission circles for the FY 2017-18.
- 26.17 Since the company has unabsorbed depreciation and carried forward losses under tax laws deferred tax is not recognised on the basis of prudence.



Tamil Nadu Transmission Corporation Limited

CIN: U40109TN2009SGC071948

NPKRR Maligai (TNEB Office), 144, Anna Salai, Chennai 600 002

Notes forming part of the Financial Statements for the Year Ended 31st March 2018

26.18 Value of Indigenous and imported stores spares and component consumed

(Rs in Crores)

S No.	Particulars	Amount
1.	Indigenous Materials	385.20
2.	Imported Materials	Nil

26.19 Quantitative details of Transmission and Loss of Energy

S No.	Particulars	2017-18	2016-17
1.	Energy injected from Generator/Inter-State (in MU)	102,722.82	97,328.58
2	Energy fed to EHT/HT consumers and total consumption at SS end of 22/11 KV	98,593.59	93,362.00
3	Total Transmission Loss	4129.23	3966.58
4	% of Loss	4.02%	4.08%

26.20 The employee subscriptions as well as the Board's matching contributions are not invested outside, since no specific instruction has been received from Government of Tamil Nadu regarding formation of Trust. The Terminal Benefits such as gratuity, encashment of E.L., Commutation of Pension are paid from Statement of Profit and Loss Account consistently and no provision has been made.

26.21 Interest on staff loan is recovered and accounted for as Income in the books of account after the principal sum has been fully recovered from respective employees.

26.22 The provisions of section 164 (2) of the Companies Act, 2013, on the disqualification of the directors are not applicable to the company as per paragraph serial no 19 chapter 11 notification no. G.S.R 463 (E) dated 5th June 2015 of the Department of Company Affairs, Government of India.

26.23 Related Party Disclosure

- TNEB Ltd is the holding Company.
- Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO) is another subsidiary of TNEB Ltd.

Tamil Nadu Transmission Corporation Limited

CIN: U40109TN2009SGC071948

NPKRR Maligai (TNEB Office), 144, Anna Salai, Chennai 600 002

Notes forming part of the Financial Statements for the Year Ended 31st March 2018

- iii) The following persons are the Key Management Personnel (KMP) of the Company.

Sl. No.	Name of the Director	Designation
1.	Dr M Sai Kumar	Chairman
2.	Thiru S Shanmugam	Managing Director
3.	Thiru T Sentilvelan	Director Transmission Projects
4.	Tmt A Axilium Jayamary	Director Operations
5.	Tmt Maheswari Bai	Director Finance

- iv) Related party transactions:

Amount (in Rs Crores)

S No.	Description of Item	TANGEDCO	KMP	TNEB Ltd
1.	Share Capital	- (-)	- (-)	605.89 (-)
2.	Revenue From Transmission of Power	2,013.67 (1,692.26)	- (-)	- (-)
3.	Directors' Remuneration	- (-)	1.02 (0.68)	- (-)
4.	Net intercompany transactions during the year on account of staff payments, material transfers, capital works etc.	-1077.71 (1942.59)	- (-)	- (-)
5.	Net intercompany balance as at the end of the year (subject to reconciliation)	6,048.90 (7,126.61)	- (-)	- (-)

Note:

1. Previous year figures have been indicated in brackets

Tamil Nadu Transmission Corporation Limited

CIN: U40109TN2009SGC071948

NPKRR Maligai (TNEB Office), 144, Anna Salai, Chennai 600 002

Notes forming part of the Financial Statements for the Year Ended 31st March 2018

26.24 Earnings Per Share

Particulars	Year ended 31 st March 2018	Year ended 31 st March 2017
Profit/(Loss) After Taxation (Amount in ₹ Lakhs)	(466,614.19)	(27,493.49)
Weighted Average Number of Equity Share outstanding during the year - (Numbers)	4,13,71,90,278	4,13,55,30,285
Nominal value of Equity shares (₹)	10	10
Earnings Per Share (Amount in ₹)	(11.28)	(0.66)

26.25 Contingent Liabilities

The Company has Income Tax disputes for various Assessment Years from Assessment Year 2011-12 to 2015-16 which do not have any implication of Income tax demands and consequently no provision is required to be made in the books of account. As against the said disputes, the Company has preferred appeals to CIT (Appeals), which proceedings are pending as at the year end.

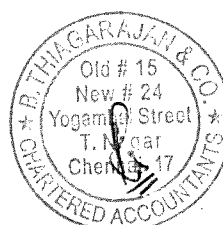
26.26 Scheduling and System Operation Charges

The Hon'ble TNERC issued Tariff Orders No.3 dated 11.8.2017 for State Load Dispatch Centre Charges for Scheduling and System Operation charges.

Pursuant to the said order, charges raised on TANGEDCO has not been paid by it as TANGEDCO took a stand that for Independent Power Producers and traders the bill for SLDC charges should be raised directly on the generators by SLDC and not on TANGEDCO. Hence, the total claim of Rs.1.21Cr towards SLDC charges is accounted under Receivables from TANGEDCO.

26.27 Rebate availed by TANGEDCO for transmission charges:

TANGEDCO is paying monthly transmission charges by availing 1% rebate contrary to the Open Access Regulation. The rebate so availed by TANTRANSCO is shown as receivable by TANTRANSCO.



Tamil Nadu Transmission Corporation Limited

CIN: U40109TN2009SGC071948

NPKRR Maligai (TNEB Office), 144, Anna Salai, Chennai 600 002

Notes forming part of the Financial Statements for the Year Ended 31st March 2018

26.28 The commitment on capital expenditure on contract pending execution as on 31.3.2018 is Rs.1,460.23 Crores (Previous Year Rs. 2,756.81 Crores).

26.29 Based on the information available with the company no sundry Creditor has claimed under Micro, Small & Medium Enterprises (as defined in "The Micro, Small & Medium Enterprises Development Act, 2006").

26.30 **Claims made by SR Constituents on erstwhile TNEB:**

Transmission & Wheeling charges- Dues payable to Karnataka: TANTRANSCO has to pay an amount of Rs.9,29,72,150/- as on March 2016 towards transmission and wheeling charges to Karnataka. Since TANTRANSCO has entered into an agreement with M/s. PGCIL for the State owned Inter-state transmission lines, the matter is being handled by M/s. PGCIL and SRPC has stopped the billing with effect from January 2016. This issue has been resolved during the FY 2018-19 and the amount payable has been adjusted against due from Karnataka through TANGEDCO.

26.31 **EXCEPTIONAL ITEM - Interest claim by TANGEDCO**

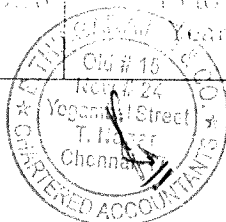
TANGEDCO, vide its letter dated 3rd November 2017, had raised a debit note for a sum of Rs 3,183.93 Crores for the period from Financial Year 2010-11 to 2016-17 and a further sum of Rs 990.25 Crores, by way of debit note received on 3rd October 2018, for the Financial Year 2017-18 respectively, totalling to Rs 4,174.17 Crores, towards interest charges on the net amount payable by the Company to TANGEDCO.

26.32 **Terms of long term borrowings**

A. Secured Term Loan from Financial Institutions

Rs in Crores

Name of the lender	Amount outstanding on 31-Mar-18	Repayment terms incl. moratorium & frequency	Rate of Interest Range	Security
Rural Electrification Corporation	7,389.98	13 to 18; 100% Yearly	10% to 12.25%	Hypothecation of Assets



Tamil Nadu Transmission Corporation Limited

CIN: U40109TN2009SGC071948

NPKRR Maligai (TNEB Office), 144, Anna Salai, Chennai 600 002

Notes forming part of the Financial Statements for the Year Ended 31st March 2018

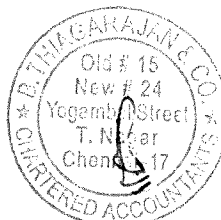
Name of the lender	Amount outstanding on 31-Mar-18	Repayment terms incl. moratorium & frequency	Rate of Interest Range	Security
(REC)				
Power Finance Corporation (PFC)	3,768.21	Construction period + 15; Quarterly	10.50% to 12.50%	Hypothecation of Assets
NABARD	160.80	15; Quarterly	10.75%	Hypothecation of Assets & State Govt Guarantee
Tamil Nadu Power Finance Corporation Ltd.	3.64	5; Monthly	10.65% to 11.65%	Hypothecation of Assets
HUDCO	814.12	15; Quarterly	12.65%	Hypothecation of Assets
PTC Financial Services	300.00	15; Monthly	9.75%	Hypothecation of Assets
TOTAL *	12,436.75			
TOTAL outstanding on 31-Mar-17	9,513.12			

* Includes Non-Current portion of 11363.89 Crores (Previous Year Rs 8,486.72 Crores) and current portion of Rs 1072.87 Crores (Previous Year Rs 1,026.40 Crores)

B. Bonds Unsecured guaranteed by State Government

Type of Bond	Amount outstanding on 31-Mar-18	Repayment terms incl. moratorium & frequency	Rate of Interest Range
TNEB Bonds *	1,055.51	10 30% at the end of 8th year, 30% at the end of 9th year and 40% at the end of 10th year; Yearly	8.32% to 8.81%
TOTAL *	1,055.51		
TOTAL outstanding on 31-Mar-17	1,693.35		

* Includes Non-Current portion of 603.17 Crores (Previous Year Rs 1,055.51 Crores) and current portion of Rs 452.34 Crores (Previous Year Rs 637.84 Crores)



Tamil Nadu Transmission Corporation Limited

CIN: U40109TN2009SGC071948

NPKRR Maligai (TNEB Office), 144, Anna Salai, Chennai 600 002

Notes forming part of the Financial Statements for the Year Ended 31st March 2018

C. Unsecured Term Loans from Financial Institutions

Rs in Crores

Name of the lender	Amount outstanding on 31-Mar-18	Repayment terms incl. moratorium & frequency	Rate of Interest Range	Security
REC	500.00	3; Yearly	10.75%	State Government Guarantee
Life Insurance Corporation of India	307.97	18; Half yearly	8.8% to 13%	State Government Guarantee
TOTAL *	807.97			
TOTAL outstanding on 31-Mar-17	764.52			

* Includes Non-Current portion of 574.70 Crores (Previous Year Rs 697.92 Crores) and current portion of Rs 233.27 Crores (Previous Year Rs 66.60 Crores)

D. Unsecured Term loans from Foreign Financial Institutions guaranteed by Central Government

Rs in Crores

Name of the Lender	Amount outstanding on 31-Mar-18	Repayment terms incl. moratorium & frequency	Rate of Interest Range
Loan from JICA obtained in Million JPY	1463.38	30; Half Yearly	0.55
Loan from KFW obtained in Million Euro	420.57	15; Half Yearly	1.63
TOTAL *	1883.95		

* Fully represents Non-Current portion



Tamil Nadu Transmission Corporation Limited

CIN: U40109TN2009SGC071948

NPKRR Maligai (TNEB Office), 144, Anna Salai, Chennai 600 002

Notes forming part of the Financial Statements for the Year Ended 31st March 2018

26.33 Terms of Short Term Borrowings

(Rs in Crores)

Name of the bank	Facility	Limit	Rate of interest	Security
State Bank of India	Cash Credit	90.00	10%	Book debts
Canara Bank	Cash Credit	50.00	9.75%	Book debts

For B Thiagarajan & Co.

Chartered

Accountants

FR No.004371S


Ram Srinivasan

Partner

Membership No. 220112

For Tamil Nadu Transmission Corporation Limited

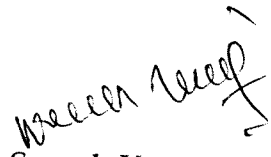

N. Mahendiran
Chief Financial Controller


M. Maheswari Bai
Director/Finance
DIN:07160357

Place: Chennai

Date: 26.10.18.




D. Suresh Kumar
Company Secretary


S. Shanmugam
Managing Director
DIN:07471901

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Tamil Nadu Transmission Corporation Limited

CIN: U40109TN2009SGC071948

NPKRR Maligai (TNEB Office), 144, Anna Salai, Chennai 600 002

Notes forming part of the Financial Statements for the Year Ended 31st March 2018

1. CORPORATE INFORMATION

Tamil Nadu Transmission Corporation Limited is a State Government Company, domiciled in India and incorporated in June 2009 under the provisions of the Companies Act, 1956, and is headquartered in Chennai. The company is a subsidiary of TNEB Limited, which is a State Government Company. The company is emerged out of the scheme known as Tamil Nadu Electricity (Re-organisation and Reforms) Transfer Scheme notified by the Government of Tamil Nadu, and dealing in transmission of power over the State of Tamil Nadu.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

- (i) The Financial statements have been prepared on accrual basis of accounting under historical cost convention and in accordance with the generally accepted accounting principles in India. As per Notification of Ministry of Corporate Affairs dated 16th February 2015, Ind AS is applicable to the Company. The Company has proposed to adopt Ind AS standards on completion of detailed analysis of financial implications of adopting the Ind AS standards.

For the Financial year 2017-18, the Company has implemented the provisions of the Companies Act, 2013 by preparing and presenting the financial statements in accordance with the requirements of Schedule III of Companies Act, 2013. The company has also reclassified previous year figures to bring the same in accordance with the Schedule III presentation requirements.

The financial statements up to the year ended 31st March 2017 were prepared in accordance with the ESAAR (Electricity Supply Annual Accounts Rules 1985).

Notes forming part of the Financial Statements for the Year Ended 31st March 2018

(ii) Basis of measurement

Financial Statements have been prepared under historical cost convention and accrual basis and on a going concern basis.

(iii) All assets and liabilities have been classified as current or non-current as per the companies normal operating cycle (12 months) and other criteria set out in the schedule III to the Act.

(iv) All amounts disclosed in the financial statements and notes have been rounded off to the nearest lakhs as per the requirement of schedule III, unless otherwise stated.

2.2 Use of Estimates

The preparation of financial statement in conformity with the provisions of Companies Act, 2013 that requires management to make an estimate and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities as at the date of the final statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

2.3 Inventories

The cost of various categories of inventories is arrived at as follows:-

Fast moving items of inventories are valued at standard rates determined by the Company from time to time.

In case of items not covered by the Standard Rate System, the receipts are valued at Basic price plus applicable taxes. In such cases, the issues are valued at the weighted average rate applicable to the closing stock of the previous month. Where the closing stock of the previous month is nil, the valuation of issues are at the rate of first receipt of the month.

Tamil Nadu Transmission Corporation Limited

CIN: U40109TN2009SGC071948

NPKRR Maligai (TNEB Office), 144, Anna Salai, Chennai 600 002

Notes forming part of the Financial Statements for the Year Ended 31st March 2018

Subsequent increase/decrease in the cost of receipt shall be adjusted in the issue rate prospectively and no retrospective adjustment shall be made to the value of past issues made out of the concerned receipts or to the assets constructed out of such issues.

Returns from out of the materials issued in the past are valued at the issue rate applicable for the month in which the materials are returned.

The prescribed basis of valuation of issues and returns may lead to certain anomalies in stock values. Such anomalies, if any, are removed at the end of every quarter and the amount by which the stock values required adjustment are accounted for in a separate account prescribed for this purpose.

The liability to be created on the receipt of materials is made

- at the standard rate in case of fast moving items and
- at the purchase order rate in case of other items.

Accounting for advance adjusted and recoveries and deductions made from a supplier bill passed by the Board and recognition of the liability for the net amount due on that bill are not inferred till the actual discharge of the net liability.

Loss on shortage in materials stock is provided for in the period in which the shortages are observed.

Treatment of Materials Cost Variance

Under the standard rate system referred to above, materials cost variance if any, in respect of receipts at O&M locations are not charged to Statement of Profit and Loss Account.

The balance in the "Materials Cost Variance Account" at the year end shall be treated as follows:-

1. Credit balance shall be credited to a Reserve called "Reserve for Materials Cost Variance".



Tamil Nadu Transmission Corporation Limited

CIN: U40109TN2009SGC071948

NPKRR Maligai (TNEB Office), 144, Anna Salai, Chennai 600 002

Notes forming part of the Financial Statements for the Year Ended 31st March 2018

2. Debit balance shall be debited to the "Reserve for Materials Cost Variance". If as a result of such debit, the net balance in this Reserve account is a debit balance, the amount of debit balance shall be charged to Statement of Profit and Loss Account for the year.

Accounting treatment for materials cost variance prescribed above assumes that the standard rates are fixed appropriately and that a system exists for periodic revision of rates whenever significant variances are being observed.

2.4 Cash Flow

Cash Flows are reported using the indirect method, where by profit/(loss) before extraordinary items and tax is adjusted for effects of transactions of non-cash nature and any deferrals or accruals of past and future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

2.5 Contingencies and Events Occurring after the Balance Sheet

The events that provide additional evidence with respect to the conditions that existed at the date of Balance Sheet and affect the estimates etc, in the process of preparing annual accounts have been considered, and annual accounts are adjusted for any changes in estimates resulting from the use of such evidence.

The events that provide evidence with respect to conditions that did not exist at the balance sheet date but arose subsequent to that date, have not been considered for adjustment in annual accounts.

2.6 Prior Period Items

The prior period items are defined as those items which arise from retrospective change in the basis of accounting, on correction of fundamental error in accounts of the prior period and on account of short or excess provisions made in the previous years.

Tamil Nadu Transmission Corporation Limited

CIN: U40109TN2009SGC071948

NPKRR Maligai (TNEB Office), 144, Anna Salai, Chennai 600 002

Notes forming part of the Financial Statements for the Year Ended 31st March 2018

2.7 Depreciation

Depreciation on assets are those described below is provided on the straight line method at the rates and in the manner prescribed Regulation 24 Tamil Nadu Electricity Regulatory Commission's (Terms and Conditions of Determination of Tariff) Tariff Regulations 2005 and as amended vide TNERC Notification No.TNERC/TR/5/2-11, DT.13.03.2014.

Assets are depreciated at 90% of the cost of the asset and 10 % is retained as the residual value. Depreciation on additions to fixed assets is charged in the year subsequent to the year in which the asset is put to use.

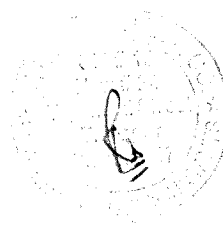
Individual assets costing up to Rs.500/- are fully depreciated in the year in which they are put in to use.

The following are the assets depreciated on the straight line basis at the rate mentioned below:-

S No.	Type of Asset	% Depreciation
1.	Buildings	
	Buildings and other civil works	3.34
2.	Hydraulic Works	5.28
3.	Plant and Machinery	5.28
	Communication Equipment Radio & HF Carrier System	6.33
4.	Transmission Line, Cables Net Works etc.	5.28
5.	Vehicles	9.50
6.	Furniture & Fixtures	6.33
7.	Office Equipments	6.33
8.	Computers & Peripherals	15.00

2.8 Revenue Recognition

Revenue on transmission is recognized on accrual basis at the Transmission Tariff notified by Tamil Nadu Regulatory Commission from time to time.



Tamil Nadu Transmission Corporation Limited

CIN: U40109TN2009SGC071948

NPKRR Maligai (TNEB Office), 144, Anna Salai, Chennai 600 002

Notes forming part of the Financial Statements for the Year Ended 31st March 2018

Sales of products and services are recognised when significant risks and rewards of ownership of products are passed on to customers or service has been provided. Unbilled revenue relating to the financial year ended 31st March 2018 and recognised in the accounts is reflected under other current assets as receivable. Net sales are stated at contractual realisable values net of applicable taxes and trade discounts.

Full provision is made for any loss in the year in which it is first foreseen.

Liquidated damages / penalties are provided for as per the contract terms wherever there is delayed delivery not attributable to the Company.

Commission income is recognised as per contracts/ receipt of income.

Interests from advances to suppliers are recognised as and when they accrue.

2.9 Property, Plant and Equipments

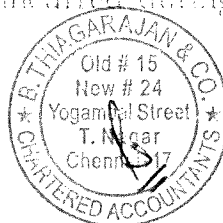
The Property, Plant & Equipment have been taken at the transfer price in respect of the assets transferred by the State Government vide G.O. Notification No. 49 w.e.f 13.08.2015.

Assets acquired/created subsequently by the company have been taken at cost including capitalisation of appropriate expenses.

Cost of Property, Plant & Equipment comprises of purchase price, duties, levies and any directly attributable cost of bringing the assets to its working condition for the intended use. Own Constructed assets are capitalized at cost including an appropriate share of overheads.

Borrowing cost related to the acquisition or construction of the qualifying Property, Plant & Equipment for the period up to the completion of their acquisition or constructions is capitalized.

Regarding capitalisation under General Construction Circles, the company is allocating the entire revenue expenses incurred during the year to the ongoing capital projects.



Tamil Nadu Transmission Corporation Limited

CIN: U40109TN2009SGC071948

NPKRR Maligai (TNEB Office), 144, Anna Salai, Chennai 600 002

Notes forming part of the Financial Statements for the Year Ended 31st March 2018

To adopt a uniform method of capitalization/ apportionment of revenue expenditure at Operation circle level and head office, the company is capitalising its employees cost at 23.5%, administration & general expenses at 1%, Depreciation at 0.5% on yearly basis on work in progress.

An additional 1% of capital work in progress is capitalised towards common expenses incurred at Head Office for the capital projects.

Property, Plant & Equipment constructed with the deposits contributed by the customer are shown in the Property, Plant & Equipment and the corresponding consumers' contribution towards cost of Property, Plant & Equipment in reserves / liabilities. Depreciation is also charged in the normal course on "Full cost" of the asset.

2.10 Effects of changes in Foreign Exchange Rates

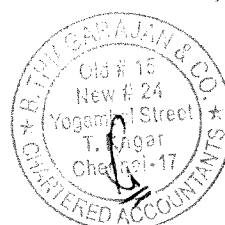
Initial recognition: Transactions in foreign currencies entered into by the Company are accounted at the exchange rates prevailing on the date of the transactions or at rates that closely approximate the rate at the date of the transaction.

Measurement at the Balance Sheet date: Foreign currency monetary items of the Company, outstanding at the balance sheet date are restated at the year-end rates.

Exchange differences arising on settlement / restatement of foreign currency monetary assets and liabilities of the Company are routed through Foreign Exchange Reserve Variance in case of gain and recognised in the Statement of Profit and Loss Account in case of a loss.

2.11 Accounting for Government Grants

The Grants received from the Government of India for execution of new Transmission Projects are being kept separately under Other Long term Liabilities, the same would be adjusted against the assets concerned on completion of project.



Tamil Nadu Transmission Corporation Limited

CIN: U40109TN2009SGC071948

NPKRR Maligai (TNEB Office), 144, Anna Salai, Chennai 600 002

Notes forming part of the Financial Statements for the Year Ended 31st March 2018

2.12 Accounting for Retirement Benefits of Employees

The Terminal benefits such as Gratuity, Encashment of Earned Leave and Contribution of Pension etc. are being accounted on cash basis. However, a fixed 3.742% of salary has been provided for pension payments at the circle level.

2.13 Borrowing Cost

Borrowing cost directly attributable to the acquisition or construction of qualifying asset is capitalised. Other borrowing cost is recognised as expenses in the period in which they are incurred. In determining the amount of borrowing cost eligible for capitalisation during the period any income earned on temporary investment on those borrowing is deducted from the borrowing cost.

2.14 Segment Reporting

The company is operating in transmission of power which is the only segment and hence the segment reporting is not applicable to the company.

2.15 Related Party Disclosures

TNEB Limited is the Holding Company, Tamil Nadu Generation and Distribution Corporation Ltd. (TANGEDCO) and Tamil Nadu Transmission Corporation Ltd. (TANTRANSCO) are its two subsidiary Companies.

2.16 Taxation

Tax expense comprises current tax, deferred tax. The current charge for income tax is measured at the amount expected to be paid to the tax authorities in accordance with The Indian Income Tax Act, 1961. Provisions for current income tax are made on the basis of the results of the year although the actual liability will be computed and paid on the basis of results for the period ending 31st March, 2018.

Deferred tax Asset/liabilities arising from timing differences is not recognised in the books of accounts.



Tamil Nadu Transmission Corporation Limited

CIN: U40109TN2009SGC071948

NPKRR Maligai (TNEB Office), 144, Anna Salai, Chennai 600 002

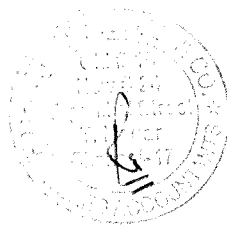
Notes forming part of the Financial Statements for the Year Ended 31st March 2018

2.17 Impairment of Assets

The carrying value of assets / cash generating units are reviewed at each balance sheet date for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount for which the asset carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset fair value less cost to sell and valuing the goods. For the purpose of assessing the impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating unit).

2.18 Provisions

Provision is recognised when the company has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which reliable estimate can be made based on technical evaluation and past experience. Provisions excluding retirement benefits are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates.



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