

UJVN LIMITED

DIRECTORS' REPORT

To the Members,

UJVN Limited

Your Directors have pleasure in presenting the 13th Annual Report of your Nigam together with Audited Accounts, Auditors' Report and Supplementary comments of the Comptroller and Auditor General of India for the financial year ended 31st March, 2014.

1. FINANCIAL PERFORMANCE

Your Nigam completed the Thirteenth year of operation. During the year the Nigam earned net profit of ₹. 12.55 Crores as compared to a net Profit of ₹. 17.12 Crores for the year ending 31.03.2013. The financial performance as on March 31st 2014 is summarized hereunder:-

FINANCIAL HIGHLIGHTS

(₹. in Crore)

Table 1

Particulars	2012-2013	2013-2014
Sale of Power	457.58	374.39
Profit before Depreciation, Interest, Prior Period & Tax	221.79	124.02
Less :-Depreciation	72.48	72.60
Profit after Depreciation and before Interest, Prior Period and Tax.	149.31	51.42
Less :-Interest Cost	114.12	111.47
Profit after Depreciation and Interest but before Prior Period items and Tax	35.19	(60.05)
Add/(Less) :-Prior Period Items	0.09	164.97
Less :- Extraordinary Item	--	91.59
Profit before Tax	35.28	13.33
Less:-Tax	18.16	0.75
Profit after Depreciation, Interest and Tax	17.12	12.58

The following are the major reasons of changes in profit of the Nigam

- Decrease in income is due to decrease in Net Energy Export by 387.06 MU in comparison to last year and due to non recovery of capacity charges pertaining to MB-II HEP on account of shortfall in achieving the Normative Annual Plant Availability Factor (NAPAF).
- Increase in Expenditure mainly due to increase in Employee Cost by ₹.13.43 crores as compare to previous year.
- Prior Period Income of ₹.163.69 crores is on account of final true-up of expenditure allowed by Uttarakhand Electricity Regulatory Commission (UERC) for 9 LHP (₹.46.35 crores) for FY 2008-09 to FY 2012-13 and provisional true-up for MB-II HEP (₹.117.34 crores) for the FY 2007-08 to FY 2012-13 vide its order dated 10.4.2014.
- Extra Ordinary Loss of Assets of ₹. 91.59 Crores is on account of damages due to Natural Calamity.

During the year 18 Small Hydro Projects (SHPs) and 3 distribution lines were handed over to Uttarakhand Renewable Energy Development Agency (UREDA) as per the directives of Govt. of Uttarakhand. An amount of ₹. 20,65,87,118 (Twenty crores sixty five lakhs eighty seven thousand one hundred eighteen) is recoverable from UREDA on account of said transfer which represents the value of assets in excess to the corresponding liabilities of SHPs transferred to UREDA.

2. POWER GENERATION

During the year under report the Nigam generated **4411.83** MUs of electricity against the total generation of **4812.11** MUs for the financial year 2012-13.

3. PROJECTS

NEW GREENSITE HYDRO ELECTRIC PROJECTS:

Brief on the new Green-site Hydro Electric Projects of the Company is as under:

a. Vyasi Hydroelectric Project (120 MW):

Stage-II Forest Clearance for change of User Agency issued by MoEF in Oct 2013. Power House construction works commenced in Oct-2013. Dam works awarded in Dec-2013 and construction commenced in Feb 2014. Power House back slope protection, Muck removal and strengthening of 2.7 Km Head Race Tunnel & Pressure shaft and other works have been taken up. Tender for Power House E&M works finalized and Lol issued to M/s BHEL in March 2014.

b. Lakhwar Multipurpose Project (300 MW):

Stage-II Forest Clearance for change of User Agency issued by MoEF in February 2014. MOU for Detailed Design Engineering for Civil & Hydro mechanical works signed with Central Water Commission in Sep 2013. Tender for major works floated in Feb 2014 and pre bid meeting concluded in March 2014. Replies to observations of Planning Commission were forwarded to CWC in July -2013. Investment Clearance from planning commission is in advanced stage.

c. Bowla Nand Prayag Hydroelectric Project (300 MW):

Clearances of Project DPR from 12 directorates of CEA/CWC have been obtained. Vital clearance from GSI received on 10 March 2014. Forest land case has been prepared.

d. Kishau Multipurpose Project (300 MW):

Meeting held in Cabinet Secretariat, Gol in Feb-2014 to expedite issues related to formation of Joint Venture with Himachal Pradesh for implementation of the Project. Application for issue of TOR for EIA/EMP studies of the Project submitted to MOEF in Oct 2013.

e. Flood Protection works in Uttarkashi and Balance Capital Works in Maneri Bhali Stage-II (304 MW):

Works for construction of Protection wall from Tiloth Bridge to Joshiyara Barrage in District Uttarkashi were awarded on fast track, quick mobilization was ensured and works started.

f. Reconstruction of 8 Small Hydro Projects (SHPs):

DPRs for reconstruction of damaged SHPs viz. Kaliganga-I, Kaliganga-II, Madhyamaehswar, Kaldigad, Assiganga-I, Assiganga-II, Pilandgad and Urgam were prepared and got approved by Board.

4. ENVIRONMENT MANAGEMENT

UJVN Ltd. believes that economic development of society depends on the judicious management of its natural resources, therefore, it accords utmost importance to the conservation of natural resources. The concept of sustained development has been integrated into the design, implementation and post implementation of hydro projects which causes zero pollution during operation phase.

Cumulative Environment Impact Assessment (CEIA) Study of Hydro Projects has been taken up for various River basins of Uttarakhand. For Eastern Ramganga & Saryu River CEIA study has been completed and report approved by GoU in Apr & May 2013 respectively.

R&R policy for Hydro Power Projects in Uttarakhand prepared by UJVN Limited was approved by GoU and notified in June 2013.

An Expert Body (E.B.) was constituted by Ministry of Environment & Forest (MoEF) as per Hon'ble Supreme Court directives dated 13.08.2013. Opinions of various reputed institutions such as Wadia, GSI, CWC etc. on June-2013 disaster, post commissioning EIA studies on Hydro Projects conducted by NHPC & THDC, Critical review of WII report regarding 24 Hydro Projects conducted by experts of HNB Garhwal University, Srinagar, submitted to all members of the Expert Body Consequently, CWC, CEA, Co-Chairman of E.B. and representative of Uttarakhand submitted positive report separately / as dissent views to MoEF.

5. DEPOSITS

The Company has not accepted any deposits from the Public.

6. INSURANCE

The Company has adequately insured the Company's Properties.

7. INFORMATION TECHNOLOGY & COMMUNICATIONS

UJVN Ltd. is committed to remain in the forefront in deploying tools and technologies in the areas of IT & Communications to create a state of the art information infrastructure in the organization covering Corporate Office, upcoming Projects and operating Power Stations. Desktop/Laptop computers have been provided in adequate numbers in order to create sufficient computing facilities. Also initiative has commenced to implement ERP solutions in the organisation.

8. CORPORATE GOVERNANCE

Your Company believes that good Corporate Governance practices pave the way towards building a Great Company. It lays stress on developing adequate control system in operations and increasing the efficiency of Business Enterprise for creation of wealth of enterprise and State as a whole.

9. BOARD OF DIRECTORS

Following Directors were appointed during the financial year 2013-14.

1. Shri. Subhash Kumar
2. Shri. Alok Kumar Jain
3. Shri. B.P. Pandey
4. Shri. M.C. Joshi
5. Sh. Sandeep Singhal

Following Directors ceased to be Directors during the financial year 2013-14:

1. Shri. Subhash Kumar
2. Shri. S.S. Sandhu
3. Smt. Radha Raturi
4. Shri. M.C. Upreti
5. Shri. Alok Kumar Jain

10. PROPOSED DIVIDEND

Your Directors do not recommend payment of any dividend for the financial Year 2013-14.

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

Information in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 regarding conservation of energy, technology absorption, and foreign exchange earnings and outgo is as under for the period under review:-

- i. Our Company is not a specified industry as per Schedule of Form-A under rule 2 for disclosures relating to conservation of energy.
- ii. The information required in Form-B under rule 2 in respect of Research and Development, Technology absorption, adaptation and innovation etc. is NIL and
- iii. The information relating to Foreign Exchange inflow and outflow is under.

Expenditure in Foreign Currency ₹. 0.95 Lacs

Earnings in Foreign Currency NIL

12. PARTICULARS OF EMPLOYEES

Information required under section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 is Nil.

13. AUDITORS

M/s. DMA & Associates Co., Chartered Accountants, Dehradun, were appointed as Statutory Auditors by Comptroller and Auditor General of India for conducting the Audit of the Company for the financial year 2014-2015.

14. COST AUDITOR

M/s. Berk Patra Kumar & Associates, Faridabad were appointed by Board as Cost Auditors of the Company for the financial year 2014-2015.

15. AUDITOR'S REPORT

The Auditor's Report refers to various notes incorporated by the Nigam in Note No-1 and 26 which are self-explanatory. The comments of the Auditors and Management's replies thereto are given in Annexure-I. The comments of the Comptroller and Auditor General of India and replies thereon are enclosed as Annexure-II to the Report.

15. MAJOR PROBLEMS BEING FACED BY THE COMPANY

It may be observed that most of the observations of the Auditors and CAG have emanated due to non finalization of transfer scheme between UPJVNL and UJVN Ltd. and other matters incidental/ related thereto as detailed in the enclosed Annexure.

All out efforts are being made to resolve such issues in compliance to the observation of the auditors. Consultant has been appointed to resolve the issue related to finalization of transfer scheme between UPJVNL and UJVN Ltd. Comments on the Draft Report received from Consultants have been firmed up and forwarded to the consultants for obtaining comments from UPJVNL.

Non payment of cess and royalty by UPCL has resulted in increase in debtors. Also non recovery of cess and royalty from UPCL may have adverse income tax implication on UJVN Ltd. All out efforts are being made to resolve the issue in consultation with GoU.

16. DIRECTORS' RESPONSIBILITY STATEMENT

As required under section 217 of the Companies Act, 1956, the Directors hereby confirm the following:

- i) In the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii) The Directors have selected such Accounting Policies and applied them consistently during the year and made judgments and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Nigam at the end of the financial year and of the profit of the Nigam for that period;
- iii) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Nigam and for preventing and detecting fraud and other irregularities to the best of their knowledge and ability;
- iv) The Directors have prepared the annual accounts on a going concern basis.

17. ACKNOWLEDGEMENTS

The Board of Directors acknowledge with deep appreciation the cooperation and guidance received from the Government of Uttarakhand and in particular the Department of Energy, Department of Finance, Department of Company Affairs, Government of India, Central Electricity Authority, Central Water Commission, UPCL and HPSEB. The Board also places on record its appreciation for continuing support, faith and confidence reposed in the Nigam by the Banks/Financial Institutions. The Board places on record its deep appreciation for the cooperation extended by Statutory Auditors and Office of Comptroller & Auditor General of India. Further, the Board wishes to record its deep gratitude to all the members of UJVNL family whose enthusiasm, dedication and co-operation have made the achievement of a satisfying performance possible. The Board is also confident that the employees will continue to contribute their best in the coming years.

For and on behalf of the Board of Directors

Date: 30/09/2014

Chairman