

INDEPENDENT AUDITOR'S REPORT

To the Members of Talwandi Sabo Power Limited

Report on the Ind AS Financial Statements

We have audited the accompanying Ind AS financial statements of Talwandi Sabo Power Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2018, the Statement of Profit and Loss including Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

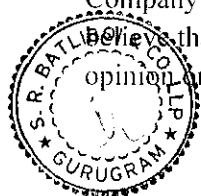
Management's Responsibility for the Ind AS Financial Statements

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 Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. 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 the 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 Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these Ind AS financial statements based on our audit. 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. We conducted our audit of the Ind AS financial statements in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Ind AS 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 Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of 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 Ind AS financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Ind AS financial statements.



Opinion

In our opinion and to the best of our information and according to the explanations given to us, the Ind AS 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, of the state of affairs of the Company as at March 31, 2018, its loss including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. 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 1 a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. 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 purpose of our audit;
 - (b) In our opinion, 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, Statement of Profit and Loss including Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;
 - (d) In our opinion, the aforesaid Ind AS financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;
 - (e) On the basis of written representations received from the directors as on March 31, 2018, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018, from being appointed as a director in terms of section 164 (2) of the Act;
 - (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 2" to this report;
 - (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 Ind AS financial statements – Refer Note 30 to the financial statements;



S.R. BATLIBOI & Co. LLP

Chartered Accountants


- ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses:

- iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For S.R. Batliboi & Co. LLP

Chartered Accountants

ICAI Firm Registration Number: 301003E/E300005


per Naman Agarwal
Partner

Membership Number: 502405



Place: New Delhi

Date: April 19, 2018

ANNEXURE 1 REFERRED TO IN PARAGRAPH 1 UNDER THE HEADING “REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS” OF OUR REPORT OF EVEN DATE

Re: Talwandi Sabo Power Limited (‘the Company’)

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of property, plant and equipment.
- (b) All the property, plant and equipment have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) According to the information and explanations given by the management, the title deeds of immovable properties included in property, plant and equipment are held in the name of the Company.
- (ii) The inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable. No material discrepancies were noticed on such physical verification.
- (iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Act. Accordingly, the provisions of clause 3(iii)(a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees, and securities given in respect of which provisions of section 185 and 186 of the Act are applicable. Accordingly provisions of clause 3(iv) of the Order are not applicable and hence not commented upon.
- (v) The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable and hence not commented upon.
- (vi) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 148(1) of the Act, related to the generation of power, and are of the opinion that prima facie, the specified accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.
- (vii) (a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees’ state insurance, income-tax, sales-tax, service tax, customs duty, excise duty, value added tax, goods and service tax, cess and other material statutory dues applicable to it.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees’ state insurance, income-tax, service tax, sales-tax, customs duty, excise duty, value added tax, goods and service tax, cess and other material statutory dues were outstanding, at the year end for a period of more than six months from the date they became payable.



- (c) According to the records of the Company, the dues outstanding of income-tax, sales-tax, service tax, custom duty, excise duty, value added tax, goods and service tax and cess on account of any dispute, are as follows:

| Name of the statute | Nature of dues | Amount (Rs. in crore) | Financial year to which it relates | Forum where dispute is pending |
|----------------------|----------------|-----------------------|------------------------------------|--------------------------------------|
| Income tax Act, 1961 | Income tax | 0.94 | Assessment year 2012-2013 | Income tax Appellate Tribunal |
| Income tax Act, 1961 | Income tax | 0.68 | Assessment year 2012-2013 | Commissioner of Income Tax (Appeals) |
| Income tax Act, 1961 | Income tax | 0.01 | Assessment year 2015-2016 | Commissioner of Income Tax (Appeals) |

- (viii) In our opinion and according to the information and explanations given by the management, the Company has not defaulted in repayment of loans or borrowing to a financial institution, bank or dues to debenture holders. The Company does not have any outstanding dues towards the Government.
- (ix) In our opinion and according to the information and explanations given by the management, the Company has utilized the monies raised by way of term loans (including debentures) for the purposes for which they were raised, although they were invested in short term investments and fixed deposits for a temporary period. The Company has not raised any money by way of initial public offer / further public offer.
- (x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the Company or material fraud on the Company by the officers and employees of the Company has been noticed or reported during the course of our audit.
- (xi) According to the information and explanations given by the management, the managerial remuneration has been paid in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.
- (xii) In our opinion, the Company is not a nidhi company. Accordingly, provisions of clause 3(xii) of the Order are not applicable to the Company and hence not commented upon.
- (xiii) According to the information and explanations given by the management, transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.
- (xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence, reporting requirements under clause 3(xiv) of the Order are not applicable to the Company and hence not commented upon.



S.R. BATLIBOI & CO. LLP


Chartered Accountants

- (xv) According to 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 as referred to in section 192 of Companies Act, 2013.
- (xvi) According to the information and explanations given to us, the provisions of section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

For S.R. Batliboi & Co. LLP

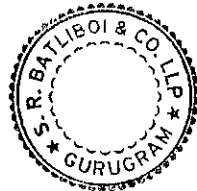
Chartered Accountants

ICAI Firm Registration Number: 301003E/E300005


Per Naman Agarwal

Partner

Membership No.: 502405



Place: New Delhi

Date : April 19, 2018

ANNEXURE 2 TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF TALWANDI SABO POWER LIMITED

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

We have audited, the internal financial controls over financial reporting of Talwandi Sabo Power 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

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established under the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO 2013 criteria), which considers 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 internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the 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

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 Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both issued by the Institute of Chartered Accountants of India. 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 effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting.



Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide 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 control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records 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 authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. 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 control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2018, based on the internal control over financial reporting in COSO 2013 criteria, 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.

For S.R. Batliboi & Co. LLP
Chartered Accountants
ICAI Firm Registration Number: 301003E/E300005

per Naman Agarwal
Partner
Membership Number: 502405



Place: New Delhi
Date: April 19, 2018

Balance Sheet as at March 31, 2018

(₹ in Crore)

| | Particulars | Notes | As at March 31, 2018 | As at March 31, 2017 |
|-----------|--------------------------------------|-------|-------------------------|-------------------------|
| I | ASSETS | | | |
| 1 | Non-current assets | | | |
| | (a) Property, plant and equipment | 3 | 10,340.23 | 10,607.23 |
| | (b) Capital work-in-progress | 3 | 8.05 | 5.46 |
| | (c) Intangible assets | 3 | 1.41 | 2.12 |
| | (d) Financial assets | | | |
| | (i) Trade receivables | 4 | 816.61 | 582.44 |
| | (ii) Others financial assets | 5 | 5.83 | 5.88 |
| | (e) Other non-current assets | 6 | 3.44 | 1.31 |
| | Total non-current assets | | 11,175.57 | 11,204.44 |
| 2 | Current assets | | | |
| | (a) Inventories | 7 | 253.00 | 296.17 |
| | (b) Financial Assets | | | |
| | (i) Investments | 8 | - | 144.03 |
| | (ii) Trade receivables | 9 | 1,439.81 | 409.43 |
| | (iii) Cash and cash equivalents | 10 | 23.41 | 47.12 |
| | (iv) Other financial assets | 11 | 73.89 | 51.85 |
| | (c) Other current assets | 12 | 69.27 | 57.49 |
| | Total current assets | | 1,859.38 | 1,006.09 |
| | Total Assets | | 13,034.95 | 12,210.53 |
| II | EQUITY AND LIABILITIES | | | |
| A | Equity | | | |
| | (a) Equity share capital | 13 | 3,206.61 | 3,206.61 |
| | (b) Other equity | 14 | (595.95) | (502.29) |
| | Total Equity | | 2,610.66 | 2,704.32 |
| B | LIABILITIES | | | |
| 1 | Non-current liabilities | | | |
| | (a) Financial liabilities | | | |
| | (i) Borrowings | 15 | 4,676.31 | 5,019.95 |
| | (ii) Other financial liabilities | 16 | 10.98 | - |
| | (b) Provisions | 17 | 0.53 | 1.08 |
| | (c) Deferred tax liabilities (net) | 40 | 180.81 | - |
| | Total non-current liabilities | | 4,868.63 | 5,021.03 |
| 2 | Current liabilities | | | |
| | (a) Financial liabilities | | | |
| | (i) Borrowings | 18 | 2,525.79 | 1,726.61 |
| | (ii) Trade payables | 19 | 326.55 | 136.90 |
| | (iii) Other financial liabilities | 20 | 2,699.63 | 2,617.81 |
| | (b) Other current liabilities | 21 | 3.63 | 3.78 |
| | (c) Provisions | 22 | 0.06 | 0.08 |
| | Total current liabilities | | 5,555.66 | 4,485.18 |
| | Total Liabilities | | 10,424.29 | 9,506.21 |
| | Total Equity and Liabilities | | 13,034.95 | 12,210.53 |

See accompanying notes forming part of financial statements

In terms of our report attached

For S. R. Batliboi & Co. LLP

ICAI Firm Registration No. : 301003E/E300005

Chartered Accountants

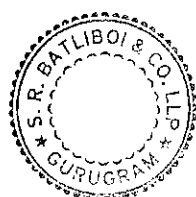
per Naman Agarwal

Partner

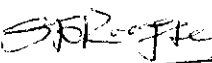
Membership No. : 502405

Place : New Delhi

Date: April 19, 2018



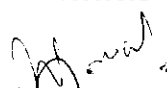
For and on behalf of Board of Directors



S. K. Roongta

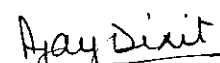
Chairman

DIN: 00309302



Rohit Agarwal

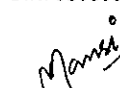
Chief Financial Officer



Ajay Kumar Dixit

Whole Time Director

DIN: 03086605



Mansi Bhutani

Company Secretary

ICSI Mem No. A49407

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

(₹ in Crore)

| Particulars | Notes | Year ended March 31, 2018 | Year ended March 31, 2017 |
|--|-------|------------------------------|------------------------------|
| I Revenue from operations | 23 | 4,202.41 | 3,590.68 |
| II Other income | 24 | 4.32 | 0.65 |
| III Total Income (I+II) | | 4,206.73 | 3,591.33 |
| IV Expenses: | | | |
| Power and fuel charges | | 2,760.25 | 2,313.71 |
| Employee benefits expense | 25 | 34.13 | 31.82 |
| Finance costs | 26 | 766.01 | 587.02 |
| Depreciation and amortisation expense | 27 | 327.93 | 907.97 |
| Other expenses | 28 | 231.44 | 159.29 |
| Total expenses | | 4,119.76 | 3,999.81 |
| V Profit/(loss) before tax (III-IV) | | 86.97 | (408.48) |
| VI Tax expense/(benefit): | 40 | | |
| Current tax | | - | - |
| Deferred tax | | 180.81 | - |
| Net Tax expense/(benefit): | | 180.81 | - |
| VII Net Profit/(Loss) for the year (V-VI) | | (93.84) | (408.48) |
| VIII Other Comprehensive Income/(Loss) (net of taxes) | | | |
| (i) Items that will not be reclassified to profit or loss - Re-measurement gain/(loss) on defined benefit obligations | | 0.18 | (0.05) |
| IX Total Comprehensive Income/(Loss) for the period (VII+VIII) | | (93.66) | (408.53) |
| X Earnings/(Loss) per equity share (in ₹): | 33 | | |
| (1) Basic | | (0.29) | (1.27) |
| (2) Diluted | | (0.29) | (1.27) |

See accompanying notes forming part of financial statements

In terms of our report attached

For S. R. Batliboi & Co. LLP

ICAI Firm Registration No. : 301003E/E300005

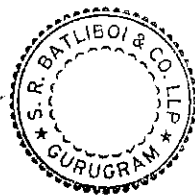
Chartered Accountants

per Naman Agarwal
Partner

Membership No.: 502405

Place : New Delhi

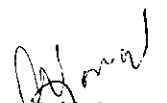
Date: April 19, 2018



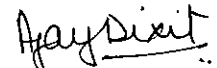
For and on behalf of Board of Directors



S. K. Roongta
Chairman
DIN: 00309302



Rohit Agarwal
Chief Financial Officer



Ajay Kumar Dixit
Whole Time Director
DIN: 03086605



Mansi Bhutani
Company Secretary
ICSI Mem No. A49407

Cash Flow Statement for the year ended March 31, 2018

(₹ in Crore)

| SL. No. | Particulars | Year ended March 31, 2018 | Year ended March 31, 2017 |
|----------|--|------------------------------|------------------------------|
| A | Cash flows from operating activities | | |
| | Net Profit/(Loss) before tax | 86.97 | (408.48) |
| | Adjusted for : | | |
| | Unrealised exchange (gain)/loss | 3.85 | 3.05 |
| | Depreciation and amortisation expense | 327.93 | 907.97 |
| | Interest Expenses | 760.73 | 582.24 |
| | Other Income | (4.32) | (0.23) |
| | Loss on sale of property, plant and equipment | 1.41 | 0.10 |
| | Marked to market (gain)/loss on derivatives | (12.99) | 20.20 |
| | Operating profit before working capital changes | 1,163.58 | 1,104.85 |
| | Adjustments for change in assets and liabilities | | |
| | (Increase) /Decrease in inventories | 43.17 | (118.54) |
| | (Increase) /Decrease in trade receivables | (1,264.55) | (640.01) |
| | (Increase) /Decrease in other financial and other assets | (35.11) | (61.99) |
| | Increase/ (Decrease) in payables and provisions | 186.78 | (7.55) |
| | Cash generation / (used) in operations | 93.87 | 276.76 |
| | Income taxes (paid)/Refund | (0.21) | (0.13) |
| | Net cash from / (used in) operating activities (i) | 93.66 | 276.63 |
| B | Cash flows from investing activities | | |
| | Purchases of property, plant and equipment (including intangibles) | (109.16) | (245.57) |
| | Proceeds from maturity/redemption of short term deposits | 57.02 | - |
| | Purchases of short term deposits | (57.00) | - |
| | Purchase of short term Investment (Mutual Funds) | (3,399.20) | (1,905.74) |
| | Proceeds from Sale of short term Investments (Mutual Funds) | 3,543.23 | 1,761.34 |
| | Dividends & Interest received | 4.33 | 1.17 |
| | Net cash from / (used in) investing activities (ii) | 39.22 | (388.80) |
| C | Cash flows from financing activities | | |
| | Proceeds from Long Term borrowing | 1,098.66 | 1,951.66 |
| | Repayment of Long Term borrowing | (1,352.30) | (431.52) |
| | Proceeds from Short Term borrowing | 8,643.83 | 8,163.26 |
| | Repayment of Short Term borrowing | (7,963.30) | (9,064.75) |
| | Interest Paid | (583.48) | (499.46) |
| | Net cash from / (used in) financing activities (iii) | (156.59) | 119.19 |
| | Net (decrease)/increase in cash and cash equivalents (i+ii+iii) | (23.71) | 7.02 |
| | Cash and cash equivalents at beginning of the year | 47.12 | 40.10 |
| | Cash and cash equivalents at close of the year | 23.41 | 47.12 |
| | [Refer Note 10 to the financial statements] | | |

Notes:

- The figures in bracket indicates outflows.
- The above cash flow has been prepared under the "Indirect Method" as set out in Ind AS 7 - Statement of Cash Flows.

See accompanying notes forming part of the financial statements

In terms of our report attached

For S. R. Batliboi & Co. LLP

ICAI Firm Registration No. : 301003E/E300005

Chartered Accountants

per Naman Agarwal

Partner

Membership No.: 502405

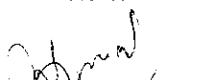
Place: New Delhi

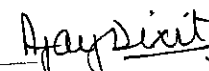
Date: April 19, 2018

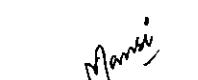


For and on behalf of Board of Directors


S.K. Roongta
Chairman
DIN: 00309302


Rohit Agarwal
Chief Financial Officer


Ajay Kumar Dixit
Whole Time Director
DIN: 03086605


Mansi Bhutani
Company Secretary
ICSI Mem No. A49407



Talwandi Sabo Power Limited
CIN - L40101PB2007PLC031035

Statement of Changes in Equity for the year ended March 31, 2018

a. Equity share capital

| Equity shares of ` 10 each issued, subscribed and fully paid | No. of Shares | Amount (` in Crore) |
|--|---------------|------------------------|
| As at April 1, 2016, March 31, 2017 and March 31, 2018 | 320,66,09,692 | 3,206.61 |

Note: There has been no change in the equity share capital either during the current year or previous year.

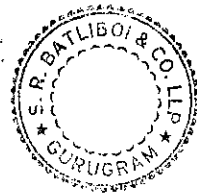
b. Other equity

| Particulars | Reserves and Surplus | | Total (` in Crore) |
|------------------------------|----------------------|------------------------------|-----------------------|
| | Retained earnings | Debenture Redemption Reserve | |
| Balance as at March 31, 2016 | (119.79) | 26.03 | (93.76) |
| Loss for the year | (408.48) | - | (408.48) |
| Other comprehensive income | (0.05) | - | (0.05) |
| Balance as at March 31, 2017 | (528.32) | 26.03 | (502.29) |
| Loss for the year | (93.84) | - | (93.84) |
| Other comprehensive income | 0.18 | - | 0.18 |
| Balance as at March 31, 2018 | (621.98) | 26.03 | (595.95) |

See accompanying notes forming part of the financial statements

In terms of our report attached
For S. R. Batliboi & Co. LLP
ICAI Firm Registration No. : 301003E/E300005
Chartered Accountants

per Naman Agarwal
Partner
Membership No.: 502405



Place: New Delhi
Date: April 19, 2018

For and on behalf of Board of Directors


S.K. Roongta
Chairman
DIN: 00309302


Rohit Agarwal
Chief Financial Officer


Ajay Kumar Dixit
Whole Time Director
DIN: 03086605


Mansi Bhutani
Company Secretary
ICSI Mem No. A49407

1. Company's Overview

Talwandi Sabo Power Limited (herein after referred as "TSPL" or "the Company") was incorporated as a Special Purpose Vehicle by Punjab State Power Corporation Limited (herein after referred as "PSPCL") [formerly known as Punjab State Electricity Board (PSEB)] to construct a 3*660 Mega Watt coal based thermal power plant (The Plant) on Build, Own and Operate (BOO) basis. TSPL became a wholly owned subsidiary of Vedanta Limited (herein after referred as "VL") [formerly known as Sesa Sterlite Limited (SSL)] pursuant to the selection of VL as the successful bidder after going through a tariff based International Competitive Bidding (ICB) process. The Share Purchase Agreement (SPA), Power Purchase Agreement (herein after referred as "PPA") for sale of power from the Plant to PSPCL for a period of twenty five years and other necessary documents were signed between VL, TSPL and PSPCL on September 01, 2008. The address of its registered office and principal place of business is in village Banawala, Mansa - Talwandi Sabo Road, Mansa, Punjab - 151302.

The standalone financial statements were approved for issuance by the Board of Directors on April 19, 2018.

2. Basis of Preparation and Significant accounting policies

2.A. Basis of Preparation

a) Basis of preparation and compliance with Ind AS

These financial statements have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time) and other relevant provisions of the Companies Act, 2013 (the Act).

Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

b) Basis of measurement

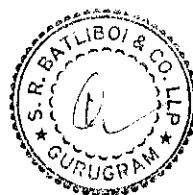
The standalone financial statements have been prepared on a going concern basis using historical cost convention, except for certain financial assets and liabilities which are measured at fair value/amortised cost {Refer note 2.B.(g)}.

c) Standards issued but not yet effective

The Guidance note and amendment to standards issued, but not yet effective up to the date of issuance of the Company's Financial Statements are disclosed below. The Company intends to adopt these when it becomes effective.

Ind AS 115 - Revenue from Contract with Customers:

This standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The standard replaces most current revenue recognition guidance. The core principle of the new standard is for companies to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the Company expects to be



entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively including service revenue and contract modifications and improve guidance for multiple element arrangements. The new Standard comes into effect for the annual reporting periods beginning on or after April 1, 2018 with early application permitted.

In order to identify the potential impact of the standard on the Company's financial statements, the Company has analysed its contract with its sole customer. The work done is focused on evaluating the contractual arrangements across the Company's principal revenue stream, particularly key terms and conditions which may impact revenue recognition.

Based on the work carried out, the overall effect of implementation of Ind AS 115 is not likely to be material on the recognition and measurement of revenue, though there would be additional disclosure requirements for the Company to comply with.

The Company intends to apply these changes using a modified retrospective application as permitted by the standard.

Amendment to Ind AS 12

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

These amendments are effective for annual periods beginning on or after 1 April 2018. These amendments are not expected to have any impact on the Company as the Company has no deductible temporary differences or assets that are in the scope of the amendments.

Amendment to Ind AS 21

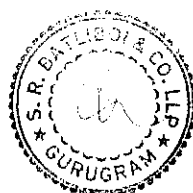
The insertion of Appendix B of Ind AS 21 provides clarification on recording foreign currency transactions when consideration is paid or received in advance. The Appendix B would apply when a Company:

- Pays or receives consideration denominated or priced in a foreign currency, and
- Recognises a non-monetary prepayment asset or deferred income liability.

The appendix is applicable for annual periods beginning on or after April 1, 2018. The Company is evaluating the requirements of the amendment and has not yet determined the impact on the financial statements.

Amendment to Ind AS 40

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide



evidence of a change in use.

Entities should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first apply the amendments. An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application in accordance with Ind AS 8 is only permitted if it is possible without the use of hindsight.

The amendments are effective for annual periods beginning on or after 1 April 2018. The Company is evaluating the requirements of the amendment and has not yet determined the impact on the financial statements.

2.B. SIGNIFICANT ACCOUNTING POLICIES

The Company has applied the following accounting policies to all periods presented in the Financial Statements:

a) Functional and presentation currency

The Financial Statements are prepared in Indian Rupee (₹), which is the Company's functional currency. All financial information presented in Indian Rupee has been rounded to the nearest Crore with two decimals.

b) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable taking into account the amount of any cash discounts allowed by the Company.

Sale of Power

Revenue is recognised in terms of Power Purchase Agreement ("PPA") entered with Punjab State Power Corporation Limited ("PSPCL") when no significant uncertainty as to the measurability and collectability exists.

Lease Income

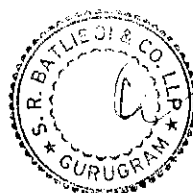
Lease income from operating leases (excluding amount for services on maintenance, etc. and contingent rentals) where the Company is a lessor is recognised in income on a straight-line basis over the lease term unless the receipts are structured to increase in line with expected general inflation to compensate for the expected inflationary cost increases and another systematic basis is more representative of the time pattern in which user's benefit derived from the leased asset is diminished. Contingent rent is recognised in the period when earned. The respective leased assets are included in the balance sheet according to the nature of the asset.

Dividend Income

Dividend income is recognised in the Statement of Profit and Loss only when the right to receive payment is established, provided it is probable that the economic benefits associated with the dividend will flow to the Company and the amount of dividend can be measured reliably.

Interest Income

Interest income from debt instruments is recognised using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of



the financial asset to the gross carrying amount of a financial asset. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses.

c) Property, plant and equipment

i. Property, plant and equipment

The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, and any directly attributable costs of bringing an asset to working condition and location for its intended use. It also includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. Machinery spare parts are capitalised when they meet the definition of property, plant and equipment.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Likewise, expenditure towards major inspections and overhauls are identified as a separate component and depreciated over the expected period till the next overhaul expenditure.

Subsequent costs and disposal:

Subsequent expenditure related to an item of property, plant and equipment is added to its book value only if it increases the future economic benefits from the existing asset beyond its previously assessed standard of performance/life. All other expenses on existing property, plant and equipment, including routine repair and maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the period during which such expenses are incurred.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income/other expenses in Statement of Profit and Loss.

ii. Capital work in progress

Assets in the course of construction are capitalised in capital work in progress account. All costs attributable to construction of project or incurred in relation to the project under construction, net of incidental income during the construction/pre-production period, are aggregated under 'Expenditure during Construction Period' to be allocated to individual identified assets on completion. At the point when an asset is capable of operating in the manner intended by the management, the cost of construction is transferred to the appropriate category of property, plant and equipment. Costs associated with the commissioning of an asset are capitalised until the period of commissioning has been completed and the asset is ready for its intended use.

iii. Depreciation

Assets in the course of development or construction and freehold land are not depreciated. Property plant and equipment are stated at cost less accumulated depreciation and any provision for impairment. Depreciation commences when the assets are ready for their intended use.

Depreciation is calculated over the depreciable amount, which is the cost of an asset less its residual value. Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line method over its expected useful life.

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The estimated useful lives of assets are as follows:

| | | |
|---------------------------------------|------|-------|
| • Buildings | 3-60 | years |
| • Roads | 10 | years |
| • Plant and machinery | 5-40 | years |
| • Fixtures and fixtures | 10 | years |
| • Vehicles | 8 | years |
| • Railway siding | 15 | years |
| • Office equipment | 5 | years |
| • Computers and data processing units | 3-6 | years |
| • Laboratory equipment | 10 | years |

During the year, the Company revised its method of depreciation from written down value method to straight line method. (Refer note 3).

Depreciation methods, useful lives and residual values of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

d) Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

Intangible assets are amortised over their estimated useful life on a straight line basis. Software is amortised over the estimated useful life of software license of 3.5 years. The amortisation period and the amortisation method are reviewed at least at each financial year end. If the expected useful life of the asset is different from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

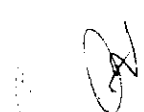
e) Lease

Determining whether an arrangement contains lease

At inception of an arrangement, the Company determines whether the arrangement is or contains a lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Arrangements containing a lease have been evaluated as on the date of transition i.e. April 1, 2015 in accordance with Ind-AS 101 "First-time Adoption of Indian Accounting Standards". Lease arrangements including both land and building have been separately evaluated for finance or operating lease at the date of transition to Ind AS basis the facts and circumstances existing as at that date.

At inception or on reassessment of an arrangement that contains lease, the Company separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Company's incremental borrowing rate.





Company as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit and loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's general policy on the borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense in the statement of profit and loss on a straight-line basis over the lease term unless the payments are structured to increase in line with general inflation to compensate for the lessor's expected inflationary cost increase.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income from operating lease is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases are classified as finance leases when substantially all of the risks and rewards of ownership transfer from the Company to the lessee. Amounts due from lessees under finance leases are recorded as receivables at the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

f) Current and Non-Current Classification

The Company presents assets and liabilities in the balance sheet based on current and non-current classification.

An asset is treated as current when it is:

- a. Expected to be realised or intended to be sold or consumed in normal operating cycle
- b. Held primarily for the purpose of trading
- c. Expected to be realised within twelve months after the reporting period, or
- d. Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.



A liability is current when it is:

- a. Expected to be settled in normal operating cycle
- b. Held primarily for the purpose of trading
- c. Due to be settled within twelve months after the reporting period, or
- d. There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current only.

g) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets – recognition

Initial recognition and measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit and loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in three categories:

(i) Debt instruments at amortised cost

A 'Debt instrument' is measured at the amortised cost if both the following conditions are met:

- a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the Statement of Profit and Loss. The losses arising from impairment are recognised in the Statement of Profit and Loss.

(ii) Debt instruments at fair value through other comprehensive income (FVOCI)

A 'debt instrument' is classified as FVOCI if both of the following criteria are met:

- a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and
- b) The asset's contractual cash flows represent SPPI.

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Debt instruments included within the FVOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognised in the other comprehensive income (OCI). However, the interest income, impairment losses & reversals and foreign exchange gain or loss are recognised in the statement of profit and loss. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to profit or loss. Interest earned whilst holding FVOCI debt instrument is reported as interest income using the EIR method.

(iii) *Debt instruments at fair value through profit and Loss (FVTPL)*

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorisation as at amortised cost or as FVTOCI, is classified as at FVTPL.

In addition, the Company may elect to designate a debt instrument, which otherwise meets amortised cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch'). The Company has not designated any debt instrument as at FVTPL.

Debt instruments included within the FVTPL category are measured at fair value with all changes recognised in the P&L.

Financial assets – derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Impairment of financial assets

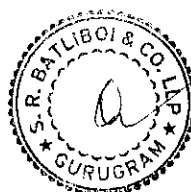
In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the following financial assets:

- Financial assets that are debt instruments, and are measured at amortised cost e.g., loans, debt securities, deposits and trade receivables;
- Financial assets that are debt instruments and are measured as at FVTOCI;
- Trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 18

The Company follows 'simplified approach' for recognition of impairment loss allowance on trade receivables. The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

At each reporting date, for recognition of impairment loss on other financial assets and risk exposure, the Company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on 12-month ECL.

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Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12-month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months after the reporting date.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the entity expects to receive (i.e., all cash shortfalls), discounted at the original EIR.

ECL impairment loss allowance (or reversal) recognised during the period is recognised as income or expense in the Statement of Profit and Loss under the head 'Other Expenses'.

The balance sheet presentation for financial instruments is described below:

- **Financial assets measured at amortised cost:** ECL is presented as an allowance, i.e., as an integral part of the measurement of those assets in the balance sheet. The allowance reduces the net carrying amount. Until the asset meets write-off criteria, the Company does not reduce impairment allowance from the gross carrying amount.
- **Debt instruments measured at FVOCI:** Since financial assets are already reflected at fair value, impairment allowance is not further reduced from its value. Rather, ECL amount is presented as 'accumulated impairment amount' in the OCI.

For assessing increase in credit risk and impairment loss, the Company combines financial instruments on the basis of shared credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through Statement of Profit and Loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and derivative financial instruments.

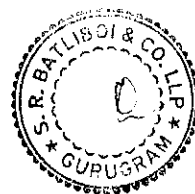
Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification, as described below:

- *Financial liabilities at amortised cost (Loans & Borrowings)*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in Statement of Profit and Loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss.



- *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognised in OCI. These gains/ loss are not subsequently transferred to profit or loss. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit or loss. The Company has not designated any financial liability as at fair value through profit and loss.

Financial Liabilities- Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit and loss.

Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of any entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

h) Derivative financial instruments

Initial recognition and subsequent measurement

In order to hedge its exposure to foreign exchange risks, the Company enters into forward contracts for hedging of exposures of foreign currencies borrowings and capital vendors. The Company does not hold derivative financial instruments for speculative purposes. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.



Any gains or losses arising from changes in the fair value of derivatives are taken directly to Statement of Profit and Loss.

i) Borrowing costs

Borrowing cost includes interest expense as per Effective Interest Rate (EIR) and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

Borrowing costs directly relating to the acquisition, construction or production of a qualifying capital project under construction are capitalised and added to the project cost during construction until such time that the assets are substantially ready for their intended use i.e. when they are capable of commercial production. Where funds are borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where surplus funds are available out of money borrowed specifically to finance a project, the income generated from such short-term investments is deducted from the total capitalised borrowing cost. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Company during the year.

Capitalisation of borrowing costs is suspended and charged to the statement of profit and loss during the extended periods when the active development on the qualifying asset is suspended.

All other borrowing costs are recognised in the Statement of Profit and Loss in the year in which they are incurred.

EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial liability or a shorter period, where appropriate, to the amortised cost of a financial liability. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options).

j) Buyers' Credit

The Company enters into arrangements whereby financial institutions make direct payments to suppliers for raw materials and project materials. The financial institutions are subsequently repaid by the Company at a later date providing working capital timing benefits. These are normally settled up to twelve months (for raw materials) and up to thirty six months (for project materials). Where these arrangements are for raw materials with a maturity of up to twelve months, the economic substance of the transaction is determined to be operating in nature and these are recognised as operational buyers' credit (under Trade and other payables). Where these arrangements are for project materials with a maturity up to thirty six months, the economic substance of the transaction is determined to be financing in nature, and these are classified as projects buyers' credit within borrowings in the statement of financial position.

k) Impairment of non-financial assets

Impairment charges and reversals are assessed at the level of cash-generating units. A cash-generating unit (CGU) is the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or group of assets.



Impairment tests are carried out annually for all assets when there is an indication of impairment. The Company conducts an internal review of asset values annually, which is used as a source of information to assess for any indications of impairment or reversal of previously recognised impairment losses. External factors, such as changes in expected future prices, costs and other market factors are also monitored to assess for indications of impairment or reversal of previously recognised impairment losses.

If any such indication exists then an impairment review is undertaken, the recoverable amount is calculated, as the higher of fair value less costs of disposal and the asset's value in use. Fair value less costs of disposal is the price that would be received to sell the asset in an orderly transaction between market participants and does not reflect the effects of factors that may be specific to the entity and not applicable to entities in general.

Value in use is determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset in its present form and its eventual disposal. The cash flows are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted. Value in use is determined by applying assumptions specific to the Company's continued use and cannot take into account future development. These assumptions are different to those used in calculating fair value and consequently the value in use calculation is likely to give a different result to a fair value calculation.

The carrying amount of the CGU is determined on a basis consistent with the way the recoverable amount of the CGU is determined. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount.

An impairment loss is recognised in the Statement of Profit and Loss. Any reversal of the previously recognised impairment loss is limited to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had previously been recognised.

l) Inventories

Inventories comprising fuel, stores and spares, consumables, supplies and loose tools are valued at the lower of cost and the net realisable value after providing for obsolescence and other losses. Cost includes all charges in bringing the goods to the point of sale, including octroi and other levies, transit insurance and receiving charges and is determined on a weighted average basis.

Net realisable value is determined based on estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

m) Taxation

Tax expense represents the sum of current tax and deferred tax. Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the reporting date and includes any adjustment to tax payable in respect of previous years.

Subject to exceptions below, deferred tax is provided, using the balance sheet method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, on carry forward of unused tax credits and unused tax loss;

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- deferred income tax is not recognised on the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- deferred tax assets are recognised only to the extent that it is more likely than not that they will be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Tax relating to items recognised outside Statement of Profit and Loss is recognised outside Statement of Profit and Loss (either in other comprehensive income or equity).

The carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

n) Retirement benefit schemes

The Company operates or participates in a number of defined benefits and defined contribution schemes, the assets of which (where funded) are held in separately administered funds. For defined benefit pension schemes, the cost of providing benefits under the plans is determined by actuarial valuation separately for each plan using the projected unit credit method by independent qualified actuaries as at the year end.

Re-measurements including, effects of asset ceiling and return on plan assets (excluding amounts included in interest on the net defined benefit liability) and actuarial gains and losses arising in the year are recognised in full in other comprehensive income and are not recycled to the profit or loss. For defined contribution schemes, the amount charged to the Statement of Profit and Loss in respect of provident fund, pension costs and other post-retirement benefits are the contributions payable in the year, recognised as and when the employee renders related services and the Company has no further obligations other than the contributions made

Past service costs are recognised in statement of profit or loss in the earlier of:

- The date of the planned amendment or curtailment, and
- The date that the Company recognises related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognises the following changes in the net defined benefit obligation as an expense in the Statement of Profit and Loss:

- Service costs comprising current service costs, past service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income.

o) Provision for liabilities and charges, contingent liabilities and contingent assets

Provisions represent liabilities of the Company for which the amount or timing is uncertain. Provisions are recognised when the Company has a present obligation (legal or constructive), as a result of past events, and it is probable that an outflow of resources, that can be reliably estimated, will be required to settle such an obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows to net present value using an appropriate pre-tax discount rate that reflects

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current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Unwinding of the discount is recognised in the Statement of Profit and Loss as a finance cost. Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimate.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Company does not recognise a contingent liability but discloses its existence in the financial statements.

Contingent assets are not recognised but disclosed in the financial statements when an inflow of economic benefits is probable.

p) Foreign currency translation

The functional currency for the Company is determined as the currency of the primary economic environment in which it operates. The functional currency is the local currency of the country in which it operates which is Indian Rupee (₹).

Transactions in currencies other than the functional currency are translated into the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in other currencies are translated into the functional currency at exchange rates prevailing on the reporting date. Non-monetary assets and liabilities denominated in other currencies and measured at historical cost or fair value are translated at the exchange rates prevailing on the dates on which such values were determined.

All exchange differences are included in the Statement of Profit and Loss except any exchange differences on monetary items designated as an effective hedging instrument of the currency risk of designated forecasted sales or purchases, which are recognised in the other comprehensive income.

The Company had applied paragraph 46A of AS 11 as prescribed under the accounting standards notified pursuant to section 133 of the Act read together with Rule 7 of the Companies (Accounts) Rules 2014. On transition to Ind AS, the Company had elected the option, whereby a first time adopter could continue its accounting policy for exchange differences arising from translation of long-term foreign currency monetary items recognised in the financial statements for the period ending immediately before the beginning of the first Ind AS financial reporting period. Hence, foreign exchange gain/loss on long-term foreign currency monetary liabilities recognised upto March 31, 2016 which were obtained for acquisition of property, plant and equipment, have been adjusted to the cost of PPE.

Such exchange differences arising on translation/settlement of long-term foreign currency monetary items and pertaining to the acquisition of a depreciable asset are amortised over the remaining useful lives of the assets.

From accounting periods commencing on or after April 01, 2016, exchange differences arising on translation/ settlement of long-term foreign currency monetary items, acquired post April 01, 2016, pertaining to the acquisition of a depreciable asset are charged to the statement of profit and loss.

q) Earnings per share



The Company presents basic and diluted earnings per share ("EPS") data for its equity shares. Basic EPS is calculated by dividing the profit or loss attributable to equity shareholders of the Company by the weighted average number of equity shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to equity shareholders and the weighted average number of equity shares outstanding for the effects of all dilutive potential equity shares.

r) **Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand and demand deposits with banks with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

s) **Cash flow statement:**

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

Cash comprises cash at bank and in hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

t) **Segment reporting**

The Company operates only in one segment namely power generation and there are no reportable segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker i.e. Board of Directors.

u) **Share-based payments**

The Company does not have any outstanding share based payments. Vedanta Limited ("VL"), the immediate holding company and Vedanta Resources Plc ("VRPLC"), the intermediate holding company, offers certain share based incentives under the Long-Term Incentive Plan ("LTIP") to employees and directors of the Company and its subsidiaries. VRPLC recovers the proportionate cost (calculated based on the grant date fair value of the options granted) from the respective group companies, which is charged to the statement of profit and loss.

v) **Use of estimates**

The preparation of financial statement in conformity with Ind AS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, expenses and disclosures of contingent assets and liabilities at the date of these financial statements and the reported amounts of revenues and expenses for the years presented. Actual results may differ from these estimates under different assumptions and conditions.

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Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are included in the following accounting policies and/or notes:

Critical estimates and judgements in applying accounting policies

The management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Information about estimates and judgements made in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are as follows:

Critical estimates:

• **Useful lives of property, plant and equipment**

Useful lives of depreciable/ amortisable assets (tangible and intangible) - Management reviews its estimate of the useful lives and consumption pattern of depreciable/ amortisable assets at each reporting date, based on the expected utility of the assets. The reassessment may lead to a change in depreciation and amortisation charge. Accordingly, the Company has revised the method of charging depreciation from written down value method to straight line method (refer note 3(ii)).

Critical judgements:

• **Determining whether an arrangement contains a lease and fixed rentals therein**

Significant judgement is required to apply lease accounting rules under Appendix C to Ind AS 17 'Determining whether an arrangement contains a lease'. In assessing the applicability to arrangements entered into by the Company, management has exercised judgement to evaluate the right to use the underlying asset, substance of the transactions including legally enforceable agreements and other significant terms and conditions of the arrangements to conclude whether the arrangement meets the criteria under Appendix C to Ind AS 17.

The Company has ascertained that the Power Purchase Agreement (PPA) entered into between the Company and Punjab State Power Corporation Limited (PSPCL) qualify to be an operating lease under Ind AS 17 Leases. Accordingly, the consideration receivable under the PPA relating to recovery of capacity charges towards capital cost have been recognised as operating lease rentals and in respect of variable cost that includes fuel costs, operations and maintenance etc. is considered as revenue from sale of products.

The Company has assessed the nature of operating lease payments received as a lessor. Management has assessed that the entire lease payments as disclosed in note 29 (ii) are contingent in nature as the payments are based on the number of units of electricity made available by the Company. This is subject to variation on account of various factors like availability of coal, water, etc. of the plant.

• **Contingencies and commitments**

In the normal course of business, contingent liabilities may arise from litigation, taxation and other claims against the Company. A tax provision is recognised when the Company has a present obligation as a result of a past event, it is probable that the Company will be required to settle that obligation.



Where it is management's assessment that the outcome cannot be reliably quantified or is uncertain, the claims are disclosed as contingent liabilities unless the likelihood of an adverse outcome is remote. Such liabilities are disclosed in the notes but are not provided for in the financial statements.

When considering the classification of legal or tax cases as probable, possible or remote, there is judgement involved. This pertains to the application of the legislation, which in certain cases is based upon management's interpretation of country specific tax law, in particular India, and the likelihood of settlement. Management uses in-house and external legal professionals to confirm their decision.

Although there can be no assurance regarding the final outcome of the legal proceedings, the Company does not expect them to have a materially adverse impact on the Company's financial position or profitability. The liabilities which are assessed as possible and hence are not recognised in these financial statements are disclosed in note 30.

• **Revenue Recognition of disputed dues:**

The Company has evaluated the provisions of Ind-AS 18, which states that revenue should be recorded only if the recovery is reasonable to expect. Management has assessed the recognition of revenue and recoverability of disputed dues with PSPCL as disclosed in note 41 as highly probable due to the following reasons:

- The Company has favorable legal opinions from senior advocates.
- Favourable judgement in one of the related matters.
- PSPCL, being a government owned company, credit risk is low.

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Talwandi Sabo Power Limited

Notes forming part of the financial statements as at and for the year ended March 31, 2018

Note 4

(₹ in Crore)

Trade receivables - Non-current

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|--|-------------------------|-------------------------|
| Unsecured considered good (Also refer Note 9) | 816.61 | 582.44 |
| Total | 816.61 | 582.44 |

Note 5

Other financial assets - Non-current

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|--|-------------------------|-------------------------|
| Bank Deposits (Bank deposits with more than twelve months maturity) | - | 0.02 |
| Security deposits (Unsecured, considered good) | 5.83 | 5.86 |
| Total | 5.83 | 5.88 |

Note 6

Other non-current assets

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|--|-------------------------|-------------------------|
| Unsecured considered good | | |
| Prepaid Expenses | 1.92 | - |
| Advance income tax (net of provisions) | 1.52 | 1.31 |
| Total | 3.44 | 1.31 |

Note 7

Inventories

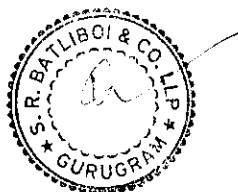
| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|-------------------|-------------------------|-------------------------|
| Fuel Stock | 88.34 | 170.67 |
| Goods-in transit | 88.56 | 79.91 |
| Stores and Spares | 75.81 | 41.70 |
| Goods-in transit | 0.29 | 3.89 |
| Total | 253.00 | 296.17 |

Note: For method of valuation of inventories, refer note 2.B(i)

Note 8

Investments

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|--|-------------------------|-------------------------|
| Investment carried at fair value through profit and loss | | |
| Investment in mutual funds- unquoted | | |
| SBI Premier Liquid Fund - Regular Plan - Daily Dividend | - | 144.03 |
| - 14,35,600 units of Face Value ₹ 100 each | | |
| Total | - | 144.03 |



Talwandi Sabo Power Limited

Notes forming part of the financial statements as at and for the year ended March 31, 2018

Note 9

(₹ in Crore)

Trade receivables - Current

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|---------------------------|-------------------------|-------------------------|
| Unsecured considered good | 1,439.81 | 409.43 |
| Total | 1,439.81 | 409.43 |

Note: (i) The Company offers a credit period of 0-30 days to its customers.

(ii) Also refer Note 41

Note 10

Cash and cash equivalents

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|--|-------------------------|-------------------------|
| Balances with banks in current account | 23.41 | 47.12 |
| Total | 23.41 | 47.12 |

Note 11

Other financial assets - Current

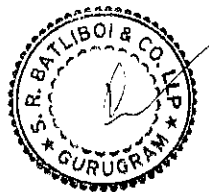
| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|------------------------------|-------------------------|-------------------------|
| Derivative asset | 0.61 | - |
| Advance to related parties | 0.17 | 0.01 |
| Unbilled revenue | 69.43 | 51.83 |
| Claims and other receivables | 3.68 | 0.01 |
| Total | 73.89 | 51.85 |

Note 12

Other current assets

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|--|-------------------------|-------------------------|
| Advance to suppliers | 51.79 | 50.57 |
| Prepaid expenses | 17.47 | 6.92 |
| Balance with central excise and government authorities | 0.01 | - |
| Total | 69.27 | 57.49 |

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Talwandi Sabo Power Limited

Notes forming part of the financial statements as at and for the year ended March 31, 2018

Note 13

Equity Share Capital :

| Particulars | As at March 31, 2018 | | As at March 31, 2017 | |
|--|-------------------------|------------------------|-------------------------|------------------------|
| | Number of shares | Amount (₹ in Crore) | Number of shares | Amount (₹ in Crore) |
| Authorised Equity Share Capital | | | | |
| Equity Shares of ₹ 10 each, with voting rights | 400,00,00,000 | 4,000.00 | 400,00,00,000 | 4,000.00 |
| Issued, Subscribed and Fully Paid up | | | | |
| Equity Shares of ₹ 10 each, with voting rights | 320,66,09,692 | 3,206.61 | 320,66,09,692 | 3,206.61 |
| Total | 320,66,09,692 | 3,206.61 | 320,66,09,692 | 3,206.61 |

(i) Reconciliation of the number of shares and the amount outstanding as at beginning and at the end of the reporting year :

| Particulars | Equity Shares as at March 31, 2018 | | Equity Shares as at March 31, 2017 | |
|--|---------------------------------------|------------------------|---------------------------------------|------------------------|
| | Number of shares | Amount (₹ in Crore) | Number of shares | Amount (₹ in Crore) |
| Shares outstanding at the beginning of the year | 320,66,09,692 | 3,206.61 | 320,66,09,692 | 3,206.61 |
| Movement during the year | - | - | - | - |
| Shares outstanding at the end of the year | 320,66,09,692 | 3,206.61 | 320,66,09,692 | 3,206.61 |

(ii) Details of shares held by the holding Company, the ultimate holding Company, their subsidiaries and associates :

320,66,09,692 (Previous Year: 320,66,09,692) Equity Shares i.e. 100% of the equity shares are held by the Holding Company, Vedanta Limited and its nominees.

(iii) Details of shares held by each shareholder holding more than 5% shares :

| Name of Shareholder | As at March 31, 2018 | | As at March 31, 2017 | |
|----------------------------------|--------------------------|--------------|--------------------------|--------------|
| | Number of shares held | % of Holding | Number of shares held | % of Holding |
| Vedanta Limited and its nominees | 320,66,09,692 | 100 | 320,66,09,692 | 100 |

Other disclosures :

- (iv) The Company has one class of Equity Shares having a par value of ₹ 10 per share. Each shareholder is eligible for one vote per share held. Dividend proposed (if any) by the Board of Directors is subject to the approval of shareholders in the ensuing Annual General Meeting except in case of interim dividend. In the event of liquidation of company, the holders of equity shares will be entitled to receive any of the remaining assets of the company, after distribution of all preferential amounts, in proportion to their shareholding.

Note 14

Other equity (Refer statement of changes in equity):

- a) **Debenture redemption reserve:** Section 71(4) of the Companies Act, 2013, require companies that issue debentures to create a debenture redemption reserve from annual profits until such debentures are redeemed. The amounts credited to the debenture redemption reserve may not be utilised except to redeem debentures. In the absence of profits, the Company has not created the said reserve during the year.

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Note 15

(₹ in Crore)

Non-current financial liabilities - Borrowings

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|--|-------------------------|-------------------------|
| Secured : At amortised cost | | |
| (a) Redeemable Non-Convertible Debentures (Refer note (iii) below) | 2,049.84 | 1,927.82 |
| (b) Term Loan (Refer note (iv) below) | | |
| (i) From banks: | | |
| Indian rupee loans | 3,565.25 | 3,403.07 |
| Foreign currency loans | 297.65 | - |
| (ii) From Other than Banks (Indian rupee loan) | 212.48 | 237.06 |
| Less : Current maturities of long-term borrowings (Refer note 20) | (1,448.91) | (548.00) |
| | 4,676.31 | 5,019.95 |
| Unsecured : At amortised cost | | |
| (a) Buyer's Credit from banks (Refer note (v) below) | - | 717.06 |
| Less : Current maturities of long-term borrowings (Refer note 20) | - | (717.06) |
| | - | - |
| Total | 4,676.31 | 5,019.95 |

Notes:

(i) The Company has not defaulted in the repayment of loans and interest as at balance sheet date.

(ii) Bank loans availed by the Company are subject to certain covenants relating to debt service coverage ratio, total outside liabilities to total net worth and fixed assets coverage ratio. The Company has complied with the covenants as per the terms of the loan agreement.

(iii) Summary of Redeemable Non-convertible debentures (NCDs) (Carrying Value):

(₹ in Crore)

| Particulars | Issued on | Security | As at March 31, 2018 | As at March 31, 2017 |
|--------------------------|----------------|--|-------------------------|-------------------------|
| 7.85% due August 2020 | August 2017 | Secured by first pari passu charge on movable and/or immovable fixed assets of the Company with a minimum asset cover of 1 times during the tenure of NCD and an unconditional and irrevocable corporate guarantee by Vedanta Limited. | 500.00 | - |
| 8.20% due November 2019 | December 2016 | Secured by first pari passu charge on movable and/or immovable fixed assets of the Company with a minimum asset cover of 1 times during the tenure of NCD and an unconditional and irrevocable corporate guarantee by Vedanta Limited. | 300.00 | 300.00 |
| 7.75% due September 2019 | March 2017 | Secured by first pari passu charge on movable and/or immovable fixed assets of the Company with a minimum asset cover of 1 times during the tenure of NCD and an unconditional and irrevocable corporate guarantee by Vedanta Limited. | 250.00 | 250.00 |
| 9.13% due April 2018 | March 2015 | Secured by first pari passu charge on movable and/or immovable fixed assets of the Company with a minimum asset cover of 1.1 times during the tenure of NCD and an unconditional and irrevocable corporate guarantee by Vedanta Limited. | 324.95 | 324.30 |
| 9.13% due April 2018 | April 2015 | | 674.89 | 673.52 |
| 9.70% due September 2017 | September 2014 | | - | 180.00 |
| 9.27% due November 2017 | November 2014 | | - | 200.00 |
| Total | | | | 2,049.84 |

Note: Interest rate is based on effective interest rate and the entire amount of debentures are repayable in a single bullet payment on each of the date mentioned.



Talwandi Sabo Power Limited

Notes forming part of the financial statements as at and for the year ended March 31, 2018

(iv) Summary of Term Loan (Carrying Value):

(₹ in Crore)

| Particulars | Issued on | Security | As at March 31, 2018 | As at March 31, 2017 |
|---|----------------|--|-------------------------|-------------------------|
| (a) From Banks: | | | | |
| Indian rupee loans | | | | |
| Kotak Mahindra Bank | September 2014 | Secured by first pari passu charge on fixed assets of the Company both present and future, with an unconditional and irrevocable corporate guarantee by Vedanta Limited. | 156.80 | 174.96 |
| State Bank of India | December 2015 | Secured by first pari passu charge on fixed assets of the Company both present and future, with an unconditional and irrevocable corporate guarantee by Vedanta Limited. | 1,996.21 | 1,995.86 |
| Yes Bank Limited | July 2016 | Secured by first pari passu charge on fixed assets of the Company both present and future, with an unconditional and irrevocable corporate guarantee by Vedanta Limited. | 1,112.59 | 1,232.25 |
| Syndicate Bank | September 2017 | Secured by first pari passu charge on fixed assets of the Company both present and future, with an unconditional and irrevocable corporate guarantee by Vedanta Limited | 299.65 | - |
| Total | | | 3,565.25 | 3,403.07 |
| Foreign currency loans | | | | |
| ICICI Bank Limited | September 2017 | Secured by first pari passu charge on fixed assets of the Company both present and future, with an unconditional and irrevocable corporate guarantee by Vedanta Limited | 297.65 | - |
| Total | | | 297.65 | - |
| (b) From other than banks: | | | | |
| Aditya Birla Finance Limited (partial loan downsold by Kotak Mahindra Bank with same interest and terms and conditions) | December 2016 | Secured by first pari pasu charge on fixed assets of the Company both present and future, with an unconditional and irrevocable corporate guarantee by Vedanta Limited. | 212.48 | 237.06 |
| Total | | | 212.48 | 237.06 |
| Total Term Loan | | | 4,075.38 | 3,640.13 |

Repayment terms of Term loan outstanding as on March 31, 2018:

| Particulars | Weighted Average Interest Rate | Total Carrying Value | <1 year | 1-3 years | 3-5 years | >5 years | Remarks |
|----------------------------|--------------------------------|----------------------|---------------|-----------------|---------------|-----------------|---|
| Rupee term loan | 9.19% | 3,777.73 | 431.00 | 1,046.00 | 627.50 | 1,690.50 | Repayable in 144 quarterly installments, 10 half yearly installments and 2 bullet payments. |
| Foreign currency term loan | 8.61% | 297.65 | 17.91 | 28.66 | 31.50 | 220.50 | Repayable in 48 quarterly installments |
| Total | | 4,075.38 | 448.91 | 1,074.66 | 659.00 | 1,911.00 | |

Note: The above maturity is based on the total principal outstanding gross of issuance expense.

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Talwandi Sabo Power Limited

Notes forming part of the financial statements as at and for the year ended March 31, 2018

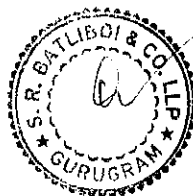
(v) Summary of Buyers Credit (Carrying Value):

| Particulars | Security | As at March 31, 2018 | As at March 31, 2017 |
|---|---|-------------------------|-------------------------|
| USD Buyer's Credit with interest rate ranging from LIBOR plus 140 basis points to 220 basis points. | Secured by unconditional and irrevocable guarantee from Vedanta Limited, the Holding Company. | - | 717.06 |

(vi) Movement of borrowing during the year:

| Particulars | Borrowings due within one year | Borrowings due after one year | Total |
|---|--------------------------------|----------------------------------|-----------------|
| As at March 31, 2016 | 2,939.01 | 4,343.57 | 7,282.58 |
| Cash Flow | (85.58) | 704.23 | 618.65 |
| Other non cash changes | 138.24 | 6.96 | 145.20 |
| Foreign exchange currency translation differences | - | (34.81) | (34.81) |
| As at March 31, 2017 | 2,991.67 | 5,019.95 | 8,011.62 |
| Cash Flow | 496.68 | (69.79) | 426.89 |
| Other non cash changes | 118.65 | 8.04 | 126.69 |
| Foreign exchange currency translation differences | - | 85.81 | 85.81 |
| As at March 31, 2018 | 3,607.00 | 5,044.01 | 8,651.01 |

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Talwandi Sabo Power Limited

Notes forming part of the financial statements as at and for the year ended March 31, 2018

Note 16

(₹ in Crore)

Other financial liabilities - Non current

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|----------------------|-------------------------|-------------------------|
| Derivative Liability | 10.98 | - |
| Total | 10.98 | - |

Note: Also refer Note 37

Note 17

Provisions - Non-current

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|--|-------------------------|-------------------------|
| Provision for employee benefits | | |
| (a) Provision for gratuity | 0.06 | 0.51 |
| (b) Provision for compensated absences | 0.47 | 0.57 |
| Total | 0.53 | 1.08 |

Note 18

Borrowings - Current

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|--|-------------------------|-------------------------|
| At amortised cost | | |
| Secured | | |
| Loan from banks (Refer note (i) below) | | |
| -Short-term loan | 40.56 | - |
| -On factoring | 548.00 | - |
| Unsecured | | |
| Commercial paper (Refer note (ii) below) | 1,937.23 | 1,726.61 |
| Total | 2,525.79 | 1,726.61 |

Summary of current borrowing arrangements:

(i) Loan from banks

The Company meets its working capital requirement through loans from banks. These loans are secured by a first pari passu charge on all present and future inventories, book debts and all other current assets of the company, with interest rate presently at 9.20%.

(ii) Commercial Papers

The Company has issued commercial papers to various mutual funds, which is backed by unconditional and irrevocable corporate guarantee from Vedanta Limited. These commercial papers bear an average rate of interest of 7.47% p.a. (previous year 6.69% p.a.) and would mature within 3 months of issuance.

Note 19

Trade payables

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|---------------------------|-------------------------|-------------------------|
| Operational Buyers Credit | 131.00 | 0.86 |
| Trade Payables | 195.55 | 136.04 |
| Total | 326.55 | 136.90 |

Notes:

(a) Trade payables are non-interest bearing and are normally settled upto 180 days terms.

(b) There are no amounts outstanding to micro and small enterprises as defined under Micro, Small and Medium Enterprises Development Act, 2006.

(c) Operational buyer's credit is availed from banks at an interest rate ranging from 1% to 2.5% per annum and are repayable within one year from the date of draw down, based on the letter of comfort issued under working capital facilities sanctioned by domestic banks. Some of these facilities are secured by first pari passu charge over the present and future current assets of the Company.

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Talwandi Sabo Power Limited

Notes forming part of the financial statements as at and for the year ended March 31, 2018

Note 20

(₹ in Crore)

Other financial liabilities - Current

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|--|-------------------------|-------------------------|
| Current maturities of long-term borrowings (refer note 15) | 1,448.91 | 1,265.06 |
| Interest accrued but not due on borrowings | 63.30 | 58.58 |
| Other Payables | | |
| Derivative liabilities | 18.90 | 121.07 |
| Project creditors | 483.84 | 492.64 |
| Retention money | 678.21 | 678.28 |
| Due to related parties | 4.35 | 1.57 |
| Earnest money deposit | 2.09 | 0.59 |
| Other Liabilities | 0.03 | 0.02 |
| Total | 2,699.63 | 2,617.81 |

Note 21

Other current liabilities

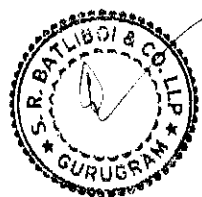
| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|------------------------|-------------------------|-------------------------|
| Advance from customers | 0.79 | 2.06 |
| Other Payables: | | |
| Statutory liabilities | 2.84 | 1.61 |
| Other liabilities | - | 0.11 |
| Total | 3.63 | 3.78 |

Note 22

Provisions - Current

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|------------------------------------|-------------------------|-------------------------|
| Provision for compensated absences | 0.06 | 0.08 |
| Total | 0.06 | 0.08 |

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Talwandi Sabo Power Limited

Notes forming part of the financial statements as at and for the year ended March 31, 2018

Note 23

(₹ in Crore)

Revenue from operations

| Particulars | Year ended March 31, 2018 | Year ended March 31, 2017 |
|---|------------------------------|------------------------------|
| Revenue from Operations | | |
| Energy Sales* | 4,171.76 | 3,572.16 |
| Other Operating Revenue | | |
| Scrap Sales | 5.85 | 0.60 |
| Sale of fly ash (including excise duty) | 21.16 | 12.27 |
| Miscellaneous income | 3.64 | 5.65 |
| Gross Revenue from operations | 4,202.41 | 3,590.68 |

*Includes contingent rentals of ₹ 1,235.83 Crore (previous year ₹ 1228.70 Crore). Also refer note 41.

Note 24

Other income

| Particulars | Year ended March 31, 2018 | Year ended March 31, 2017 |
|----------------------|------------------------------|------------------------------|
| Interest Income | 1.91 | 0.05 |
| Dividend income | 1.91 | 0.54 |
| Miscellaneous income | 0.50 | 0.06 |
| Total | 4.32 | 0.65 |

Note 25

Employee benefits expense

| Particulars | Year ended March 31, 2018 | Year ended March 31, 2017 |
|---------------------------------|------------------------------|------------------------------|
| Salaries and Bonus | 32.13 | 29.97 |
| Contribution to provident fund | 0.85 | 0.86 |
| Staff welfare expenses | 0.50 | 0.55 |
| Gratuity expenses | 0.16 | 0.01 |
| Contribution to super annuation | 0.49 | 0.43 |
| Total | 34.13 | 31.82 |

Note 26

Finance cost

| Particulars | Year ended March 31, 2018 | Year ended March 31, 2017 |
|-------------------|------------------------------|------------------------------|
| Interest expenses | 760.73 | 582.24 |
| Bank charges | 5.28 | 4.78 |
| Total | 766.01 | 587.02 |

Note: Borrowing Costs capitalised and excluded from above during the year is nil (previous year ₹ 76.21 Crore)

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Note 27

(₹ in Crore)

Depreciation and amortisation expense

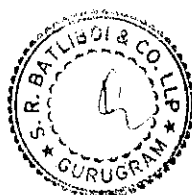
| Particulars | Year ended March 31, 2018 | Year ended March 31, 2017 |
|--|------------------------------|------------------------------|
| Depreciation of tangible assets (Refer note 3) | 327.23 | 908.53 |
| Less: Depreciation capitalised | - | (1.41) |
| Amortisation of intangible assets (Refer note 3) | 0.70 | 0.85 |
| Total | 327.93 | 907.97 |

Note 28**Other expenses**

| Particulars | Year ended March 31, 2018 | Year ended March 31, 2017 |
|---|------------------------------|------------------------------|
| Consumption of stores and spare parts | 56.29 | 39.14 |
| Plant running and maintenance expenses | 129.94 | 65.69 |
| CSR Expenses (Refer note below) | 0.77 | 0.51 |
| Legal and professional fees (Refer note 31) | 9.54 | 15.12 |
| Electronic data processing expenses | 2.40 | 1.75 |
| Insurance | 17.83 | 7.69 |
| Rates and taxes | 0.92 | 0.53 |
| Security expenses | 3.11 | 2.14 |
| Travelling | 3.69 | 4.67 |
| Books and periodicals | 0.02 | 0.03 |
| Rent | 0.01 | 0.01 |
| Director sitting fees | 0.13 | 0.16 |
| Net loss on foreign currency transactions and translation | 1.77 | 18.09 |
| Miscellaneous expenses | 5.02 | 3.76 |
| Total | 231.44 | 159.29 |

Note: Corporate Social Responsibility Expenses includes:

| Particulars | Year ended March 31, 2018 | Year ended March 31, 2017 |
|--|------------------------------|------------------------------|
| (a) Gross Amount required to be spent by the Company during the year | - | - |
| (b) Amount spent on: | | |
| a) Construction / acquisition of assets | - | - |
| In Cash | - | - |
| Yet to be paid in Cash | - | - |
| b) On purposes other than (a) above | | |
| In Cash | 0.77 | 0.51 |
| Yet to be paid in Cash | - | - |
| Total | 0.77 | 0.51 |



29 Commitments:**(i) Commitments:**

Estimated amounts of contracts remaining to be executed on capital account not provided for (net of advances) amount to ₹ 9.29 Crore (previous year ₹ 2.51 Crore).

(ii) Other Commitments:

The Company has entered into Power Purchase Agreement ("PPA") with Punjab State Power Corporation Limited ("PSPCL") for twenty five years. PPA has been identified as arrangement containing lease as per Appendix C to the Ind AS 17. PPA has been classified as operating lease as per the policy of the Company. The contingent rents recognized as income during the year is ₹ 1,235.83 Crore (previous year ₹ 1,228.70 Crore).

30 Contingent Liabilities :**Claims against the Company not acknowledged as debt**

As per the Punjab State Grid Code, if a power generating station fails to demonstrate its declared capacity for any time block mentioned in the demonstration notice from Punjab State Load Dispatch Centre ("PSLDC"), it amounts to a mis-declaration. During the month of January 2017, Punjab State Power Corporation Limited ("PSPCL") imposed a penalty on the Company on account of alleged mis-declaration and deducted a penalty of ₹ 77.86 Crore from the monthly bill setting aside the clarifications submitted by TSPL.

In February 2018, Punjab State Electricity Regulatory Commission ("PSERC") unfavorably disposed the petition and directed calculation of the penalty for four instances in January 2017 at normative availability of 80% amounting to ₹ 135.78 Crore. The Company has obtained stay order against further deductions and the matter is listed for hearing at Appellate Tribunal for Electricity ("APTEL"). On the basis of merits of the case and backed by legal opinion, no provision has been considered necessary at this stage.

31 Auditors' Remuneration included under Legal & Professional Services

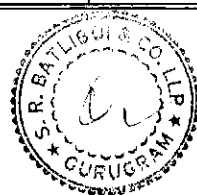
(₹ in Crore)

| Particulars | Year ended March 31, 2018 | Year ended March 31, 2017 |
|------------------------|------------------------------|------------------------------|
| Audit Fees | 0.13 | 0.13 |
| Limited Review | 0.13 | 0.13 |
| Group Reporting | 0.17 | 0.17 |
| Other Services | 0.02 | - |
| Out of Pocket Expenses | 0.01 | 0.02 |
| Total | 0.46 | 0.45 |

32 Income and expenditure capitalised during the year are as follows and have been reduced from the respective line items in the Statement of Profit and Loss:

(₹ in Crore)

| Particulars | Year ended March 31, 2018 | Year ended March 31, 2017 |
|--|------------------------------|------------------------------|
| Expenditure during Construction Period: | | |
| Expenses | | |
| Power and Fuel | - | 53.43 |
| Employee Benefits Expenses | - | 1.16 |
| Finance Expenses | - | 76.21 |
| Depreciation | - | 1.41 |
| Other Expenses | - | 23.29 |
| Total Expenses- (a) | - | 155.50 |
| Income | | |
| -Sale of Power | - | (52.41) |
| -Dividend from Mutual Fund & other receipts | - | (0.58) |
| Total Income- (b) | - | (52.99) |
| Net Expenditure Capitalised (a - b) | - | 102.51 |



33 Earnings Per Share (EPS)

| Particulars | Year ended March 31, 2018 | Year ended March 31, 2017 |
|---|------------------------------|------------------------------|
| Net profit/(loss) after tax attributable to equity shareholders (₹ in Crore) | (93.84) | (408.48) |
| Weighted average number of Equity shares for Basic EPS | 320,66,09,692 | 320,66,09,692 |
| Weighted average number of Equity shares for Diluted EPS | 320,66,09,692 | 320,66,09,692 |
| Earning/(Loss) Per Share - Basic and Diluted (₹) | (0.29) | (1.27) |

34 Employee Benefits**a) Defined contribution plan**

The Company contributed a total of ₹ 1.34 Crore for the year ended March 31, 2018 (previous year ₹ 1.29 Crore) to the following defined contribution plans:

Central provident fund

In accordance with the Employees' Provident Funds & Miscellaneous Provisions Act, 1952 employees are entitled to receive benefits under the provident fund. Both the employee and the employer make monthly contributions to the plan at a predetermined rate (12% for fiscal year 2018 and 2017) of an employee's basic salary. All employees have an option to make additional voluntary contributions. These contributions are made to the fund administered and managed by the Government of India (GOI) or to independently managed and approved funds. The Company has no further obligations under the fund managed by the GOI beyond its monthly contributions which are charged to the Statement of Profit and Loss in the period they are incurred. Where the contributions are made to independently managed and approved funds, shortfall in actual return, if any, from the return guaranteed by the State are made by the employer, these are accounted for as defined benefit plans. The benefits are paid to employees on their retirement or resignation from the Company.

Superannuation

Superannuation, another pension scheme applicable in India, is applicable only to senior executives. The Company holds a policy with Life Insurance Corporation of India ("LIC"), to which it contributes a fixed amount relating to superannuation and the pension annuity is met by LIC as required, taking into consideration the contributions made. The Company has no further obligations under the scheme beyond its monthly contributions which are charged to the Statement of Profit and Loss in the period they are incurred.

b) Defined Benefit Plan:

In accordance with the Payment of Gratuity Act of 1972, the Company operates a defined benefit plan (the "Gratuity Plan"). The Gratuity Plan provides a lump sum payment to vested employees at retirement, disability or termination of employment being an amount based on the respective employee's last drawn salary and the number of years of employment with the Company. The Gratuity plan is a funded plan and the Company makes contribution to recognised funds in India. Based on actuarial valuations conducted as at year end on the basis on Projected Unit Credit (PUC) method, a provision is recognised in full for the benefit obligation over and above the funds held in the Gratuity Plan.

The disclosure as required under Ind AS-19 "Employee Benefits" regarding the company's gratuity plan (funded) are as follows:

Actuarial assumptions

| Particulars | Year ended March 31, 2018 | Year ended March 31, 2017 |
|---|------------------------------|------------------------------|
| Salary growth (p.a.) | 5.50% | 5.50% |
| Expected rate of Return on Plan Assets (p.a.) | 8.05% | 7.60% |
| Discount rate (p.a.) | 7.70% | 7.60% |
| Mortality rate | 100% IALM(2006-08) | 100% IALM(2006-08) |

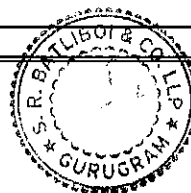
The estimate of rate of escalation in salary considered in actuarial valuation takes into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market.

Amount recognized as Expenditure during the period*

(₹ in Crore)

| Particulars | Year ended March 31, 2018 | Year ended March 31, 2017 |
|----------------------|------------------------------|------------------------------|
| Current service cost | 0.16 | 0.20 |
| Interest cost | 0.04 | 0.06 |
| Total | 0.20 | 0.26 |

*Including nil (previous year ₹ 0.06 Crore) capitalised during the year.



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Amount recognized in Other Comprehensive Income during the period

| Particulars | Year ended March 31, 2018 | Year ended March 31, 2017 |
|--|------------------------------|------------------------------|
| Re-measurement of the net defined benefit obligation: | | |
| Actuarial losses/(gains) arising from changes in financial assumptions | (0.02) | 0.07 |
| Actuarial losses arising from experience adjustments | (0.16) | (0.02) |
| Total | (0.18) | 0.05 |

Movement in present value of defined benefit obligation

| Particulars | Year ended March 31, 2018 | Year ended March 31, 2017 |
|--|------------------------------|------------------------------|
| Obligation at the beginning of the year | 1.38 | 1.34 |
| Current service cost | 0.16 | 0.20 |
| Past service cost | - | - |
| Interest cost | 0.10 | 0.11 |
| Actuarial (gains)/losses | (0.18) | 0.05 |
| Benefits paid | (0.32) | (0.32) |
| Obligation at the end of the year | 1.14 | 1.38 |

Movement in present value of plan assets

| Particulars | Year ended March 31, 2018 | Year ended March 31, 2017 |
|---|------------------------------|------------------------------|
| Fair value at the beginning of the year | 0.88 | 0.60 |
| Expected return on plan assets | 0.07 | 0.05 |
| Last Year Interest | - | - |
| Actuarial gains/(losses) | - | - |
| Contribution | 0.45 | 0.55 |
| Benefits paid | (0.32) | (0.32) |
| Fair value at the end of the year* | 1.08 | 0.88 |

*The entire amount has been invested with Life Insurance Corporation of India.

Amount Recognized in the Balance Sheet

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|--|-------------------------|-------------------------|
| Present value of obligation at the end of the year | 1.14 | 1.38 |
| Less: Fair value of plan assets at the end of the year | (1.08) | (0.88) |
| Net liability recognized in the Balance Sheet | 0.06 | 0.50 |

The contribution expected to be made by the Company during the financial year 2018-19 as ascertained by the management is ₹ 0.18 Crore (Previous Year ₹ 0.28 Crore)

| Sensitivity analysis | March 31, 2018 | March 31, 2017 |
|---|----------------|----------------|
| Increase / (Decrease) in defined benefit obligation | | |
| Discount rate | | |
| Increase by 0.50% | (0.07) | (0.09) |
| Decrease by 0.50% | 0.08 | 0.10 |
| Expected rate of increase in compensation level of covered employees | | |
| Increase by 0.50% | 0.08 | 0.10 |
| Decrease by 0.50% | (0.07) | (0.10) |

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34 Employee Benefits (Contd.)

(₹ in Crore)

Maturity profile of defined benefit obligation

| Year | March 31, 2018 | March 31, 2017 |
|-------------------|----------------|----------------|
| April'17 - Mar'18 | - | 0.04 |
| April'18 - Mar'19 | 0.03 | 0.02 |
| April'19 - Mar'20 | 0.02 | 0.02 |
| April'20 - Mar'21 | 0.02 | 0.02 |
| April'21 - Mar'22 | 0.02 | 0.03 |
| April'22 - Mar'23 | 0.02 | 0.03 |
| April'23 - Mar'24 | 0.02 | - |
| April'23 onwards | - | 1.22 |
| April'24 onwards | 1.01 | - |
| Total | 1.14 | 1.38 |

Risk analysis

The Company is exposed to a number of risks in the defined benefit plans. Most significant risks pertaining to defined benefits plans, and management's estimation of the impact of these risks are as follows:

Interest risk

A decrease in the interest rate on plan assets will increase the plan liability.

Longevity risk/ Life expectancy

The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and at the end of the employment. An increase in the life expectancy of the plan participants will increase the plan liability.

Salary growth risk

The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. An increase in the salary of the plan participants will increase the plan liability.

Investment risk

The Gratuity plan is funded with Life Insurance Corporation of India ("LIC"). The Company does not have any liberty to manage the fund provided to LIC. The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to Government of India bonds. If the return on plan asset is below this rate, it will create a plan deficit.

35 Related Party Disclosures

List of related parties and relationships

(a) Entities controlling the company (Holding Companies):

| | |
|--------------|--------------------------------|
| Immediate | : Vedanta Limited |
| Intermediate | : Vedanta Resources Plc. * |
| Ultimate | : Volcan Investments Limited * |

(b) Fellow subsidiaries with whom transactions have taken place:

| | |
|----------------------------|---|
| Fellow Subsidiaries | : Hindustan Zinc Limited |
| | : Bharat Aluminium Company Limited |
| | : Vizag General Cargo Berth Private Limited |
| | : Malco Energy Limited |
| | : Fujairah Gold FZC |
| | : Sterlite Ports Limited |
| | : Sterlite Power Grid Ventures Limited |

* No transaction with parties during the year.

Terms and conditions of transactions with related parties:

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free.



(₹ in Crore)

a. Details of transactions during the year with related parties :

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|--|-------------------------|-------------------------|
| 1) Net Recovery from / (Reimbursement) of employee cost and other | | |
| (i) Vedanta Limited | (5.50) | (6.52) |
| (ii) Malco Energy Limited | 0.01 | 0.04 |
| (iii) Hindustan Zinc Limited | 0.03 | 0.05 |
| (iv) Bharat Aluminium Company Limited | (0.10) | 0.08 |
| (v) Sterlite Ports Limited | - | 0.01 |
| (vi) Fujairah Gold FZC | - | (0.01) |
| (vii) Vizag General Cargo Berth Private Limited | 0.02 | - |
| (viii) Sterlite Power Grid Ventures Limited | 0.02 | - |

b. Details of balances with related parties :

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|--|-------------------------|-------------------------|
| 1) Balance Receivable as at the end of the year | | |
| (i) Hindustan Zinc Limited | 0.04 | - |
| (ii) Sterlite Power Grid Ventures Limited | 0.01 | - |
| (iii) Vizag General Cargo Berth Private Limited | - | 0.01 |
| 2) Balance Payable as at the end of the year | | |
| (i) Vedanta Limited (VL) | 4.21 | 1.56 |
| (ii) Bharat Aluminium Company Limited | 0.01 | - |
| 3) Bank Guarantees/Corporate Guarantee issued on our behalf and outstanding as at the end of the year | | |
| (i) Vedanta Limited | 9,000.00 | 10,693.00 |

c. Remuneration of key management personnel (KMP):

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|------------------------------|-------------------------|-------------------------|
| Short-term employee benefits | 2.37 | 2.44 |
| Post employment benefits | 0.18 | 0.17 |
| Share based payments | 0.28 | 0.04 |
| Total | 2.83 | 2.65 |

Note:

a. The company has also paid ₹ 0.13 crore (previous year ₹ 0.16 crore) as sitting fees to its directors.

b. Post employment benefits does not include the provision made for gratuity and leave benefits, as they are determined on an actuarial basis for all the employees together.

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Talwandi Sabo Power Limited

Notes forming part of the financial statements as at and for the year ended March 31, 2018

36 Capital management

The Company's objectives when managing capital is to safeguard continuity, maintain a strong credit rating and healthy capital ratios in order to support its business and provide adequate return to shareholders through continuing growth. The Company's overall strategy remains unchanged from previous year.

The Company sets the amount of capital required on the basis of annual business and long-term operating plans which include capital and other strategic investments.

The funding requirements are met through a mixture of equity, internal fund generation and borrowings from banks and financial institutions. The Company's policy is to use short term and long-term borrowings to meet anticipated funding requirements.

The Company monitors capital on the basis of the net debt to equity ratio. The Company is not subject to any externally imposed capital requirements.

Net debt are long term and short term debts as reduced by cash and cash equivalents (including restricted cash and cash equivalents) and short-term investments. Equity comprises issued equity capital and all other equity reserves attributable to the equity holders of the Company.

The following table summarizes the capital of the Company:

(₹ in Crore except ratios)

| Particulars | As at March 31, 2018 | As at March 31, 2017 |
|--------------------------------------|-------------------------|-------------------------|
| Equity Share Capital | 3,206.61 | 3,206.61 |
| Other Equity | (595.95) | (502.29) |
| Total Equity (a) | 2,610.66 | 2,704.32 |
| Cash and cash equivalents | 23.41 | 47.12 |
| Current investments | - | 144.03 |
| Total cash (b) | 23.41 | 191.15 |
| Short-term borrowings | 2,525.79 | 1,726.61 |
| Long-term borrowings | 4,676.31 | 5,019.95 |
| Current maturities of long term debt | 1,448.91 | 1,265.06 |
| Total debt (c) | 8,651.01 | 8,011.62 |
| Net debt (d=(c-b)) | 8,627.60 | 7,820.47 |
| Net debt to equity ratio | 3.30 | 2.89 |



Talwandi Sabo Power Limited

Notes forming part of the financial statements as at and for the year ended March 31, 2018

37 Financial instruments

Financial assets and liabilities:

The accounting classification of each category of financial instruments, their carrying amounts and fair value amounts are set out below:

(₹ in Crore)

March 31, 2018

| Financial assets | Fair value through profit or loss | Amortised cost | Total carrying value | Total fair value |
|------------------------------------|-----------------------------------|-----------------|----------------------|------------------|
| Trade receivables - Current | - | 1,439.81 | 1,439.81 | 1,439.81 |
| Trade receivables - Non Current | - | 816.61 | 816.61 | 816.61 |
| Other non-current financial assets | - | 5.83 | 5.83 | 5.83 |
| Other current financial assets | 0.61 | 73.28 | 73.89 | 73.89 |
| Cash and cash equivalents | - | 23.41 | 23.41 | 23.41 |
| Total | 0.61 | 2,358.94 | 2,359.55 | 2,359.55 |

March 31, 2017

| Financial assets | Fair value through profit or loss | Amortised cost | Total carrying value | Total fair value |
|------------------------------------|-----------------------------------|-----------------|----------------------|------------------|
| Current investments | 144.03 | - | 144.03 | 144.03 |
| Trade receivables - Current | - | 409.43 | 409.43 | 409.43 |
| Trade receivables - Non Current | - | 582.44 | 582.44 | 582.44 |
| Other non-current financial assets | - | 5.86 | 5.86 | 5.86 |
| Other current financial assets | - | 51.85 | 51.85 | 51.85 |
| Cash and cash equivalents | - | 47.12 | 47.12 | 47.12 |
| Other bank balances | - | 0.02 | 0.02 | 0.02 |
| Total | 144.03 | 1,096.72 | 1,240.75 | 1,240.75 |

March 31, 2018

| Financial liabilities | Fair value through profit or loss | Amortised cost | Total carrying value | Total fair value |
|---|-----------------------------------|------------------|----------------------|------------------|
| Long-term borrowings | - | 4,676.31 | 4,676.31 | 4,668.54 |
| Short-term borrowings | - | 2,525.79 | 2,525.79 | 2,525.79 |
| Trade payables | - | 326.55 | 326.55 | 326.55 |
| Other non-current financial liabilities | 10.98 | - | 10.98 | 10.98 |
| Other current financial liabilities | 18.90 | 2,680.73 | 2,699.63 | 2,700.23 |
| Total | 29.88 | 10,209.38 | 10,239.26 | 10,232.09 |

March 31, 2017

| Financial liabilities | Fair value through profit or loss | Amortised cost | Total carrying value | Total fair value |
|-------------------------------------|-----------------------------------|-----------------|----------------------|------------------|
| Long-term borrowings | - | 5,019.95 | 5,019.95 | 5,031.34 |
| Short-term borrowings | - | 1,726.61 | 1,726.61 | 1,726.61 |
| Trade payables | - | 136.90 | 136.90 | 136.90 |
| Other current financial liabilities | 121.07 | 2,496.74 | 2,617.81 | 2,620.94 |
| Total | 121.07 | 9,380.20 | 9,501.27 | 9,515.79 |

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Talwandi Sabo Power Limited

Notes forming part of the financial statements as at and for the year ended March 31, 2018

37 Financial instruments (Contd.)

Fair value hierarchy

The Company uses the following hierarchy for determining and/or disclosing the fair value of financial instruments by valuation techniques:

- (i) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- (ii) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- (iii) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The below table summarises the categories of financial assets and liabilities as at March 31, 2018 and March 31, 2017 measured at fair value.

| As at March 31, 2018 | Level 1 | Level 2 | Level 3 |
|--|----------------|----------------|----------------|
| Financial assets - Current | | | |
| Derivative financial assets | | | |
| - Forward foreign currency contract | - | 0.61 | - |
| Total | - | 0.61 | - |
| Financial liabilities - Non-current | | | |
| Derivative financial liabilities | | | |
| - Forward foreign currency contract | - | 10.98 | - |
| Financial liabilities - Current | | | |
| Derivative financial liabilities | | | |
| - Forward foreign currency contract | - | 18.90 | - |
| Total | - | 29.88 | - |
| As at March 31, 2017 | | | |
| Financial assets - Current | | | |
| Current Investments | - | 144.03 | - |
| Total | - | 144.03 | - |
| Financial liabilities | | | |
| Derivative financial liabilities | | | |
| - Forward foreign currency contract | - | 121.07 | - |
| Total | - | 121.07 | - |

The fair value of the financial assets and liabilities are included at the amount that would be received to sell an asset and paid to transfer a liability in an orderly transaction between market participants. The following methods and assumptions were used to estimate the fair values:

- Short-term marketable securities traded in active markets are determined by reference to quotes from the financial institutions; for example: Net asset value (NAV) for investments in mutual funds declared by mutual fund house. Other short term marketable securities are valued on the basis of market trades, poll and primary issuances for securities issued by the same or similar issuer and for similar maturities or based on the applicable spread movement for the security derived based on the aforementioned factor(s).

- Long-term fixed-rate and variable-rate borrowings: Fair value has been determined by the Company based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. For all other long-term fixed-rate and variable-rate borrowings, either the carrying amount approximates the fair value, or fair value have been estimated by discounting the expected future cash flows using a discount rate equivalent to the risk free rate of return adjusted for the appropriate credit spread. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationship and the value of other financial instruments recognised at fair value.

- Derivative contracts: The Company enters into derivative contracts with various counterparties, principally financial institutions with investment grade credit ratings. Forward foreign currency contracts and Interest rate swaps are valued using valuation techniques with market observable inputs. The most frequently applied valuation techniques for such derivatives include forward pricing using present value calculations, foreign exchange spot and forward premium rates.

- The fair value of trade receivables, cash and bank balances, loans and other financial assets, current borrowings, trade and other payables and other current financial liabilities is likely to approximate their carrying values due to short term maturities of these instruments.

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Taiwandi Sabo Power Limited

Notes forming part of the financial statements as at and for the year ended March 31, 2018

38 Risk management

The company's business are subject to several risks and uncertainties including financial risks. The company's documented risk management polices act as an effective tool in mitigating the various financial risks to which the business is exposed to in the course of their daily operations. The risk management policies cover areas such as liquidity risk, foreign exchange risk, interest rate risk, counterparty and concentration of credit risk and capital management. Risks are identified through a formal risk management programme with active involvement of senior management personnel and business managers. The company has in place risk management processes which are in line with the policy of the parent company, Vedanta Limited. Each significant risk has a designated 'owner' within the company at an appropriate senior level. The potential financial impact of the risk and its likelihood of a negative outcome are regularly updated.

The risk management process is coordinated by the centralised Management Assurance function and is regularly reviewed by the Company's Audit Committee. The Audit Committee is aided by the Risk Management Committee of the Company comprising of senior management, which meets regularly to review risks as well as the progress against the planned actions Key business decisions are discussed at the periodic meetings of the Board of Directors. The overall internal control environment and risk management programme including financial risk management is reviewed by the Audit Committee on behalf of the Board.

The risk management framework aims to:

- improve financial risk awareness and risk transparency
- identify, control and monitor key risks
- identify risk accumulations
- provide management with reliable information on the Company's risk situation
- improve financial returns

Treasury management

The company's treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the company through internal risk reports which analyses exposures by degree and magnitude of risks. These risks include market risk (including currency risk), credit risk and liquidity risk.

Treasury management focuses on capital protection, liquidity maintenance and yield maximization. The treasury policies are approved by the Board and adherence to these policies is strictly monitored at the Finance Standing Committee. A monthly reporting system exists to inform senior management of investments, debt and currency. The company has a strong system of internal control which enables effective monitoring of adherence to company's policies. The internal control measures are effectively supplemented by regular internal audits.

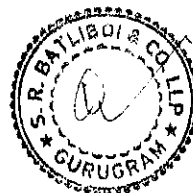
The investment portfolio at the company is maintained as per approved monthly policies duly approved by holding Company treasury team.

The company uses derivative instruments as part of its management of exposure to fluctuations in foreign currency exchange rates. The company does not acquire or issue derivative financial instruments for trading or speculative purposes. The company does not enter into complex derivative transactions to manage the treasury risks. Treasury transactions are normally in the form of forward contracts and these are subject to the Company's guidelines and policies.

Additional Information to the Financial Statements :

Financial risk

The Company's Board approved financial risk policies comprise liquidity, currency, interest rate and counterparty risk. The Company does not engage in speculative treasury activity but seeks to manage risk and optimize foreign exchange impact through proven financial instruments.



38 Risk management (Contd.)**Liquidity Risk:**

The company requires funds both for short-term operational needs as well as for long-term investment projects. The Company has been rated by CRISIL Limited (CRISIL) and India Ratings and Research Private Limited (India Rating) for its banking facilities in line with Basel II norms. During the year, CRISIL revised the rating of the Company's long-term bank facilities and its Non-Convertible Debentures (NCD) programme in March 2018, CRISIL AA (SO)/(Positive) from CRISIL AA- (SO)/(Positive) in March 2017. Further, In Nov 2017, India Rating has revised its rating for working capital facility to IND A+/Positive from IND A+/Stable.

The company remains committed to maintaining a healthy liquidity, gearing ratio, deleveraging and strengthening its balance sheet. The maturity profile of the Company's financial liabilities based on the remaining period from the date of balance sheet to the contractual maturity date is given in the table below. The figures reflect the contractual undiscounted cash obligation of the company.

| Financial liabilities | As on March 31, 2018 | | | | |
|-----------------------------------|----------------------|-----------|-----------|-----------|----------|
| | <1 year | 1-3 Years | 3-5 Years | > 5 Years | Total |
| Borrowings | 3,997.47 | 2,124.66 | 659.00 | 1,911.00 | 8,692.13 |
| Interest on borrowings | 439.95 | 683.01 | 394.65 | 720.71 | 2,238.32 |
| Trade payables | 326.55 | - | - | - | 326.55 |
| Other financial liabilities | 1,168.52 | - | - | - | 1,168.52 |
| Financial Instruments-derivatives | 18.90 | 10.98 | - | - | 29.88 |

(₹ in Crore)

| Financial liabilities | As on March 31, 2017 | | | | |
|-----------------------------------|----------------------|-----------|-----------|-----------|----------|
| | <1 year | 1-3 Years | 3-5 Years | > 5 Years | Total |
| Borrowings | 3,010.92 | 2,376.00 | 964.00 | 1,705.00 | 8,055.92 |
| Interest on borrowings | 511.39 | 675.87 | 425.94 | 754.04 | 2,367.24 |
| Trade payables | 136.90 | - | - | - | 136.90 |
| Other financial liabilities | 1,173.10 | - | - | - | 1,173.10 |
| Financial Instruments-derivatives | 121.07 | - | - | - | 121.07 |

Interest rate risk:

The company is exposed to interest rate risk on short-term and long-term floating rate instrument. Borrowings of the company are principally denominated in Indian Rupees and US dollars with mix of fixed and floating rates of interest. The Indian Rupee debt is mix of fixed interest rates and floating interest rates. These exposures are reviewed by appropriate levels of management on a monthly basis. The company invests cash and liquid investments in short-term deposits and liquid mutual funds.

The exposure of the company's financial assets as at March 31, 2018 to interest rate risk is as follows:

| Particulars | As at March 31, 2018 | | | |
|---|--------------------------------|-----------------------------|---------------------------------------|------------------------|
| | Floating rate financial assets | Fixed rate financial assets | Non interest bearing financial assets | Total financial assets |
| Financial assets-non current | | | | |
| Trade Receivables* | - | - | 816.61 | 816.61 |
| Other financial assets | - | - | 5.83 | 5.83 |
| Total financial assets-non current | - | - | 822.44 | 822.44 |
| Financial assets-current | | | | |
| Investments | - | - | - | - |
| Trade receivables* | - | - | 1,439.81 | 1,439.81 |
| Cash and cash equivalents | - | - | 23.41 | 23.41 |
| Other financial assets | - | - | 73.89 | 73.89 |
| Total financial assets-current | - | - | 1,537.11 | 1,537.11 |
| Total financial assets | - | - | 2,359.55 | 2,359.55 |

*The company is entitled to interest @ 2% in excess of the applicable State Bank Advance Rate (SBAR) per annum beyond normal credit period. Further with respect to dues of Rs. 802.02 Crore, the Supreme Court of India in its order dated March 7, 2018 has directed repayment within three months from the date of order, whereafter simple interest @12% per annum would be levied.

OP



38 Risk management (Contd.)

(₹ in Crore)

| As at March 31, 2017 | | | | |
|---|--------------------------------|-----------------------------|---------------------------------------|------------------------|
| Particulars | Floating rate financial assets | Fixed rate financial assets | Non interest bearing financial assets | Total financial assets |
| Financial assets-non current | | | | |
| Trade Receivables* | - | - | 582.44 | 582.44 |
| Other financial assets | - | 0.02 | 5.86 | 5.88 |
| Financial Instruments-Derivatives | - | - | - | - |
| Total financial assets-non current | - | 0.02 | 588.30 | 588.32 |
| Financial assets-current | | | | |
| Investments | - | - | 144.03 | 144.03 |
| Trade receivables* | - | - | 409.43 | 409.43 |
| Cash and cash equivalents | - | - | 47.12 | 47.12 |
| Other financial assets | - | - | 51.85 | 51.85 |
| Total financial assets-current | - | - | 652.43 | 652.43 |
| Total financial assets | - | 0.02 | 1,240.73 | 1,240.75 |

The weighted average interest rate on the fixed rate financial assets is 8.75% p.a. and the weighted average period for which the rate is fixed is 3 years.

*The company is entitled to interest @ 2% in excess of the applicable State Bank Advance Rate (SBAR) per annum beyond normal credit period.

| As at March 31, 2018 | | | | |
|--|-------------------------------------|----------------------------------|--|-----------------------------|
| Particulars | Floating rate financial liabilities | Fixed rate financial liabilities | Non interest bearing financial liabilities | Total financial liabilities |
| Financial liabilities-non current | | | | |
| Borrowings | 3,626.47 | 1,049.84 | - | 4,676.31 |
| Derivative financial liabilities | - | - | 10.98 | 10.98 |
| Total financial liabilities-non current | 3,626.47 | 1,049.84 | 10.98 | 4,687.29 |
| Financial liabilities-current | | | | |
| Borrowings | 448.91 | 2,937.23 | - | 3,386.14 |
| Trade payables | 131.00 | - | 195.55 | 326.55 |
| Other financial liabilities | - | - | 1,231.82 | 1,231.82 |
| Derivative financial liabilities | - | - | 18.90 | 18.90 |
| Total financial liabilities-current | 579.91 | 2,937.23 | 1,446.27 | 4,963.41 |
| Total financial liabilities | 4,206.38 | 3,987.07 | 1,457.25 | 9,650.70 |

The weighted average interest rate on the fixed rate financial liabilities is 8.01% p.a. and the weighted average period for which the rate is fixed is 1.67 years.

| As at March 31, 2017 | | | | |
|--|-------------------------------------|----------------------------------|--|-----------------------------|
| Particulars | Floating rate financial liabilities | Fixed rate financial liabilities | Non interest bearing financial liabilities | Total financial liabilities |
| Financial liabilities-non current | | | | |
| Borrowings | 3,472.13 | 1,547.82 | - | 5,019.95 |
| Derivative financial liabilities | - | - | - | - |
| Total financial liabilities-non current | 3,472.13 | 1,547.82 | - | 5,019.95 |
| Financial liabilities-current | | | | |
| Borrowings | 885.06 | 2,106.61 | - | 2,991.67 |
| Trade payables | 0.86 | - | 136.04 | 136.90 |
| Other financial liabilities | - | - | 1,231.68 | 1,231.68 |
| Derivative financial liabilities | - | - | 121.07 | 121.07 |
| Total financial liabilities-current | 885.92 | 2,106.61 | 1,488.79 | 4,481.32 |
| Total financial liabilities | 4,358.05 | 3,654.43 | 1,488.79 | 9,501.27 |

The weighted average interest rate on the fixed rate financial liabilities is 7.78% p.a. and the weighted average period for which the rate is fixed is 1.67 years.



38 Risk management (Contd.)

The table below illustrates the impact of a 0.5% to 2.0% movement in interest rates on interest expense on loans and borrowings for the year ended March 31, 2018. The risk estimate provided assumes that the changes occur at the reporting date and has been calculated based on risk exposure outstanding as of date. The year end balances are not necessarily representative of the average debt outstanding during the year. This analysis also assumes that all other variables, in particular foreign currency rates, remain constant.

| Movement in interest rates | Effect on profit before tax | |
|----------------------------|-----------------------------|------------|
| | FY 2017-18 | FY 2016-17 |
| 0.50% | 21.03 | 21.79 |
| 1.00% | 42.06 | 43.57 |
| 2.00% | 84.13 | 87.14 |

(₹ in Crore)

Credit Risk:

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the company. The company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The company is exposed to credit risk for receivables, cash and cash equivalents, short-term investments and derivative financial instruments.

Given the nature of PPA, trade receivables are from a single customer Punjab State Power Corporation Limited (PSPCL), with significant concentration of credit risk. The history of trade receivables shows a negligible provision for bad and doubtful debts. Therefore, the Company does not expect any material risk on account of non-performance by any of the Company's counterparties.

For short-term investments, counterparty limits are in place to limit the amount of credit exposure to any one counterparty. For derivative and financial instruments, the company attempts to limit the credit risk by only dealing with reputable banks and financial institutions having high credit-ratings assigned by international credit-rating agencies. These exposures are further reduced by having standard International Swaps and Derivatives Association (ISDA) master agreements including set-off provisions with each counter party. Defined limits are in place for exposure to individual counterparties in case of mutual funds schemes and bonds.

The carrying value of the financial assets other than cash and current investments represents the maximum credit exposure. The company's maximum exposure to credit risk at March 31, 2018 is ₹ 2,335.53 Crore (previous year ₹ 1,049.60 Crore) of which ₹ 2,254.90 Crore (previous year ₹ 989.46 Crore) was from a single trade receivable.

None of the company's cash equivalents, including time deposits with banks, are past due or impaired. Regarding trade and other receivables, and other non-current assets, there were no indications as at March 31, 2018, that defaults in payment obligations will occur.

| As on March 31, 2018 | | | | | |
|-------------------------------------|---------------|------------------------|------------------------|-------------------------|----------------------------|
| Particulars | Not past due | Due less than 1 months | Due between 1-3 months | Due between 3-12 months | Due greater than 12 months |
| Trade receivables - Non Current* | 149.84 | 56.40 | 148.08 | 176.05 | 286.24 |
| Trade receivables - Current* | 598.38 | 81.46 | 36.09 | 188.24 | 535.64 |
| Other Financial Asset - Non Current | 5.83 | - | - | - | - |
| Other Financial Asset - Current | 69.43 | 0.17 | 0.04 | 3.64 | - |
| Total | 823.48 | 138.03 | 184.21 | 367.93 | 821.88 |

(₹ in Crore)

| As on March 31, 2017 | | | | | |
|-------------------------------------|---------------|------------------------|------------------------|-------------------------|----------------------------|
| Particulars | Not past due | Due less than 1 months | Due between 1-3 months | Due between 3-12 months | Due greater than 12 months |
| Trade receivables - Non Current* | - | 98.91 | 79.64 | 224.00 | 179.89 |
| Trade receivables - Current* | 145.81 | 193.45 | 16.57 | 31.60 | 22.00 |
| Other Financial Asset - Non Current | 5.88 | - | - | - | - |
| Other Financial Asset - Current | 51.85 | - | - | - | - |
| Total | 203.54 | 292.36 | 96.21 | 255.60 | 201.89 |

*Refer Note 41



38 Risk management (Contd.)

Foreign exchange risk

Fluctuations in foreign currency exchange rates may have an impact on the financial statements where any transaction references more than one currency or where assets/liabilities are denominated in a currency other than the functional currency of the Company.

Exposures on foreign currency loans are managed through the Company wide hedging policy, which is reviewed periodically to ensure that the results from fluctuating currency exchange rates are appropriately managed.

The Company uses forward exchange contract to hedge the effects of movements in exchange rates on foreign currency denominated assets and liabilities. The sources of foreign exchange risk are outstanding amounts payable for imported raw materials, capital goods and other supplies as well as financing transactions and loans denominated in foreign currencies. The policy of the Company is to determine on a regular basis what portion of the foreign exchange risk on financing transactions and loans are to be hedged through forward exchange contracts and other instruments. Short-term net exposures are hedged progressively based on their maturity. A more conservative approach has been adopted for project expenditures to avoid budget overruns. However all new long-term borrowing exposures are being hedged. The hedge mechanisms are reviewed periodically to ensure that the risk from fluctuating currency exchange rates is appropriately managed. The following analysis is based on the gross exposure as at the reporting date which could affect the statements of profit or loss and statements of comprehensive income. The exposure summarised below is mitigated by some of the derivative contracts entered into by the Company as disclosed under the section on "Derivative financial instruments".

Financial liabilities

(₹ in Crore)

| | As at March 31, 2018 | As at March 31, 2017 |
|-----|----------------------|----------------------|
| USD | 1,318.46 | 1,606.81 |

The Company's exposure to foreign currency arises where a company entity holds monetary assets and liabilities denominated in a currency different to the functional currency of that entity, with US dollar being the major non-functional currency. The value of a financial instrument may change as a result of changes in the interest rates, foreign currency exchange rate, liquidity and other market changes.

The results of Company's operations may be affected largely by fluctuations in the exchange rates between the Indian Rupee against the US dollar. The foreign exchange rate sensitivity is calculated by the aggregation of the net foreign exchange rate exposure with a simultaneous parallel foreign exchange rates shift in the currencies by 10% against the functional currency of the Company.

A 10% appreciation/depreciation of the respective foreign currencies with respect to the functional currency of the Company would result in net decrease/increase in the Company's profit or loss and equity for the year ended March 31, 2018 by ₹ 131.84 Crore. (previous year ₹ 160.68 crore).

39 Derivative financial instruments

The company uses derivative instruments as part of its management of exposure to fluctuations in foreign currency exchange rates. The company does not acquire or issue derivative financial instruments for trading or speculative purposes. The company does not enter into complex derivative transactions to manage the treasury. Both treasury derivative transactions are normally in the form of forward contracts and these are subject to the Company guidelines and policies.

All derivative financial instruments are recognized as assets or liabilities on the balance sheet and measured at fair value, generally based on quotations obtained from financial institutions or brokers. The accounting for changes in the fair value of a derivative instrument depends on the intended use of the derivative and the resulting designation.

The fair values of all derivatives are separately recorded in the balance sheet within current and non-current assets and liabilities. Derivatives that are designated as hedges are classified as current or non-current depending on the maturity of the derivative.



39 Derivative financial instruments (Contd.)

The company uses derivative instruments as part of its management of exposures to fluctuations in foreign currency exchange rates. The use of derivatives can give rise to credit and market risk. The company tries to control credit risk as far as possible by only entering into contracts with reputable banks and financial institutions. The use of derivative instruments is subject to limits, authorities and regular monitoring by appropriate levels of management. The limits, authorities and monitoring systems are periodically reviewed by management and the Board. The market risk on derivatives is mitigated by changes in the valuation of the underlying assets, liabilities or transactions, as derivatives are used only for risk management purposes.

Embedded derivatives

Derivatives embedded in other financial instruments or other contracts are treated as separate derivative contracts and marked-to-market when their risks and characteristics are not clearly and closely related to those of their host contracts and the host contracts are not fair valued.

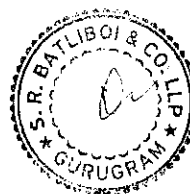
No embedded derivative conversion option was outstanding as of March 31, 2018.

Non-qualifying/economic hedge

The Company enters into derivative contracts which are not designated as hedges for accounting purposes, but provide an economic hedge of a particular transaction risk or a risk component of a transaction. Fair value changes on such derivative instruments are recognized in the statement of profit or loss.

The fair value of the Company's derivative positions recorded under derivative financial assets and derivative financial liabilities are as follows:

| Derivative financial instrument | As at March 31, 2018 | | As at March 31, 2017 | |
|------------------------------------|----------------------|--------------|----------------------|---------------|
| | Assets | Liabilities | Assets | Liabilities |
| Current | | | | |
| Forward foreign currency contracts | 0.61 | 18.90 | - | 121.07 |
| Non current | | | | |
| Forward foreign currency contracts | - | 10.98 | - | - |
| | 0.61 | 29.88 | - | 121.07 |



Talwandi Sabo Power Limited
Notes forming part of the financial statements as at and for the year ended March 31, 2018

40 Income tax expenses

(a) Tax charge/(credit) recognised in statement of profit or loss: (₹ in Crore)

| Particulars | Year ended March 31, 2018 | Year ended March 31, 2017 |
|---|------------------------------|------------------------------|
| Current tax | | |
| Current tax on profit for the year | - | - |
| Total current tax | - | - |
| Deferred tax | | |
| Origination and reversal of temporary differences | 180.81 | - |
| Total deferred tax | 180.81 | - |
| Tax Charge for the year | 180.81 | - |
| Effective income tax rate | 207.90% | - |

(b) Reconciliation of income tax expense applicable to accounting profit/(loss) before tax at the statutory income tax rate to tax expense for the year:

| Particulars | Year ended March 31, 2018 | Year ended March 31, 2017 |
|--|------------------------------|------------------------------|
| Accounting profit / (loss) before tax | 86.97 | (408.48) |
| Statutory income tax rate | 34.61% | 34.61% |
| Tax at Indian statutory income tax rate | 30.10 | (141.37) |
| Tax holiday (net of reversals during the tax holiday period) | 150.71 | 141.37 |
| Tax Charge for the year | 180.81 | - |

(c) Deferred tax liabilities:

The deferred tax liability represents accelerated tax relief for the depreciation of property, plant and equipment and the amortisation of intangible assets. Significant components of deferred tax liability recognised in the balance sheet are as follows:

| Particulars | Year ended March 31, 2018 | Year ended March 31, 2017 |
|---|------------------------------|------------------------------|
| Property, plant and equipment and intangible assets: | | |
| Opening balance | - | - |
| Charged/(credited) to statement of profit and loss | 180.81 | - |
| Charged/(credited) to OCI | - | - |
| Closing balance | 180.81 | - |

41 Disputed Trade Receivables

Punjab State Power Corporation Limited ("PSPCL"), which is the Company's sole customer has withheld payments aggregating to ₹ 1,628.39 Crore (March 31, 2017 ₹ 874.59 Crore) which are on account of various disputes including differences in assessment of calorific value of coal, tax benefits at the time of initial plant setup and basis of computation of plant availability amongst others. The Supreme Court of India in March 2018 upheld the Company's claim for caloric value assessment and accordingly amount of ₹ 802.02 Crore is due within a period of ninety days from the date of order. The balance matters are under litigation and the Company has obtained independent legal advice which supports its claims and is thus not expecting any material losses on these balances and believes that it is highly probable that the Company claims would be upheld. Based on the expected timing of realisation of these balances, which is in turn dependent on the settlement of legal disputes, the Company has bifurcated the receivables into current and non-current.

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Talwandi Sabo Power Limited

Notes forming part of the financial statements as at and for the year ended March 31, 2018

42 Segment Information

The Company's activities during the year revolved around operating 3*660 MW Thermal Power Plant at Mansa, Punjab. Considering the nature of Company's business and operations, there are no separate reportable segments (business and/or geographical) in accordance with the requirements of Ind AS 108 - Operating Segments. All the Company's revenue, trade receivables and non-current operating assets are in India. The company's revenue aggregating to ₹ 4,171.76 Crore (previous year ₹ 3,572.16 Crore) is to a single customer.

43 Share based compensation plans:

The Company offers equity-based award plans to its employees, officers and directors through its parent, Vedanta Resources Plc [Vedanta Resources Long-Term Incentive Plan ("LTIP"), Employee Share Ownership Plan ("ESOP") and Performance Share Plan ("PSP")] collectively referred as 'VR PLC ESOP' scheme and Vedanta Limited [Vedanta Limited-Employee Stock Option Scheme ("Vedanta Limited-ESOS")].

During the year, share-based incentives under VR PLC ESOP scheme and ESOS of Vedanta Limited (introduced effective December 2016 and September 2017) are provided to the defined management group. The maximum value of shares that can be awarded to members of the defined management group is calculated by reference to the individual fixed salary and share-based remuneration consistent with local market practice. ESOP scheme of VR Plc and Vedanta limited are both tenure and performance based share schemes. The awards are indexed to and settled by Parent shares (Vedanta Resources Plc shares or Vedanta Ltd shares as defined in the scheme).The awards have a fixed exercise price denominated in Parent's functional currency (10 US cents per share in case of Vedanta Resources Plc and Re.1 in case of Vedanta Limited), the performance period of each award is three years and is exercisable within a period of six months from the date of vesting beyond which the option lapse.

Further, in accordance with the terms of the agreement between the Parent and the Company, the cost recognized towards ESOP scheme is recovered by the parent from the Company.

Amount recovered by the parent and recognised by the company in the statement of profit and loss for the financial year ended March 31, 2018 was ₹ 1.54 Crore [previous year ₹ 1.22 Crore (net of capitalisation)]. The Company considers these amounts as not material and accordingly has not provided further disclosures.

44 Previous year's figures

Previous year's figures in the statement of profit and loss and cash flows are not comparable as the Company started operations of its third unit on September 1, 2016, which was operational for the full year in the current year.

In terms of our report attached

For S. R. Batliboi & Co. LLP

ICAI Firm Registration No. : 301003E/E300005

Chartered Accountants

per Naman Agarwal

Partner

Membership No.: 502405

Place : New Delhi

Date: April 19, 2018



For and on behalf of the Board of Directors

S. K. Roongta

Chairman

DIN: 00309302

Rohit Agarwal

Chief Financial Officer

Ajay Kumar Dixit

Whole Time Director

DIN: 03086605

Mansi Bhutani

Company Secretary

ICSI Mem No. A49407