

INDEPENDENT AUDITOR'S REPORT

To the Members of Talwandi Sabo Power Limited

Report on the Audit of the Ind AS Financial Statements

Opinion

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, 2020, the Statement of Profit and Loss, including the statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and notes to the Ind AS financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS financial statements give the information required by the Companies Act, 2013, as amended ("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, 2020, its profit including other comprehensive loss, its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

We conducted our audit of the Ind AS financial statements in accordance with the Standards on Auditing (SAs), as specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Ind AS Financial Statements' section of our report. We are independent of the Company in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. 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.

Emphasis of Matter

We draw attention to Note 45 to the accompanying Ind AS financial statements which, describes the uncertainties caused to the business due to the effects of Covid-19 and delay in installation of Flue Gas Desulphurization ('FGD') by the Company. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Ind AS financial Statements for the financial year ended March 31, 2020. These matters were addressed in the context of our audit of the Ind AS financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the Ind AS financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the Ind AS financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying Ind AS financial statements.



| Key audit matters | How our audit addressed the key audit matter |
|--|--|
| <p>Revenue recognition and Recoverability of disputed receivables (as described in notes 2.D, 4, 11, 23 and 42 of the Ind AS financial statements)</p> | |
| <p>As at March 31, 2020, receivables aggregating to Rs. 1,685 crore were outstanding on account of disputes with the Company's sole customer, Punjab State Power Corporation Limited (PSPCL). In assessing the appropriateness of recognition of revenue and for assessing the recoverability of these receivables, management exercised significant judgements to evaluate</p> <ul style="list-style-type: none"> • The probable outcome of PSPCL's claim of a force majeure • The results of the litigation based on the status of the legal proceedings <p>The judgements applied by management have a significant impact on the level of provision required for trade receivables.</p> | <p>Our procedures included the following:</p> <ul style="list-style-type: none"> • Examined the underlying power purchase agreement and verified relevant clauses for calculations of tariff for billing as part of determination of price & other entitlements of the Company; • Performed walkthroughs and test of controls, assisted by IT specialists, of the revenue recognition processes and assessed the design and operating effectiveness of key controls. • Examined invoice samples to ensure that revenue has been correctly recognized. • Inspected the relevant state regulatory commission, appellate tribunal and Supreme Court rulings; • Assessed the adequacy of the disclosures made by the Company in this regard • Inspected external legal opinions in respect of the merits of the case and critically assessed management's position through discussions with the management's in-house legal team to determine basis of their conclusion. • Assessed the competence and objectivity of the external counsels, to satisfy ourselves that these parties are suitable in their roles. • Evaluated management's assessment of recoverability and provisioning of receivables. |

We have determined that there are no other key audit matters to communicate in our report.

Information Other than the Financial Statements and Auditor's Report Thereon

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the Ind AS financial statements and our auditor's report thereon.

Our opinion on the Ind AS financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Ind AS financial statements, our responsibility is to read the other information and, in doing so, consider whether such other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management for the Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 143(5) of 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 the 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.

In preparing the Ind AS financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Ind AS Financial Statements

Our objectives are to obtain reasonable assurance about whether the Ind AS financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Ind AS financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to these financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Ind AS financial statements, including the disclosures, and whether the Ind AS financial statements represent the underlying transactions and events in



a manner that achieves fair presentation

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Ind AS financial statements for the financial year ended March 31, 2020 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 purposes 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, the Statement of Profit and Loss including the Statement of 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 the written representations received from the directors as on March 31, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2020 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 with reference to these Ind AS financial statements and the operating effectiveness of such controls, refer to our separate Report in "Annexure 2" to this report;
 - (g) In our opinion, the managerial remuneration for the year ended March 31, 2020 has been paid / provided by the Company to its directors in accordance with the provisions of section 197 read with Schedule V to the Act
 - (h) 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, as amended 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 32 to the Ind AS financial statements;



- 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

UDIN: 20502405AAAAAM5253

Place of Signature: New Delhi

Date: May 18, 2020



a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Ind AS financial statements for the financial year ended March 31, 2020 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 purposes 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, the Statement of Profit and Loss including the Statement of 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 the written representations received from the directors as on March 31, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2020 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 with reference to these Ind AS financial statements and the operating effectiveness of such controls, refer to our separate Report in "Annexure 2" to this report.
 - (g) In our opinion, the managerial remuneration for the year ended March 31, 2020 has been paid / provided by the Company to its directors in accordance with the provisions of section 197 read with Schedule V to the Act.
 - (h) 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, as amended in our opinion and to the best of our information and according to the explanations given to us:
 1. The Company has disclosed the impact of pending litigations on its financial position in its Ind AS financial statements. Refer Note 32 to the Ind AS financial statements.

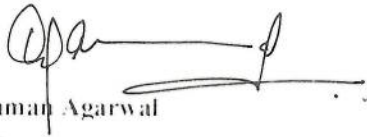


- ii The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
- iii There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For S.R. Batliboi & Co. LLP

Chartered Accountants

ICAI Firm Registration Number: 301003F-F300005



per Naman Agarwal
Partner

Membership Number: 502405

UDIN: 20502405AAAAAM5253



Place of Signature: New Delhi

Date: May 18, 2020

ANNEXURE I REFERRED TO IN PARAGRAPH I 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 fixed assets 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(D) 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 regular in depositing with appropriate authorities undisputed statutory dues including provident fund, income-tax, customs duty, goods and service tax and other material statutory dues applicable to it. The provisions relating to employee state insurance, sales tax, service tax, cess, value added tax and excise duty are not applicable to the Company.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, income-tax, customs duty, goods and service tax 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. The provisions relating to employee state insurance, sales tax, service tax, cess, value added tax and excise duty are not applicable to the Company.
- (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 | 0.91 | 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 | 1.65 | Assessment year 2014-2015 | Commissioner of Income Tax (Appeals) |

*Includes Rs. 1.49 crore paid under protest



S.R. BATLIBOI & CO. LLP

Chartered Accountants

- (xiii) 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 bank, financial institution or dues to debenture holders, based on the revised repayment schedules, for some such loans, which has been drawn after taking effects of the moratorium granted by the banks and availed by the Company, in view of the Covid-19 pandemic. The Company did not have any outstanding dues to Government, during the year.
- (ix) According to the information and explanations given by the management, the Company has not raised any money way of initial public offer / further public offer / debt instruments and term loans. Hence, reporting under clause (ix) is not applicable to the Company and hence not commented upon.
- (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 / provided 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. Therefore, the 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.
- (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/E/300005

Per  Naman Agarwal

Partner

Membership No: 502405

UDIN: 20502405AAAAAM5253

Place of Signature: New Delhi

Date: May 18, 2020



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, 2020 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 by the Company considering the essential components of internal control stated under the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) ("COSO 2013"). 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 with reference to these financial statements 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 with reference to these financial statements 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 over financial reporting with reference to these financial statements and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting with reference to these financial statements, 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 over financial reporting with reference to these financial statements.



Meaning of Internal Financial Controls Over Financial Reporting With Reference to these Financial Statements

A company's internal financial control over financial reporting with reference to these financial statements 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 with reference to these financial statements 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 With Reference to these Financial Statements

Because of the inherent limitations of internal financial controls over financial reporting with reference to these financial statements 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 with reference to these financial statements to future periods are subject to the risk that the internal financial control over financial reporting with reference to these financial statements 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, adequate internal financial controls over financial reporting with reference to these financial statements and such internal financial controls over financial reporting with reference to these financial statements were operating effectively as at March 31, 2020, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in COSO 2013.

For S.R. Batliboi & Co. LLP

Chartered Accountants

ICAI Firm Registration Number: 301003F/E300005



per Naman Agarwal
Partner

Membership Number: 562405

UDIN: 29502405AAAAAM15253



Place of Signature: New Delhi

Date: May 18, 2020

Balance Sheet as at March 31, 2020

(₹ in Crore)

| | Particulars | Notes | As at March 31, 2020 | As at March 31, 2019 |
|-----------|--|-------|-------------------------|-------------------------|
| I | ASSETS | | | |
| 1 | Non-current assets | | | |
| | (a) Property, plant and equipment | 3 | 9,546.85 | 9,941.96 |
| | (b) Capital work-in-progress | 3 | 7.20 | 9.02 |
| | (c) Intangible assets | 3 | 0.48 | 1.02 |
| | (d) Financial assets | | | |
| | (i) Trade receivables | 4 | 1,544.94 | 2,200.08 |
| | (ii) Other financial assets | 5 | 8.73 | 8.51 |
| | (e) Deferred tax assets (net) | 41 | 173.07 | - |
| | (f) Other non-current assets | 6 | 3.74 | 3.47 |
| | Total non-current assets | | 11,285.01 | 12,164.06 |
| 2 | Current assets | | | |
| | (a) Inventories | 7 | 533.34 | 441.62 |
| | (b) Financial Assets | | | |
| | (i) Trade receivables | 8 | 462.94 | 448.39 |
| | (ii) Cash and cash equivalents | 9 | 75.41 | 262.18 |
| | (iii) Bank balances | 10 | 59.14 | - |
| | (iv) Other financial assets | 11 | 183.16 | 3.95 |
| | (c) Other current assets | 12 | 53.19 | 42.10 |
| | Total current assets | | 1,367.18 | 1,198.24 |
| | Total Assets | | 12,652.19 | 13,362.30 |
| II | EQUITY AND LIABILITIES | | | |
| A | Equity | | | |
| | (a) Equity share capital | 13 | 3,206.61 | 3,206.61 |
| | (b) Other equity | 14 | 78.98 | (650.80) |
| | Total Equity | | 3,285.59 | 2,555.81 |
| B | LIABILITIES | | | |
| 1 | Non-current liabilities | | | |
| | (a) Financial liabilities | | | |
| | (i) Borrowings | 15 | 4,869.30 | 5,898.83 |
| | (ii) Other financial liabilities | 16 | 765.18 | - |
| | (b) Provisions | 17 | 0.83 | 0.42 |
| | (c) Deferred tax liabilities (net) | 41 | - | 234.59 |
| | Total non-current liabilities | | 5,635.31 | 6,133.84 |
| 2 | Current liabilities | | | |
| | (a) Financial liabilities | | | |
| | (i) Borrowings | 18 | 1,687.76 | 1,792.28 |
| | (ii) Trade payables | 19 | | |
| | (a) Total Outstanding dues of Micro Enterprises and Small Enterprises | | 1.32 | 3.00 |
| | (b) Total Outstanding dues of creditors other than Micro Enterprises and Small Enterprises | | 300.77 | 389.44 |
| | (iii) Other financial liabilities | 20 | 1,733.60 | 2,481.81 |
| | (b) Other current liabilities | 21 | 6.74 | 5.26 |
| | (c) Provisions | 22 | 1.10 | 0.86 |
| | Total current liabilities | | 3,731.29 | 4,672.65 |
| | Total Liabilities | | 9,366.60 | 10,806.49 |
| | Total Equity and Liabilities | | 12,652.19 | 13,362.30 |

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

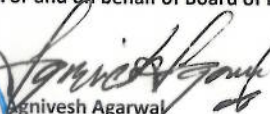
Chartered Accountants



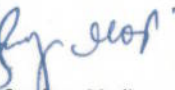
 per Naman Agarwal
Partner
Membership No.: 502405

 Place : New Delhi
Date : May 18, 2020


For and on behalf of Board of Directors



 Agnivesh Agarwal

 Chairman
DIN: 00038950


 Sandeep Modi
Chief Financial Officer


 Vikas Sharma
Chief Executive Officer
& Whole Time Director
DIN: 00761202


 Mansi Bhutani
Company Secretary
ICSI Mem No.A49407


Statement of Profit and Loss for the year ended March 31, 2020

(₹ in Crore)

| Particulars | Notes | Year ended March 31, 2020 | Year ended March 31, 2019 |
|---|-------|------------------------------|------------------------------|
| I Revenue from operations | 23 | 4,771.82 | 5,235.60 |
| II Other Operating Income | 24 | 45.64 | 49.13 |
| III Other income | 25 | 139.70 | 1.68 |
| IV Total Income (I+II+III) | | 4,957.16 | 5,286.41 |
| V Expenses: | | | |
| Power and fuel charges | | 3,201.26 | 3,699.43 |
| Employee benefits expense | 26 | 22.95 | 25.71 |
| Finance costs | 27 | 764.72 | 835.86 |
| Depreciation and amortisation expense | 28 | 459.43 | 454.50 |
| Other expenses | 29 | 268.34 | 271.71 |
| Total expenses | | 4,716.70 | 5,287.21 |
| VI Profit/(loss) before exceptional items and tax (IV-V) | | 240.46 | (0.80) |
| VII Exceptional Items | 30 | 82.06 | - |
| VIII Profit/(loss) before tax (VI+VII) | | 322.52 | (0.80) |
| IX Tax expense/(benefit): | 41 | | |
| On other than exceptional items | | | |
| Deferred tax | | (428.30) | 53.78 |
| On Exceptional items | | | |
| Deferred tax | | 20.65 | - |
| Net Tax expense/(benefit): | | (407.65) | 53.78 |
| X Net Profit/(Loss) for the year (VIII-IX) | | 730.17 | (54.58) |
| XI Other Comprehensive Income/(Loss) (net of taxes) | | | |
| (i) Items that will not be reclassified to profit or loss - | | | |
| Re-measurement loss on defined benefit obligations | | (0.39) | (0.27) |
| XII Total Comprehensive Income/(Loss) for the period (X+XI) | | 729.78 | (54.85) |
| XIII Earnings/(Loss) per equity share (in ₹): | 34 | | |
| - Basic and Diluted | | 2.28 | (0.17) |

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 : May 18, 2020



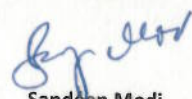
For and on behalf of Board of Directors



Agnivesh Agarwal

Chairman

DIN: 00038950



Sandeep Modi

Chief Financial Officer



Vikas Sharma

Chief Executive Officer

& Whole Time Director

DIN: 00761202



Mansi Bhutani

Company Secretary

ICSI Mem No. A49407

Cash Flow Statement for the year ended March 31, 2020

(₹ in Crore)

| Particulars | Year ended March 31, 2020 | Year ended March 31, 2019 |
|---|------------------------------|------------------------------|
| A Cash flows from operating activities | | |
| Net Profit / (Loss) before tax | 322.52 | (0.80) |
| Adjusted for : | | |
| Unrealised exchange (gain) / loss | (36.70) | 28.72 |
| Depreciation and amortisation expense | 459.43 | 454.50 |
| Interest Expenses | 764.72 | 835.86 |
| Interest and Dividend Income | (136.21) | (0.50) |
| Exceptional Interest income (Refer note 30) | (82.06) | - |
| Loss on sale of property, plant and equipment | 0.00 | (0.03) |
| Operating profit before working capital changes | 1,291.70 | 1,317.75 |
| Adjustments for change in assets and liabilities | | |
| (Increase) / Decrease in inventories | (91.72) | (188.62) |
| (Increase) / Decrease in trade receivables | 640.58 | (281.48) |
| (Increase) / Decrease in other financial and other assets | (6.80) | (15.05) |
| Increase / (Decrease) in payables and provisions | (99.12) | 95.17 |
| Cash generated from operations | 1,734.64 | 927.77 |
| Income taxes paid | (0.75) | (0.51) |
| Net cash from operating activities (i) | 1,733.89 | 927.26 |
| B Cash flows from investing activities | | |
| Purchases of property, plant and equipment (including intangibles) | (54.19) | (12.32) |
| Proceeds from maturity / redemption of short term deposits | 86.03 | - |
| Purchases of short term deposits | (143.66) | - |
| Purchase of short term Investment (Mutual Funds) | (2,948.40) | (1,174.10) |
| Proceeds from sale of short term Investments (Mutual Funds) | 2,949.49 | 1,174.28 |
| Interest received | 5.09 | 0.32 |
| Net cash used in investing activities (ii) | (105.64) | (11.82) |
| C Cash flows from financing activities | | |
| (Repayment) / Proceeds from short term loan (net) | (1,534.16) | (731.73) |
| Proceeds from current borrowings | 3,740.00 | - |
| Repayment of current borrowings | (2,300.00) | - |
| Proceeds from Long Term borrowing | - | 2,800.00 |
| Repayment of Long Term borrowing | (1,033.94) | (2,073.30) |
| Repayment of lease liability | (3.36) | - |
| Interest Paid | (683.56) | (671.64) |
| Net cash used in financing activities (iii) | (1,815.02) | (676.67) |
| Net (decrease) / increase in cash and cash equivalents (i+ii+iii) | (186.77) | 238.77 |
| Cash and cash equivalents at beginning of the year | 262.18 | 23.41 |
| Cash and cash equivalents at close of the year [Refer Note 9 to the financial statements] | 75.41 | 262.18 |

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



For and on behalf of Board of Directors

Agnivesh Agarwal
Chairman
DIN: 00038950

Vikas Sharma
Chief Executive Officer
& Whole Time Director
DIN: 00761202

Sandeep Modi
Chief Financial Officer

Mansi Bhutani
Company Secretary
ICSI Mem No.A49407

Place : New Delhi
Date : May 18, 2020

Talwandi Sabo Power Limited
CIN - L40101PB2007PLC031035

Statement of Changes in Equity for the year ended March 31, 2020

a. Equity share capital

| Equity shares of ₹ 10 each issued, subscribed and fully paid | No. of Shares | Amount (₹ in Crore) |
|--|---------------|------------------------|
| As at March 31, 2020 and March 31, 2019 | 320,66,09,692 | 3,206.61 |

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

b. Other equity

| Particulars | Reserves and Surplus | | Total (₹ in Crore) |
|------------------------------|----------------------|------------------------------|-----------------------|
| | Retained earnings | Debenture Redemption Reserve | |
| Balance as at March 31, 2018 | (621.98) | 26.03 | (595.95) |
| Loss for the year | (54.58) | - | (54.58) |
| Other Comprehensive Loss | (0.27) | - | (0.27) |
| Balance as at March 31, 2019 | (676.83) | 26.03 | (650.80) |
| Profit for the year | 730.17 | - | 730.17 |
| Other Comprehensive Loss | (0.39) | - | (0.39) |
| Balance as at March 31, 2020 | 52.95 | 26.03 | 78.98 |

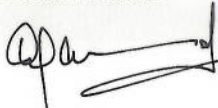
See accompanying notes forming part of the financial statements

In terms of our report attached

For S. R. Batliboi & Co. LLP

ICAI Firm Registration No. : 301003E/E300005

Chartered Accountants

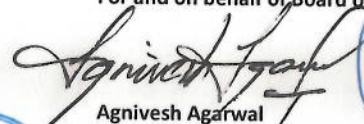


per Naman Agarwal
Partner
Membership No.: 502405



Place : New Delhi
Date : May 18, 2020

For and on behalf of Board of Directors



Agnivesh Agarwal

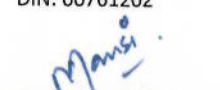
Chairman
DIN: 00038950



Sandeep Modi
Chief Financial Officer



Vikas Sharma
Chief Executive Officer
& Whole Time Director
DIN: 00761202



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 May 18, 2020.

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) Going Concern

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)}.

As more fully described in note 45, the Company is required to install Flue Gas Desulphurization (FGD) plant by December 2019 and has made representations for extension of timelines and has also sought a revision in tariffs from its customer pursuant to the change in law clause provided under power purchase agreement with PSPCL. In the unlikely event of the Company's request for extension of the timeline not being accepted and its operations getting suspended, the Company's liquidity position would get stretched. In the light of above, Vedanta Limited, the Company's parent entity, has provided a letter assuring the Company of requisite financial support to enable it to meet its financial obligation. Accordingly, these financial statements have been prepared on a going concern basis.

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.



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b) Revenue from Contract with Customer

Ind AS 115 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The core principle of the standard is for companies to recognize revenue when the control of the goods and services is transferred to the customer as against the transfer of risk and rewards. The amount of revenue recognised reflects the consideration to which the company expects to be entitled in exchange for those goods or services.

Revenue from sale of power is recognised when delivered and measured based on rates as per bilateral contractual agreement with its sole customer. Revenues from sale of by-products are included in revenue. If the consideration in a contract includes a variable amount, the Company estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer.

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration when that right is conditional on Company's future performance.

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

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.

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.

Dividends

Dividend income is recognised in the income statement 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 the dividend can be measured reliably.



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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.

The estimated useful lives of assets are as follows:

| | | |
|---------------------------------------|------|-------|
| • Buildings | 3-25 | years |
| • Roads | 5-10 | years |
| • Plant and machinery | 5-25 | years |
| • Furniture 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 |

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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 of 3-6 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.

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.

e) Lease

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) **Right-of-use assets**

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section (p) Impairment of non-financial assets.

ii) **Lease Liabilities**

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.



iii) **Short-term leases and leases of low-value assets**

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. 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.

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. The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents. The Company has identified twelve months as its operating cycle.

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.

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.



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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 115

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.

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

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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.

Fair Value Measurement

The Company measures financial instruments, such as, derivatives at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

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) **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. Company has done the impairment assessment as at March 31, 2020 and concluded that no impairment indicators exist for the current year reporting.



k) 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 present location and condition, 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.

l) 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 unutilised tax credits and unutilised tax loss;

- 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.

m) 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 routine settlements; and



- Net interest expense or income.

n) **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 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.

o) **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 life 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.



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 date of the transaction for the purpose of determining the exchange rate to use on initial Ind AS 21 recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.

p) 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.

q) 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.

r) 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.

s) 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.

t) Share-based payments

The Company does not have any outstanding share based payments. Vedanta Limited ("VL"), the immediate holding company offers certain share based incentives under the Long-Term Incentive Plan ("LTIP") to employees and directors of the Company and its subsidiaries. VL 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.



2.C. APPLICATION OF NEW STANDARDS AND AMENDMENTS

The Company has adopted with effect from April 01,2019, the following new standards and amendments.

The Company applied Ind AS 116 Leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

Several other amendments apply for the first time for the year ending 31 March 2020, but do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, amendments that have been issued but are not yet effective/notified.

Ind AS 116: Leases

The Company has adopted Ind AS 116 from April 1,2019 under the modified retrospective approach replacing the earlier standard IND AS 17, and accordingly the comparative figures have not been restated

This standard introduced a single lessee accounting model and requires a lessee to recognize a 'right of use asset' (ROU) and a corresponding 'lease liability' for all leases with the exception of short-term (under 12 months) and low-value leases. Lease costs has been recognised in the income statement over the lease term in the form of depreciation on the ROU asset and finance charges representing the unwinding of the discount on the lease liability. In contrast, the accounting requirements for lessors remain largely unchanged.

The Standard, in addition to increasing the Company's recognised assets and liabilities, impacted the classification and timing of expenses and consequently the classification between cash flow from operating activities and cash flow from financing activities. Many commonly used financial ratios and performance metrics, using existing definitions, have also impacted including gearing, EBITDA, unit costs and operating cash flows. However, implementation of Ind AS 116 didn't have a material effect on the Company's Financial Statements.

Lessor accounting under Ind AS 116 is substantially unchanged from Ind AS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in Ind AS 17. Therefore, Ind AS 116 does not have an impact for leases where the Company is the lessor.

Appendix C to Ind AS 12 Uncertainty over Income Tax Treatment

The appendix addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of Ind AS 12 Income Taxes. It does not apply to taxes or levies outside the scope of Ind AS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Appendix specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unutilised tax losses, unutilised tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Company determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty. There is no impact of the appendix on Company's financial statements.

2.D. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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 for different assumptions and conditions



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 life of property, plant and equipment**

Useful life 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 useful life of its property, plant and equipments from 40 years to 25 years during previous year.

Critical judgements:

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

Significant judgement is required to apply lease accounting rules under Ind AS 116 '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 Ind AS 116.

The Company has ascertained that the Power Purchase Agreement (PPA) entered into between the Company and Punjab State Power Corporation Limited (PSPCL) qualify as operating lease as per Ind AS 116 Leases. Accordingly, the consideration receivable under the PPA relating to recovery of capacity charges have been recognised as operating lease rentals and in respect of energy charges 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 31 (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



Talwandi Sabo Power Limited

Notes forming part of the financial statements as at and for the year ended March 31, 2020

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 32.

• **Revenue Recognition of disputed dues:**

The Company has evaluated the provisions of Ind-AS 115, which states that revenue should be recorded if it is probable that the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. Management has assessed the recognition of revenue and recoverability of disputed dues with PSPCL as disclosed in note 42 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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Notes forming part of the financial statements as at and for the year ended March 31, 2020

Note 3 Property Plant and Equipment

(in Crore)

| Particulars | Gross Block | | | | | Accumulated depreciation and amortisation | | | Net Block | |
|--------------------------------|----------------------------------|--------------------------|------------------------|-----------------------------|----------------------------------|---|----------------------------|------------------------|------------------------------------|--------------------------------|
| | Balance as at March 31, 2019 | Additions | Disposals/ Adjustments | Foreign exchange difference | Balance as at March 31, 2020 | Balance as at March 31, 2019 | Depreciation charge | Deductions | Balance as at March 31, 2020 | Balance as at March 31, 2019 |
| a) Tangible Assets | | | | | | | | | | |
| Freehold Land | 390.60 (390.60) | - | - | - | 390.60 (390.60) | - | - | - | 390.60 (390.60) | 390.60 (390.60) |
| ROU Land (Refer note 2.C) | - | 10.18 | - | - | 10.18 | - | 3.30 | - | 6.88 | - |
| Buildings | 258.78 (245.65) | 5.06 (13.13) | - | - | 263.84 (258.78) | 65.56 (52.97) | 13.89 (12.59) | - | 184.39 (193.22) | 193.22 (192.68) |
| Plant and Machinery | 10,777.31 (10,736.77) | 19.00 (12.11) | 0.01 | 28.43 (28.43) | 10,824.73 (10,777.31) | 1,733.14 (1,318.24) | 415.05 (414.90) | 0.00 | 2,148.19 (1,733.14) | 9,044.17 (9,418.53) |
| Furniture and Fittings | 2.80 (1.97) | 0.05 (0.85) | 0.06 (0.02) | - | 2.79 (2.80) | 1.19 (1.03) | 0.22 (0.17) | 0.03 (0.01) | 1.41 (1.61) | 1.61 (0.94) |
| Motor Vehicles | 0.32 (0.35) | - | 0.14 (0.08) | - | 0.18 (0.32) | 0.11 (0.11) | 0.05 (0.04) | 0.12 (0.04) | 0.14 (0.21) | 0.21 (0.24) |
| Railway Siding and Locomotives | 419.14 (419.14) | - | - | - | 419.14 (419.14) | 119.28 (95.46) | 23.83 (23.82) | - | 276.03 (299.86) | 299.86 (323.68) |
| Office Equipment | 5.78 (5.25) | 0.08 (0.53) | 0.01 (-) | - | 5.85 (5.78) | 3.82 (3.22) | 0.53 (0.60) | 0.01 (-) | 1.51 (1.96) | 1.96 (2.03) |
| Computers and Data Processing | 3.38 (2.91) | 0.82 (0.47) | - | - | 4.20 (3.38) | 2.25 (1.95) | 0.43 (0.30) | - | 1.52 (1.13) | 1.13 (0.96) |
| Laboratory Equipment | 17.74 (17.74) | - | - | - | 17.74 (17.74) | 8.54 (7.17) | 1.37 (1.37) | - | 7.83 (9.20) | 9.20 (10.57) |
| Total | 11,875.85 (11,820.38) | 35.19 (27.14) | 0.22 (0.10) | 28.43 (28.43) | 11,939.25 (11,875.85) | 1,933.89 (1,480.15) | 458.67 (453.79) | 0.16 (0.05) | 2,392.40 (1,933.89) | 9,941.96 (9,941.96) |
| | | | | | | | | | b) Capital work in progress | |
| | | | | | | | | | 7.20 | 9.02 |
| | | | | | | | | | 9,554.05 | 9,950.98 |
| | | | | | | | | | | |
| c) Intangible Assets | | | | | | | | | | |
| Computer software | 3.14 (2.83) | 0.22 (0.31) | - | - | 3.36 (3.14) | 2.12 (1.41) | 0.76 (0.71) | - | 2.88 (1.02) | 1.02 (1.41) |
| Total | 3.14 (2.83) | 0.22 (0.31) | - | - | 3.36 (3.14) | 2.12 (1.41) | 0.76 (0.71) | - | 2.88 (1.02) | 1.02 (1.41) |

Notes:

- (i) Figures in brackets represent previous year's amounts.
(ii) Certain property, plant and equipment are pledged as collateral against borrowings, the details related to which have been described in Note 15 on "Borrowings".



Talwandi Sabo Power Limited

Notes forming part of the financial statements as at and for the year ended March 31, 2020

Note 4

(₹ in Crore)

Trade receivables - Non-current

| Particulars | As at March 31, 2020 | As at March 31, 2019 |
|---|-------------------------|-------------------------|
| Considered good - Unsecured (Also refer Note 42)* | 1,544.94 | 2,200.08 |
| Total | 1,544.94 | 2,200.08 |

*Balance as on April 01, 2018 - ₹ 816.61 Crore

Note 5

Other financial assets - Non-current

| Particulars | As at March 31, 2020 | As at March 31, 2019 |
|--|-------------------------|-------------------------|
| Bank Deposits with remaining maturity of more than 12 months (including interest accrued thereon) (Refer note below) | 0.04 | - |
| Security deposits (Unsecured, considered good) | 8.69 | 8.51 |
| Total | 8.73 | 8.51 |

Note: Bank deposits are kept as margin money and earns interest at fixed rate based on respective deposit rate.

Note 6

Other non-current assets

| Particulars | As at March 31, 2020 | As at March 31, 2019 |
|--|-------------------------|-------------------------|
| Unsecured considered good | | |
| Prepaid Expenses | 0.96 | 1.44 |
| Advance income tax (net of provisions) | 2.78 | 2.03 |
| Total | 3.74 | 3.47 |

Note 7

Inventories

| Particulars | As at March 31, 2020 | As at March 31, 2019 |
|-------------------|-------------------------|-------------------------|
| Fuel Stock | 424.71 | 302.35 |
| Goods-in transit | 36.40 | 54.83 |
| Stores and Spares | 71.49 | 84.44 |
| Goods-in transit | 0.74 | - |
| Total | 533.34 | 441.62 |

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

Note 8

Trade receivables - Current

| Particulars | As at March 31, 2020 | As at March 31, 2019 |
|-----------------------------|-------------------------|-------------------------|
| Considered good - Unsecured | 462.94 | 448.39 |
| Total | 462.94 | 448.39 |

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

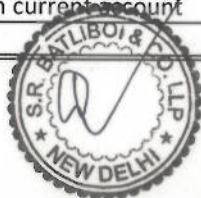
(ii) Also refer Note 42

(iii) Balance as at April 01, 2018 - ₹ 1,439.81 Crore

Note 9

Cash and cash equivalents

| Particulars | As at March 31, 2020 | As at March 31, 2019 |
|--|-------------------------|-------------------------|
| Balances with banks in current account | 75.41 | 262.18 |
| Total | 75.41 | 262.18 |



Talwandi Sabo Power Limited

Notes forming part of the financial statements as at and for the year ended March 31, 2020

Note 10

(₹ in Crore)

Other Bank Balances

| Particulars | As at March 31, 2020 | As at March 31, 2019 |
|---|-------------------------|-------------------------|
| Bank deposits with original maturity of less than 3 months (including interest accrued thereon) | 3.42 | - |
| Bank deposits with original maturity for more than 3 months but less than 12 months (including interest accrued thereon) | 15.82 | - |
| Bank deposits with original maturity for more than 12 months but remaining maturity of less than 12 months (including interest accrued thereon) | 39.90 | - |
| Total | 59.14 | - |

Note: Bank deposits are kept as margin money and earns interest at fixed rate based on respective deposit rate.

Note 11

Other financial assets - Current

| Particulars | As at March 31, 2020 | As at March 31, 2019 |
|----------------------------------|-------------------------|-------------------------|
| Derivative asset | 43.10 | - |
| Receivables from related parties | 0.14 | 0.26 |
| Claims and other receivables | 139.92 | 3.69 |
| Total | 183.16 | 3.95 |

Note 12

Other current assets

| Particulars | As at March 31, 2020 | As at March 31, 2019 |
|--|-------------------------|-------------------------|
| Advance to suppliers | 39.28 | 34.70 |
| Advance to Related Parties (Refer note 36) | 1.47 | - |
| Prepaid expenses | 12.43 | 6.78 |
| Balance with government authorities | 0.01 | 0.62 |
| Total | 53.19 | 42.10 |



Signature



Note 13

Equity Share Capital :

| Particulars | As at March 31, 2020 | | As at March 31, 2019 | |
|--|-------------------------|------------------------|-------------------------|------------------------|
| | 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, 2020 | | Equity Shares as at March 31, 2019 | |
|---|---------------------------------------|------------------------|---------------------------------------|------------------------|
| | 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, 2020 | | As at March 31, 2019 | |
|----------------------------------|-------------------------|--------------|-------------------------|--------------|
| | 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):

Debenture redemption reserve: As per Section 71(4) of the Companies Act, 2013, companies that issue debentures were required 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 utilized except to redeem debentures. However, as per MCA notification G.S.R. 574(E) dated August 16, 2019, the creation of Debenture Redemption Reserve for listed companies is no longer required. Thus, the Company has not created any debenture redemption reserve thereafter.



Note 15

(₹ in Crore)

Non current financial liabilities - Borrowings

| Particulars | As at March 31, 2020 | As at March 31, 2019 |
|--|-------------------------|-------------------------|
| Secured : At amortised cost | | |
| (a) Redeemable Non-Convertible Debentures (Refer note (iii) below) | 2,649.58 | 3,249.29 |
| (b) Term Loan (Refer note (iv) below) | | |
| (i) From banks: | | |
| Indian currency loans | 2,750.04 | 3,137.54 |
| Foreign currency loans | 277.04 | 297.64 |
| (ii) From Other than Banks (Indian currency loan) | 163.26 | 187.88 |
| Less : Current maturities of long-term borrowings (Refer note 20) | (970.62) | (973.52) |
| Total | 4,869.30 | 5,898.83 |

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.

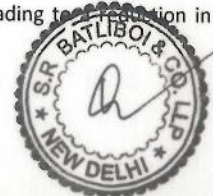
(iii) Summary of Redeemable Non-convertible debentures (NCDs) (Carrying Value):

| Particulars | Issued on | Security | As at March 31, 2020 | As at March 31, 2019 |
|-----------------------------|---------------|---|-------------------------|-------------------------|
| 9.27% due July 2021* | July 2018 | Secured by first pari passu charge on movable and/or immovable fixed assets of the Company with a minimum asset cover of 1 time during the tenure of NCD and an unconditional and irrevocable corporate guarantee by Vedanta Limited. | 999.58 | 999.29 |
| 8.55% due April 2021 | April 2018 | Secured by first pari passu charge on movable and/or immovable fixed assets of the Company with a minimum asset cover of 1 time during the tenure of NCD and an unconditional and irrevocable corporate guarantee by Vedanta Limited. | 1,000.00 | 1,000.00 |
| 9.00% due November 2020** | November 2018 | Secured by first pari passu charge on movable and/or immovable fixed assets of the Company with a minimum asset cover of 1 time during the tenure of NCD and an unconditional and irrevocable corporate guarantee by Vedanta Limited. | 150.00 | 200.00 |
| 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 time during the tenure of NCD and an unconditional and irrevocable corporate guarantee by Vedanta Limited. | 500.00 | 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 time during the tenure of NCD and an unconditional and irrevocable corporate guarantee by Vedanta Limited. | - | 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 time during the tenure of NCD and an unconditional and irrevocable corporate guarantee by Vedanta Limited. | - | 250.00 |
| Total | | | 2,649.58 | 3,249.29 |

* Interest rate is based on effective interest rate after considering the effect of the upfront fee that was paid.

** Some of the debenture holders exercised a Put option in November 2019, which was available with them, leading to a reduction in the debenture balance.

*** Redeemed during the year and charge has been released.



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

₹ in Crores

| Particulars | Issued on | Security | As at March 31, 2020 | As at March 31, 2019 |
|---|----------------|--|-------------------------|-------------------------|
| (a) From Banks: | | | | |
| Indian currency 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. | 125.04 | 138.64 |
| 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. | 1,786.96 | 1,876.60 |
| 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. | - | 247.64 |
| 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 | 268.22 | 281.69 |
| ICICI Bank Limited | March 2019 | 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 | 569.82 | 592.97 |
| Total | | | 2,750.04 | 3,137.54 |
| 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 | 277.04 | 297.64 |
| Total | | | 277.04 | 297.64 |
| (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 passu charge on fixed assets of the Company both present and future, with an unconditional and irrevocable corporate guarantee by Vedanta Limited. | 163.26 | 187.88 |
| Total | | | 163.26 | 187.88 |
| Total Term Loan | | | 3,190.34 | 3,623.06 |

Repayment terms of Term loan outstanding as on March 31, 2020:

| Particulars | Weighted Average Interest Rate | Total Carrying Value | <1 year | 1-3 years | 3-5 years | >5 years | Remarks |
|----------------------------|-----------------------------------|----------------------|---------------|---------------|---------------|-----------------|---|
| Indian Rupee term loan | 9.34% | 2,913.30 | 308.47 | 439.47 | 357.63 | 1,817.50 | Repayable in 135 quarterly instalments and 2 bullet payments. |
| Foreign currency term loan | 9.35% | 277.04 | 12.15 | 45.12 | 34.50 | 186.00 | Repayable in 40 quarterly instalments |
| Total | | 3,190.34 | 320.62 | 484.59 | 392.13 | 2,003.50 | |

Note:

(a) The above maturity is based on the total principal outstanding gross of issuance expense.

(b) Repayment schedule of some of the lenders has been deferred resulting into increase in average term of loans by 3 months and decrease in current maturity by ₹ 93 Crore after considering the moratorium provided by RBI as per circular dated March 27, 2020 due to COVID-19. In one of the cases, the moratorium has been agreed post March 31, 2020 and the instalment paid of ₹ 10.57 Crore (including interest) in March, 2020, was refunded subsequent to the year end. Hence, the same is not included above.

(v) Movement of borrowing during the year:

| Particulars | Borrowings due within one year | Borrowings due after one year | Total |
|------------------------|-----------------------------------|----------------------------------|------------|
| As at March 31, 2018 | 3,974.69 | 4,676.32 | 8,651.01 |
| Cash Flow | (731.74) | 718.73 | (13.01) |
| Other non cash changes | (477.16) | 503.79 | 26.63 |
| As at March 31, 2019 | 2,765.79 | 5,898.84 | 8,664.63 |
| Cash Flow | (153.54) | (1,033.94) | (1,187.48) |
| Other non cash changes | 46.13 | 4.40 | 50.53 |
| As at March 31, 2020 | 2,658.38 | 4,869.30 | 7,527.68 |

Other non-cash changes comprises of amortisation of borrowing costs, foreign exchange differences on borrowings and reclassification between borrowings due within one year and borrowings due after one year.



Note 16

(₹ in Crore)

Other financial liabilities - Non current

| Particulars | As at March 31, 2020 | As at March 31, 2019 |
|--|-------------------------|-------------------------|
| Liability for capital expenditure (Refer note (i) below) | 761.35 | - |
| Lease liability (Refer note (ii) below) | 3.83 | - |
| Total | 765.18 | - |

Note:

(i) During the year, the Company has entered into settlement arrangement vide minutes of meeting dated February 15, 2020 with one of its EPC project contractors for outstanding liabilities. Basis the arrangement, the contractor has agreed to waive the interest on the outstanding balance and receive the payment as per a schedule. Accordingly, interest accrued upto March 31, 2019 amounting to ₹ 70.64 Crore has been reversed and included under other income.

(ii) The movement in lease liabilities is as follows:

| | |
|------------------|--------|
| Opening balance* | - |
| Additions | 10.18 |
| Repayments | (3.36) |
| Interest | 0.61 |
| Closing balance | 7.43 |

* Includes balance accounted for on transition to IND AS-116

Lease liabilities carry an interest at 8.69%

Note 17

Provisions - Non-current

| Particulars | As at March 31, 2020 | As at March 31, 2019 |
|---------------------------------|-------------------------|-------------------------|
| Provision for employee benefits | | |
| - Provision for gratuity | 0.83 | 0.42 |
| Total | 0.83 | 0.42 |

Note 18

Borrowings - Current

| Particulars | As at March 31, 2020 | As at March 31, 2019 |
|---|-------------------------|-------------------------|
| At amortised cost | | |
| Secured | | |
| Loan from banks (Refer note (i) below) | | |
| -Short-term loan | 247.76 | - |
| -Factoring of Trade Receivables | - | 280.00 |
| Unsecured | | |
| Commercial paper (Refer note (ii) below) | - | 1,512.28 |
| Loans from Related Parties (Refer note (iii) below) | 1,440.00 | - |
| Total | 1,687.76 | 1,792.28 |

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.

(ii) Commercial Papers

The Company had issued commercial papers to various mutual funds, which were backed by unconditional and irrevocable corporate guarantee from Vedanta Limited. These commercial papers were issued in the previous year with a maturity of less than 3 months. These commercial papers have been repaid during the year.



Talwandi Sabo Power Limited

Notes forming part of the financial statements as at and for the year ended March 31, 2020

(iii) Loans from Related Parties

The Company has an outstanding of ₹ 1440 Cr inter corporate loan from its Parent Company, Vedanta Limited which was obtained during the year for temporary support. The same is repayable within one year from the date of draw down. Also, refer note 36.

(iv) The above outstanding loans carry interest rates ranging from 8.70% to 9.20% (Previous year 7.72% to 9.80%).

Note 19

(₹ in Crore)

Trade payables

| Particulars | As at March 31, 2020 | As at March 31, 2019 |
|---|-------------------------|-------------------------|
| Total Outstanding dues of Micro Enterprises and Small Enterprises (Refer note (ii) below) | 1.32 | 3.00 |
| Total Outstanding dues of creditors other than Micro Enterprises and Small Enterprises | 300.77 | 389.44 |
| Total | 302.09 | 392.44 |

Notes:

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

(ii) Disclosure under Section 22 of the Micro, Small and Medium Enterprises Development Act 2006:

| Particulars | As at March 31, 2020 | As at March 31, 2019 |
|--|-------------------------|-------------------------|
| (i) Principal amount remaining unpaid to any supplier as at the end of the accounting year | 1.32 | 3.00 |
| (ii) Interest due thereon remaining unpaid to any supplier as at the end of the accounting year | - | - |
| (iii) The amount of interest paid along with the amounts of the payment made to the supplier beyond the appointed day | - | - |
| (iv) The amount of interest due and payable for the year | - | - |
| (v) The amount of interest accrued and remaining unpaid at the end of the accounting year | - | - |
| (vi) The amount of further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid | - | - |

Note 20

Other financial liabilities - Current

| Particulars | As at March 31, 2020 | As at March 31, 2019 |
|--|-------------------------|-------------------------|
| Current maturities of long-term borrowings (Refer note 15) | 970.62 | 973.52 |
| Interest accrued but not due on borrowings | 191.73 | 189.69 |
| Lease liability (Refer note 16) | 3.60 | - |
| Other Payables | | |
| Derivative liabilities | - | 39.89 |
| Project creditors (Refer note 16) | 436.43 | 1,221.85 |
| Retention money | 18.98 | 15.74 |
| Due to related parties (Refer note 36) | 108.19 | 37.70 |
| Earnest money deposit | 3.79 | 3.39 |
| Other Liabilities | 0.26 | 0.03 |
| Total | 1,733.60 | 2,481.81 |

Note 21

Other current liabilities

| Particulars | As at March 31, 2020 | As at March 31, 2019 |
|-------------------------|-------------------------|-------------------------|
| Advance from customers* | 0.61 | 0.79 |
| Other Payables: | | |
| Statutory liabilities | 6.06 | 4.43 |
| Other liabilities | 0.07 | 0.04 |
| Total | 6.74 | 5.26 |

* These are contract liabilities. Additional disclosures have not been furnished as the same are not material

Notes forming part of the financial statements as at and for the year ended March 31, 2020

Note 22

(₹ in Crore)

Provisions - Current

| Particulars | As at March 31, 2020 | As at March 31, 2019 |
|------------------------------------|-------------------------|-------------------------|
| Provision for compensated absences | 1.10 | 0.86 |
| Total | 1.10 | 0.86 |

Note 23

Revenue from operations

| Particulars | Year ended March 31, 2020 | Year ended March 31, 2019 |
|---------------------------------|------------------------------|------------------------------|
| Energy Sales (Refer note below) | 4,771.82 | 5,235.60 |
| Total | 4,771.82 | 5,235.60 |

Note: Energy sales includes contingent rentals of ₹ 1,672.93 Crore (previous year ₹ 1,672.43 Crore). The balance revenue of ₹ 3,098.89 Crore (previous year ₹ 3,563.17 Crore) related to sale of power is from contract with customers and is recorded at a point in time. Also refer note 42

Note 24

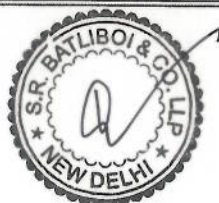
Other Operating Revenue

| Particulars | Year ended March 31, 2020 | Year ended March 31, 2019 |
|----------------------|------------------------------|------------------------------|
| Scrap Sales | 14.00 | 20.89 |
| Sale of fly ash | 27.37 | 22.62 |
| Miscellaneous income | 4.27 | 5.62 |
| Total | 45.64 | 49.13 |

Note 25

Other income

| Particulars | Year ended March 31, 2020 | Year ended March 31, 2019 |
|---|------------------------------|------------------------------|
| Interest income from financial assets at amortised cost | | |
| - Bank Deposits | 6.02 | - |
| - Others | 0.59 | 0.30 |
| Dividend income from investments measured at FVTPL | 1.09 | 0.18 |
| Interest on outstanding income tax refunds | 0.02 | 0.02 |
| Interest from Customer (Refer note 30) | 57.85 | - |
| Reversal of Interest accrued (Refer note 16) | 70.64 | |
| Miscellaneous income | 3.49 | 1.18 |
| Total | 139.70 | 1.68 |



Note 26

(₹ in Crore)

Employee benefits expense

| Particulars | Year ended March 31, 2020 | Year ended March 31, 2019 |
|---------------------------------|------------------------------|------------------------------|
| Salaries and Bonus | 21.52 | 24.01 |
| Contribution to provident fund | 0.61 | 0.61 |
| Staff welfare expenses | 0.27 | 0.34 |
| Gratuity expenses | 0.06 | 0.17 |
| Contribution to super annuation | 0.49 | 0.58 |
| Total | 22.95 | 25.71 |

Note 27

Finance cost

| Particulars | Year ended March 31, 2020 | Year ended March 31, 2019 |
|---------------------|------------------------------|------------------------------|
| Interest expenses | 736.14 | 792.25 |
| Other finance costs | 28.58 | 43.61 |
| Total | 764.72 | 835.86 |

Note 28

Depreciation and amortisation expense

| Particulars | Year ended March 31, 2020 | Year ended March 31, 2019 |
|--|------------------------------|------------------------------|
| Depreciation of tangible assets (Refer note 3) | 458.67 | 453.80 |
| Amortisation of intangible assets (Refer note 3) | 0.76 | 0.70 |
| Total | 459.43 | 454.50 |

Note 29

Other expenses

| Particulars | Year ended March 31, 2020 | Year ended March 31, 2019 |
|---|------------------------------|------------------------------|
| Consumption of stores and spare parts | 41.09 | 57.16 |
| Plant running and maintenance expenses | 169.96 | 155.30 |
| CSR Expenses (Refer note below) | 1.12 | 0.77 |
| Legal and professional fees (Refer note 33) | 5.57 | 5.92 |
| Electronic data processing expenses | 1.66 | 2.13 |
| Insurance | 13.66 | 18.94 |
| Rates and taxes | 0.84 | 0.77 |
| Security expenses | 0.06 | 0.23 |
| Travelling | 2.79 | 4.01 |
| Books and periodicals | 0.25 | 0.23 |
| Director sitting fees | 0.22 | 0.12 |
| Net loss on foreign currency transactions and translation | 24.86 | 24.22 |
| Miscellaneous expenses | 6.26 | 1.91 |
| Total | 268.34 | 271.71 |



Note: Corporate Social Responsibility Expenses includes:

(₹ in Crore)

| Particulars | Year ended March 31, 2020 | Year ended March 31, 2019 |
|--|------------------------------|------------------------------|
| (a) Gross Amount required to be spent by the Company during the year | - | - |
| (b) Amount spent on: | | |
| a) Construction / acquisition of assets | - | - |
| In Cash | 0.27 | - |
| Yet to be paid in Cash | - | - |
| b) On purposes other than (a) above | | |
| In Cash | 0.68 | 0.61 |
| Yet to be paid in Cash | 0.17 | 0.16 |
| Total | 1.12 | 0.77 |

Note 30

Exceptional Items

| Particulars | Year ended March 31, 2020 | Year ended March 31, 2019 |
|---|------------------------------|------------------------------|
| Interest income on claims based on Supreme Court order (Refer note below) | 82.06 | - |
| Total | 82.06 | - |

Note: Based on the Supreme Court orders dated March 7, 2018 and August 7, 2019, the Company's sole customer PSPCL has paid ₹ 1,002 Crore in the months of September 2019 and October 2019 against pending claims. In line with the Supreme Court order, the Company has recognised interest income on delayed payments of ₹ 139.92 Crore, out of which ₹ 82.06 Crore is accrued till March 31, 2019 and has been disclosed as exceptional item and remaining ₹ 57.85 Cr in other income in the financial statements for the year ended March 31, 2020. Management expects to receive this amount in the next 12 months.

31 Commitments:

(i) Commitments:

Estimated amounts of contracts remaining to be executed on capital account not provided for (net of advances) amount to ₹ 11.43 Crore (previous year ₹ 11.08 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 Ind AS 116. The arrangement has been classified as operating lease as per the policy of the Company. The contingent rent recognized as income during the year is ₹ 1,672.93 Crore (previous year ₹ 1,672.43 Crore).



32 Contingent Liabilities :

Claims against the Company not acknowledged as debt

- (i) 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 (previous year ₹ 77.86 Crore) from the monthly bill setting aside the clarifications submitted by TSPL.

In February 2018, Punjab State Electricity Regulatory Commission ("PSERC") unfavourably disposed the petition and directed calculation of the penalty for four instances in January 2017 at normative availability of 80% amounting to ₹ 127.32 Crore (previous year ₹ 127.32 Crore). The Company has obtained stay order against further deductions and the matter is listed for hearing at Appellate Tribunal for Electricity ("APTEL"). The Company has also filed a Writ Petition before the Punjab and Haryana High Court challenging the validity of the regulation on grounds of being arbitrary and disproportionate. High Court has admitted the Writ Petition and has directed the Company to approach them after final adjudication of the appeal at APTEL. On the basis of merits of the case and backed by legal opinion, no provision has been considered necessary at this stage.

- (ii) National Green Tribunal ("NGT") vide its order dated November 20, 2018 imposed penalty in form of damage on the power producers who have failed to ensure complete utilisation of fly ash in accordance with the Fly Ash Notification, 2016. Post NGT order, Punjab Pollution Control Board ("PPCB") vide letter dated December 28, 2018 requested to take further necessary action in the matter in accordance with the mandate of order dated November 20, 2018 of NGT and deposit the amount of damages for the environment restoration with the office of Central Pollution Control Board.

Association of Power Producers ("APP") challenged the order dated November 20, 2018 before Hon'ble Supreme Court in Civil Appeals filed vide Diary No. 47736 of 2018 and Diary No. 2959 of 2019. The Hon'ble Supreme Court vide Orders dated January 25, 2019 and February 4, 2019 while disposing both the Civil Appeals was pleased to hold that until the Tribunal takes a decision on the application that may be moved on behalf of TPPs, the interim direction for deposit shall not be enforced against them and no coercive steps for non-compliance shall be taken.

Ministry of Environment, Forest and Climate Change ("MoEF&CC") constituted a Joint Committee, under the Chairmanship of Joint Secretary Hazardous Substances Management Division ("HSMD"+B453), comprising of members from CPCB, IIT Roorkee, Ministry of Power ("MoP"), Ministry of Coal ("MoC"), Ministry of Housing and Urban Affairs ("MHUA"), National Highways Association of India ("NHAI") and Odisha State Pollution Control Board ("SPCB"). NGT vide its order dated January 27, 2020 directed all the stakeholders to file their objections on or before February 7, 2020. TSPL filed its objections to the report. However, NGT vide its order dated February 12, 2020 approved the recommendations of the committee. The order was passed by NGT without giving opportunity to TSPL and the power plants and also the objections raised by TSPL. TSPL has filed Civil Appeal before Supreme Court. The next date of hearing is yet to be announced. The approximate value of claims against the company works out to be ₹ 8.32 Crore. On the basis of merits of the case and backed by legal opinion, no provision has been considered necessary at this stage.

33 Auditors' Remuneration included under Legal & Professional Services

(₹ in Crore)

| Particulars | Year ended March 31, 2020 | Year ended March 31, 2019 |
|--|------------------------------|------------------------------|
| Audit Fees | 0.16 | 0.16 |
| Limited Review | 0.05 | 0.05 |
| Reporting for Parent Company consolidation | 0.28 | 0.28 |
| Other Services | 0.01 | 0.02 |
| Out of Pocket Expenses | 0.05 | 0.03 |
| Total | 0.55 | 0.54 |

34 Earnings Per Share (EPS)

| Particulars | Year ended March 31, 2020 | Year ended March 31, 2019 |
|--|------------------------------|------------------------------|
| Net profit/(loss) after tax (₹ in Crore) | 730.17 | (54.58) |
| Weighted average number of Equity shares for Basic and Diluted EPS | 320,66,09,692 | 320,66,09,692 |
| Earning/(Loss) Per Share - Basic and Diluted (₹) | 2.28 | (0.17) |

35 Employee Benefits

a) Defined contribution plan

The Company contributed a total of ₹ 1.10 Crore for the year ended March 31, 2020 (previous year ₹ 1.19 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 2020 and 2019) 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.



Signature



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 of 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, 2020 | Year ended March 31, 2019 |
|---|------------------------------|------------------------------|
| Salary growth (p.a.) | 5.50% | 5.50% |
| Expected rate of Return on Plan Assets (p.a.) | 7.80% | 7.70% |
| Discount rate (p.a.) | 6.80% | 7.80% |
| Mortality rate | 100% IALM(2012-14) | 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

| Particulars | Year ended March 31, 2020 | Year ended March 31, 2019 |
|----------------------|------------------------------|------------------------------|
| Current service cost | 0.16 | 0.16 |
| Interest cost | 0.03 | 0.01 |
| Total | 0.19 | 0.17 |

Amount recognized in Other Comprehensive Income during the period

| Particulars | Year ended March 31, 2020 | Year ended March 31, 2019 |
|--|------------------------------|------------------------------|
| Remeasurement of the net defined benefit obligation:- | | |
| Actuarial losses / (gains) arising from changes in financial assumptions | 0.20 | (0.02) |
| Actuarial losses arising from experience adjustments | 0.20 | 0.21 |
| Actuarial losses/ (gains) on assets | (0.01) | 0.08 |
| Total | 0.39 | 0.27 |

Movement in present value of defined benefit obligation

| Particulars | Year ended March 31, 2020 | Year ended March 31, 2019 |
|--|------------------------------|------------------------------|
| Obligation at the beginning of the year | 1.39 | 1.14 |
| Current service cost | 0.16 | 0.16 |
| Interest cost | 0.12 | 0.01 |
| Actuarial (gains)/losses | 0.39 | 0.27 |
| Benefits paid | (0.33) | (0.19) |
| Obligation at the end of the year | 1.73 | 1.39 |

Movement in present value of plan assets

| Particulars | Year ended March 31, 2020 | Year ended March 31, 2019 |
|---|------------------------------|------------------------------|
| Fair value at the beginning of the year | 0.97 | 1.08 |
| Actual return on plan assets | 0.08 | - |
| Contribution | 0.18 | 0.08 |
| Benefits paid | (0.33) | (0.19) |
| Fair value at the end of the year* | 0.90 | 0.97 |

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

Amount Recognized in the Balance Sheet

| Particulars | As at March 31, 2020 | As at March 31, 2019 |
|--|-------------------------|-------------------------|
| Present value of obligation at the end of the year | 1.73 | 1.39 |
| Less: Fair value of plan assets at the end of the year | (0.90) | (0.97) |
| Net liability recognized in the Balance Sheet | 0.83 | 0.42 |

The contribution expected to be made by the Company during the financial year 2020-21 as ascertained by the management is ₹ 0.24 Crore (Previous Year ₹ 0.19 Crore)



35 Employee Benefits (Contd.)

(₹ in Crore)

| Sensitivity analysis | March 31, 2020 | March 31, 2019 |
|--|----------------|----------------|
| Increase / (Decrease) in defined benefit obligation | | |
| Discount rate | | |
| Increase by 0.50% | (0.10) | (0.08) |
| Decrease by 0.50% | 0.11 | 0.09 |
| Expected rate of increase in compensation level of covered employees | | |
| Increase by 0.50% | 0.11 | 0.09 |
| Decrease by 0.50% | (0.11) | (0.08) |

Maturity profile of defined benefit obligation

| Year | March 31, 2020 | March 31, 2019 |
|-------------------|----------------|----------------|
| April'19 - Mar'20 | - | 0.03 |
| April'20 - Mar'21 | 0.04 | 0.02 |
| April'21 - Mar'22 | 0.03 | 0.02 |
| April'22 - Mar'23 | 0.17 | 0.03 |
| April'23 - Mar'24 | 0.03 | 0.02 |
| April'24 - Mar'25 | 0.03 | 0.02 |
| April'25 - Mar'26 | 0.02 | - |
| April'25 onwards | - | 1.25 |
| April'26 onwards | 1.42 | - |
| Total | 1.74 | 1.39 |

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.

36 Related Party Disclosures

List of related parties and relationships

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

| | |
|--------------|---|
| Immediate | : Vedanta Limited |
| Intermediate | : Vedanta Resources Limited (formerly 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 |
| | : Sterlite Power Grid Ventures Limited |
| | : Electrosteel Steels Limited |

(c) Key Managerial Personnel:

| | |
|--------------------------|---|
| Mr. Chhavi Nath Singh | : Chief Operating Officer and Manager (upto close of business hours on July 31, 2019) |
| Mr. Rohit Agarwal | : Chief Financial Officer (upto close of business hours on July 30, 2019) |
| Mr. Vikas Sharma | : Chief Executive Officer and Whole Time Director (from July 22, 2019 and October 23, 2019 respectively) |
| Mr. Sandeep Modi | : Chief Financial Officer (from August 12, 2019) |
| Mr. Agnivesh Agarwal | : Chairman |
| Mr. Sushil Kumar Roongta | : Non-Executive Director |
| Mr. Gurminder Singh Kang | : Independent Director |
| Ms. Mala Todarwal | : Independent Director |
| Ms. Pooja Somani | : Non-Executive Director |

* No transaction with parties during the year



Terms and conditions of transactions with related parties:

The Company enters into transactions in the normal course of business with its related parties, including its parent Vedanta Limited. A summary of significant related party transactions for the year ended March 31, 2020 and 2019 are noted below.

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

(` in Crore)

| Particulars | As at March 31, 2020 | As at March 31, 2019 |
|---|-------------------------|-------------------------|
| 1) Net Recovery from / (Reimbursement) of employee cost and other expenses | | |
| (i) Vedanta Limited | (7.37) | (6.55) |
| (ii) Hindustan Zinc Limited | (0.03) | (0.07) |
| (iii) Bharat Aluminium Company Limited | 1.05 | (0.58) |
| (iv) Sterlite Power Grid Ventures Limited | 0.03 | 0.07 |
| (v) Electrosteel Steels Limited | 0.20 | 0.16 |
| 2) Sale / (Purchase) of Consumables and Capex items | | |
| (i) Vedanta Limited | (0.22) | 0.35 |
| (ii) Bharat Aluminium Company Limited | (0.02) | - |
| 3) Brand Fees (w.e.f February 1, 2020) | | |
| (i) Vedanta Resources Limited | (4.38) | - |
| 4) Interest and Guarantee Commission | | |
| (i) Vedanta Limited | (95.87) | (26.73) |
| (ii) Electrosteel Steels Limited | (12.08) | - |
| 5) Loans taken during the year (Refer note 18) | | |
| (i) Vedanta Limited | (2,840.00) | - |
| (ii) Electrosteel Steels Limited | (900.00) | - |
| 6) Loans repaid during the year | | |
| (i) Vedanta Limited | 1,400.00 | - |
| (ii) Electrosteel Steels Limited | 900.00 | - |

b. Details of balances with related parties :

| Particulars | As at March 31, 2020 | As at March 31, 2019 |
|--|-------------------------|-------------------------|
| 1) Balance Receivable as at the end of the year | | |
| (i) Bharat Aluminium Company Limited | 0.11 | - |
| (ii) Sterlite Power Grid Ventures Limited | 0.03 | 0.05 |
| (iii) Electrosteel Steels Limited | - | 0.15 |
| (iv) Vedanta Resources Limited | 1.47 | - |
| 2) Balance Payable as at the end of the year | | |
| (i) Vedanta Limited (Refer note 18) | 1,548.19 | 37.08 |
| (ii) Hindustan Zinc Limited | - | 0.05 |
| (iii) Bharat Aluminium Company Limited | - | 0.51 |
| 3) Bank Guarantees/Corporate Guarantee issued on our behalf and outstanding as at the end of the year | | |
| (i) Vedanta Limited | 5,931.61 | 8,495.55 |

c. Remuneration of key management personnel (KMP)

| Particulars | As at March 31, 2020 | As at March 31, 2019 |
|------------------------------|-------------------------|-------------------------|
| Short-term employee benefits | 3.79 | 2.43 |
| Post employment benefits | 0.19 | 0.18 |
| Share based payments | 0.05 | 0.26 |
| Total | 4.03 | 2.87 |

Note:

(i) The company has also paid ₹ 0.22 crore (previous year ₹ 0.12 crore) as sitting fees to its directors.

(ii) 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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37 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 all the components including other comprehensive income.

The following table summarizes the capital of the Company:

(₹ in Crore except ratios)

| Particulars | As at | As at |
|---------------------------------------|-----------------|-----------------|
| | March 31, 2020 | March 31, 2019 |
| Equity Share Capital | 3,206.61 | 3,206.61 |
| Other Equity | 78.98 | (650.80) |
| Total Equity (a) | 3,285.59 | 2,555.81 |
| Cash and cash equivalents | 75.41 | 262.18 |
| Other Bank Balances | 59.14 | - |
| Total cash (b) | 134.55 | 262.18 |
| Short-term borrowings | 1,687.76 | 1,792.28 |
| Long-term borrowings | 4,869.30 | 5,898.83 |
| Current maturities of long term debt | 970.62 | 973.52 |
| Total debt (c) | 7,527.68 | 8,664.63 |
| Net debt (d=(c-b)) | 7,393.13 | 8,402.45 |
| Net debt to equity ratio (d/a) | 2.25 | 3.29 |



38 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, 2020

| Financial assets | Fair value through profit or loss | Amortised cost | Total carrying value | Total fair value |
|------------------------------------|-----------------------------------|-----------------|----------------------|------------------|
| Trade receivables - Current | - | 462.94 | 462.94 | 462.94 |
| Trade receivables - Non Current | - | 1,544.94 | 1,544.94 | 1,544.94 |
| Other non-current financial assets | - | 8.73 | 8.73 | 8.73 |
| Other current financial assets | 43.10 | 140.06 | 183.16 | 183.16 |
| Cash and cash equivalents | - | 75.41 | 75.41 | 75.41 |
| Other bank balances | - | 59.14 | 59.14 | 59.14 |
| Total | 43.10 | 2,291.22 | 2,334.32 | 2,334.32 |

March 31, 2019

| Financial assets | Fair value through profit or loss | Amortised cost | Total carrying value | Total fair value |
|------------------------------------|-----------------------------------|-----------------|----------------------|------------------|
| Trade receivables - Current | - | 448.39 | 448.39 | 448.39 |
| Trade receivables - Non Current | - | 2,200.08 | 2,200.08 | 2,200.08 |
| Other non-current financial assets | - | 8.51 | 8.51 | 8.51 |
| Other current financial assets | - | 3.95 | 3.95 | 3.95 |
| Cash and cash equivalents | - | 262.18 | 262.18 | 262.18 |
| Total | - | 2,923.11 | 2,923.11 | 2,923.11 |

March 31, 2020

| Financial liabilities | Fair value through profit or loss | Amortised cost | Total carrying value | Total fair value |
|---|-----------------------------------|-----------------|----------------------|------------------|
| Long-term borrowings | - | 4,869.30 | 4,869.30 | 4,858.41 |
| Short-term borrowings | - | 1,687.76 | 1,687.76 | 1,687.76 |
| Trade payables | - | 302.09 | 302.09 | 302.09 |
| Other non-current financial liabilities | - | 765.18 | 765.18 | 765.18 |
| Other current financial liabilities | - | 1,733.60 | 1,733.60 | 1,730.97 |
| Total | - | 9,357.93 | 9,357.93 | 9,344.41 |

March 31, 2019

| Financial liabilities | Fair value through profit or loss | Amortised cost | Total carrying value | Total fair value |
|---|-----------------------------------|------------------|----------------------|------------------|
| Long-term borrowings | - | 5,898.83 | 5,898.83 | 5,879.44 |
| Short-term borrowings | - | 1,792.28 | 1,792.28 | 1,792.28 |
| Trade payables | - | 392.44 | 392.44 | 392.44 |
| Other non-current financial liabilities | - | - | - | - |
| Other current financial liabilities | 39.89 | 2,441.92 | 2,481.81 | 2,478.05 |
| Total | 39.89 | 10,525.47 | 10,565.36 | 10,542.21 |



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, 2020 and March 31, 2019 measured at fair value.

| As at March 31, 2020 | Level 1 | Level 2 | Level 3 |
|--|----------------|----------------|----------------|
| Financial assets - Current | | | |
| Derivative financial assets | | | |
| - Forward foreign currency contract | - | 43.10 | - |
| Total | - | 43.10 | - |
| Financial liabilities - Current | | | |
| Derivative financial liabilities | | | |
| - Forward foreign currency contract | - | - | - |
| Total | - | - | - |
| As at March 31, 2019 | Level 1 | Level 2 | Level 3 |
| Financial assets - Current | | | |
| Derivative financial assets | | | |
| - Forward foreign currency contract | - | - | - |
| Total | - | - | - |
| Financial liabilities - Current | | | |
| Derivative financial liabilities | | | |
| - Forward foreign currency contract | - | 39.89 | - |
| Total | - | 39.89 | - |

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 (including their current maturities): Fair value has been determined by the Company using level 2 technique, 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.



Talwandi Sabo Power Limited

Notes forming part of the financial statements as at and for the year ended March 31, 2020

- 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 current 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.

- Non-current trade receivables: Fair value has been determined by the company based on interest rates and recoverability of dues from the customer. Also, refer note 42.

39 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.



39 Risk management (Contd.)

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.

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 updated the credit rating suffix of Non-Convertible Debentures (NCD) from CRISIL "AA (SO)/(Stable)" to CRISIL "AA (CE)/(Stable)" on September 7, 2019 and later reaffirmed the same ratings on January 13, 2020 and India Rating updated its rating of NCD from IND "AA(CE)/(Stable)" to IND "AA(CE)/(Negative)" on March 19, 2020. Subsequent to year end, CRISIL has updated the credit rating outlook of NCD from CRISIL "AA (CE)/(Stable)" to CRISIL "AA(CE)/(Negative)" on April 3, 2020.

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.

(₹ in Crore)

| Financial liabilities | As on March 31, 2020 | | | | |
|-----------------------------|----------------------|-----------|-----------|-----------|----------|
| | <1 year | 1-3 Years | 3-5 Years | > 5 Years | Total |
| Borrowings | 2,658.38 | 2,484.59 | 392.13 | 2,003.50 | 7,538.60 |
| Interest on borrowings | 652.72 | 668.68 | 418.56 | 549.01 | 2,288.97 |
| Trade payables | 302.09 | - | - | - | 302.09 |
| Other financial liabilities | 567.65 | 761.35 | - | - | 1,329.00 |
| Lease Liability | 3.60 | 4.21 | - | - | 7.81 |

| Financial liabilities | As on March 31, 2019 | | | | |
|-------------------------------------|----------------------|-----------|-----------|-----------|----------|
| | <1 year | 1-3 Years | 3-5 Years | > 5 Years | Total |
| Borrowings | 2,783.52 | 3,233.94 | 507.00 | 2,173.00 | 8,697.46 |
| Interest on borrowings | 610.82 | 1,003.30 | 453.89 | 713.19 | 2,781.20 |
| Trade payables | 392.44 | - | - | - | 392.44 |
| Other financial liabilities-current | 1,278.71 | - | - | - | 1,278.71 |
| Financial Instruments-derivatives | 39.89 | - | - | - | 39.89 |

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.

As at March 31, 2020

| Particulars | Floating rate financial assets | Fixed rate financial assets | Non interest bearing financial assets | Total financial assets |
|---|--------------------------------|-----------------------------|---------------------------------------|------------------------|
| Financial assets-non current | | | | |
| Trade Receivables* | - | - | 1,544.94 | 1,544.94 |
| Other financial assets | - | 0.04 | 8.69 | 8.73 |
| Total financial assets-non current | - | 0.04 | 1,553.63 | 1,553.67 |
| Financial assets-current | | | | |
| Trade receivables* | - | - | 462.94 | 462.94 |
| Cash and cash equivalents | - | - | 75.41 | 75.41 |
| Bank Balances | - | 59.14 | - | 59.14 |
| Other financial assets | - | - | 183.16 | 183.16 |
| Total financial assets-current | - | 59.14 | 721.51 | 780.65 |
| Total financial assets | - | 59.18 | 2,275.14 | 2,334.32 |



Talwandi Sabo Power Limited

Notes forming part of the financial statements as at and for the year ended March 31, 2020

*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 ₹ 1,135 Crore (as at March 31, 2019), the Supreme Court of India in its order dated March 7, 2018 has directed repayment within three months from the date of order, where after simple interest @12% per annum would be levied. PSPCL has misinterpreted the Supreme Court order and had not made the complete payment (excluding interest) due to TSPL. TSPL has filed a contempt petition before Supreme Court of India. Supreme Court via its order dated August 7, 2019, directed PSPCL to pay the amount in next 8 weeks. Against that PSPCL has paid ₹ 1,002 Crores in September 2019 and October 2019. In line with the Supreme Court order, the Company has recognised interest of ₹ 140 Crore during the current year.

The weighted average interest rate on the fixed rate financial assets is 6.07% p.a. and the weighted average period for which the rate is fixed is 0.68 years.

(₹ in Crore)

| As at March 31, 2019 | | | | |
|---|--------------------------------|-----------------------------|---------------------------------------|------------------------|
| Particulars | Floating rate financial assets | Fixed rate financial assets | Non interest bearing financial assets | Total financial assets |
| Financial assets-non current | | | | |
| Trade Receivables* | - | - | 2,200.08 | 2,200.08 |
| Other financial assets | - | - | 8.51 | 8.51 |
| Total financial assets-non current | - | - | 2,208.59 | 2,208.59 |
| Financial assets-current | | | | |
| Trade receivables* | - | - | 448.39 | 448.39 |
| Cash and cash equivalents | - | - | 262.18 | 262.18 |
| Other financial assets | - | - | 3.95 | 3.95 |
| Total financial assets-current | - | - | 714.52 | 714.52 |
| Total financial assets | - | - | 2,923.11 | 2,923.11 |

*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 ₹ 1,135 Crore, the Supreme Court of India in its order dated March 7, 2018 has directed repayment within three months from the date of order, where after simple interest @12% per annum would be levied. PSPCL has misinterpreted the Supreme Court order and had not made the complete payment (excluding interest) due to TSPL. TSPL has filed a contempt petition before Supreme Court of India.

| As at March 31, 2020 | | | | |
|--|-------------------------------------|----------------------------------|--|-----------------------------|
| Particulars | Floating rate financial liabilities | Fixed rate financial liabilities | Non interest bearing financial liabilities | Total financial liabilities |
| Financial liabilities-non current | | | | |
| Borrowings | 2,869.72 | 1,999.58 | - | 4,869.30 |
| Other Financial liabilities | - | - | 765.18 | 765.18 |
| Total financial liabilities-non current | 2,869.72 | 1,999.58 | 765.18 | 5,634.48 |
| Financial liabilities-current | | | | |
| Borrowings | 568.38 | 2,090.00 | - | 2,658.38 |
| Trade payables | - | - | 302.09 | 302.09 |
| Other financial liabilities | - | - | 762.97 | 762.97 |
| Total financial liabilities-current | 568.38 | 2,090.00 | 1,065.06 | 3,723.44 |
| Total financial liabilities | 3,438.10 | 4,089.58 | 1,830.24 | 9,357.92 |

The weighted average interest rate on the fixed rate financial liabilities is 8.84% p.a. and the weighted average period for which the rate is fixed is 0.79 year.



Sup. Court.



(₹ in Crore)

| As at March 31, 2019 | | | | |
|--|-------------------------------------|----------------------------------|--|-----------------------------|
| Particulars | Floating rate financial liabilities | Fixed rate financial liabilities | Non interest bearing financial liabilities | Total financial liabilities |
| Financial liabilities-non current | | | | |
| Borrowings | 3,399.54 | 2,499.29 | - | 5,898.83 |
| Total financial liabilities-non current | 3,399.54 | 2,499.29 | - | 5,898.83 |
| Financial liabilities-current | | | | |
| Borrowings | 503.52 | 2,262.28 | - | 2,765.80 |
| Trade payables | - | - | 392.44 | 392.44 |
| Other financial liabilities | - | - | 1,468.40 | 1,468.40 |
| Derivative financial liabilities | - | - | 39.89 | 39.89 |
| Total financial liabilities-current | 503.52 | 2,262.28 | 1,900.73 | 4,666.53 |
| Total financial liabilities | 3,903.06 | 4,761.57 | 1,900.73 | 10,565.36 |

The weighted average interest rate on the fixed rate financial liabilities is 8.31% p.a. and the weighted average period for which the rate is fixed is 1.25 years.

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, 2020. 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 2019-20 | FY 2018-19 |
| 0.50% | 17.19 | 19.52 |
| 1.00% | 34.38 | 39.03 |
| 2.00% | 68.76 | 78.06 |

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, 2020 is ₹ 2,199.77 Crore (previous year ₹ 2,660.93 Crore) of which ₹ 2,147.79 Crore (previous year ₹ 2,648.47 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, 2020, that defaults in payment obligations will occur.



Signature



(₹ in Crore)

| As on March 31, 2020 | | | | | |
|-------------------------------------|---------------|------------------------|------------------------|-------------------------|----------------------------|
| 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* | 46.51 | 27.73 | 49.12 | 318.12 | 1,103.46 |
| Trade receivables - Current* | 444.33 | 7.49 | 8.35 | 2.77 | - |
| Other Financial Asset - Non Current | 8.73 | - | - | - | - |
| Other Financial Asset - Current | 43.21 | - | 0.02 | 139.93 | - |
| Total | 542.78 | 35.22 | 57.49 | 460.82 | 1,103.46 |

| As on March 31, 2019 | | | | | |
|-------------------------------------|---------------|------------------------|------------------------|-------------------------|----------------------------|
| 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* | 75.02 | 50.90 | 89.02 | 556.36 | 1,428.78 |
| Trade receivables - Current* | 442.98 | 4.95 | 0.45 | - | - |
| Other Financial Asset - Non Current | 8.51 | - | - | - | - |
| Other Financial Asset - Current | 0.02 | 0.17 | 0.13 | 3.64 | - |
| Total | 526.53 | 56.02 | 89.60 | 560.00 | 1,428.78 |

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

| | As at March 31, 2020 | As at March 31, 2019 |
|-----|----------------------|----------------------|
| USD | 1,304.05 | 1,246.92 |

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 currency against 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, 2020 by ₹ 130.41 Crore. (previous year ₹ 124.69 crore).



Signature



40 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.

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.

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 statements 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, 2020 | | As at March 31, 2019 | |
|------------------------------------|----------------------|-------------|----------------------|--------------|
| | Assets | Liabilities | Assets | Liabilities |
| Current | | | | |
| Forward foreign currency contracts | 43.10 | - | - | 39.89 |
| | 43.10 | - | - | 39.89 |

(₹ in Crore)

41 Income tax expenses

(a) Tax charge/(credit) recognised in Statement of Profit and Loss:

| Particulars | Year ended March 31, 2020 | Year ended March 31, 2019 |
|--|------------------------------|------------------------------|
| Current tax | | |
| Current tax on profit for the year | - | - |
| Total current tax | - | - |
| Deferred tax | | |
| Origination and reversal of temporary differences-other than exceptional items | (428.30) | 53.78 |
| Charge in respect of exceptional item | 20.65 | - |
| Total deferred tax | (407.65) | 53.78 |
| Net tax (benefit)/expense | (407.65) | 53.78 |
| Profit before tax | 322.52 | (0.80) |
| Effective income tax rate (%) | -126.40% | -6751.22% |

Tax Expense

| Particulars | Year ended March 31, 2020 | Year ended March 31, 2019 |
|---------------------------------|------------------------------|------------------------------|
| Tax effect of exceptional items | 20.65 | - |
| Tax expense-others | (428.30) | 53.78 |
| Net Tax expense | (407.65) | 53.78 |



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

(₹ in Crore)

| Particulars | Year ended March 31, 2020 | Year ended March 31, 2019 |
|--|------------------------------|------------------------------|
| Accounting profit / (loss) before tax | 322.52 | (0.80) |
| Statutory income tax rate | 25.17% | 34.94% |
| Tax at Indian statutory income tax rate | 80.79 | - |
| One-time tax gain due to change in tax regime (see note below) | (488.46) | - |
| CSR Expenditure Disallowed | 0.28 | - |
| Tax on Exempt Income (Dividend Income) | (0.27) | - |
| Expense disallowed u/s 14A | 0.01 | - |
| Tax effect of Temporary differences getting reversed during tax holiday period | - | 53.78 |
| Total | (407.65) | 53.78 |

Note: As per the amendments to the tax laws in September, 2019, a new tax provision has been introduced whereby a company can claim the benefits of reduced tax rates, provided it forgoes certain incentives/exemptions under Income Tax Act, 1961. The Company has opted for the same leading to a Deferred tax credit of ₹ 408 Crore (including ₹ 488 Crore on timing difference as at March 31, 2019) during the year ended March 31, 2020. As per the Company's projections, there is a convincing evidence that there would be sufficient profits in the future years and Deferred tax asset is recognised only to the extent that it is probable that taxable profit will be available to utilize the same.

- (c) Deferred tax assets / liabilities

The deferred tax liability represents accelerated tax relief for the depreciation of property, plant and equipment and the amortisation of intangible assets, net of losses carried forward by the Company. Significant components of deferred tax (assets) & liabilities in the balance sheet are as follows:

| Particulars | Year ended March 31, 2020 | Year ended March 31, 2019 |
|---|------------------------------|------------------------------|
| Property, plant and equipment and intangible assets: | | |
| Opening balance | 234.59 | 180.81 |
| Charged/(credited) to statement of profit and loss | 194.99 | 53.78 |
| Closing balance | 429.58 | 234.59 |
| Unabsorbed depreciation | | |
| Opening balance | - | - |
| Charged/(credited) to statement of profit and loss | (602.65) | - |
| Closing balance | (602.65) | - |
| Net deferred tax liabilities/(assets) | (173.07) | 234.59 |

42 Disputed Trade Receivables

Punjab State Power Corporation Limited ("PSPCL"), which is the Company's sole customer has withheld payments aggregating to ₹ 1,544.94 Crore (March 31, 2019 ₹ 2,200.08 Crore) which are on account of various disputes including yield loss during washing, tax benefits at the time of initial plant setup, procurement of alternate coal, basis of computation of plant availability and gross calorific value amongst others. During the year, pursuant to an order of the Hon'ble Supreme Court, the Company has received ₹ 1,002 Cr from PSPCL in the matter of difference in assessment of calorific value of coal. 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. The management has assessed the recoverability of the outstanding balances and does not believe that any material adjustment is required to the same.

43 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 revenues, trade receivables and non-current operating assets are in India. The company's revenues aggregating to ₹ 4,771.82 Crore (previous year ₹ 5,235.60 Crore) is from a single customer.



Share based compensation plans:

The Company offers equity-based award plans to its employees and officers through its parent (Vedanta Limited), Employee Share Ownership Plan ("ESOP").

During the year, share-based incentives under ESOP of Vedanta Limited (introduced effective 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. The scheme is both tenure and performance based share schemes. The awards are indexed to and settled by Parent shares. The awards have a fixed exercise price denominated in Parent's functional currency (₹ 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 lapses.

Further, in accordance with the terms of the agreement between the Parent and the Company, the cost recognized towards the 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, 2020 was ₹ 3.04 Crore (previous year ₹ 1.20 Crore). The Company considers these amounts as not material and accordingly has not provided further disclosures.

- 45 Due to the outbreak of COVID-19 globally and in India, the Company has made an initial assessment of the likely adverse impact on economic environment in general and financial risks to itself on account of the same. The Company is in the business of generation of electricity which is an essential service as emphasized by the Ministry of Power, Government of India. The availability of power plant to generate electricity as per the demand of the customers is important. Hence, the Company has ensured the availability of its power plant to generate power, considering essential service as declared by the Government of India. The Company has ensured that it has sufficient coal stock and manpower to make the plant available to generate power in safe environment. The Company has received force majeure notice from its sole customer PSPCL on March 29, 2020 citing nationwide lockdown declared from March 23, 2020 onwards resulting into significant decline in the demand for power. The notice seeks to invoke force majeure owing to the lockdown and therefore to stop scheduling power from TSPL power plant and requested TSPL not to declare availability thereby not paying capacity charges. The notice has been replied to by the Company stating that the said situation is not covered under force majeure clause of PPA, considering electricity generation falls under essential services vide notification dated March 25, 2020 issued by Ministry of Home Affairs. As per the understanding of the management, PSPCL is sourcing its current requirement of power from other producers. Further, the Power Ministry has also clarified on April 6, 2020 that power purchasers will have to comply with the obligation to pay fixed capacity charges as per the terms of the relevant agreement with the power producers. Based on management assessment and legal opinion obtained, the Company is confident of realising such revenues which have been recognized in these financial statements and also that it would be entitled to in the future periods as long as the lock down prevails.

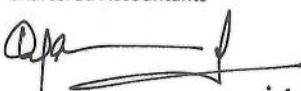
Further, the Reserve Bank of India has granted relief to borrowers by way of moratorium of interest and principal instalments falling due to banks and financial institution till May 2020. This will also help to mitigate the stress on cash flows, if any, during the period of COVID-19. The Company is also having sufficient stock of coal and has also tied up further supply of coal so as to maintain supply of electricity. On long term basis also, the Company does not anticipate any major challenge in meeting its financial obligations.

Also, the Central Pollution Control Board (CPCB) has issued a Show Cause Notice (SCN) dated January 31, 2020 to almost all the power plants having timeline of Sep / Dec 19 for installation of Flue Gas Desulphurization (FGD) and which could not comply with the same. TSPL has been directed to show cause as to why Units 1-3 of the plant should not be closed down and environment compensation be imposed for the continuing of non-compliance of directions of CPCB. TSPL has replied that earnest efforts have been taken for FGD installation and has requested for revoking the SCN and allowing time till Dec'2022. Final response of CPCB is still awaited. Punjab Pollution Control Board intimated TSPL vide its letter no PPCB/2019/38646 that the SCN issued by it in Nov 2019 has been disposed of with recommendations to forward the matter to CPCB to accept the request of the industry favourably for granting the extension up to December 31, 2022 for installation, commissioning and operationalization of FGD. Further, Management has obtained an opinion received from an expert stating that Company has good merits to file an appeal against any adverse order from CPCB. In addition to this, the Company had filed a petition for regulatory approvals for change in law seeking cost passthrough under power purchase agreement with PSPCL. The matter has been heard and currently order is reserved by Appellate Tribunal for Electricity (APTEL). Accordingly, the Company is not expecting any material liability or obstruction in its business operations.

46 Previous year's figures

Figures for the previous year are reclassified/regrouped wherever necessary, to conform to those of the current year presentation and disclosures.

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



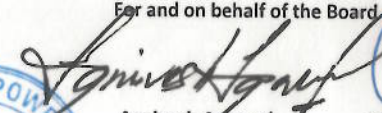
per Naman Agarwal
Partner
Membership No.: 502405



Place : New Delhi
Date : May 18, 2020


For and on behalf of the Board of Directors

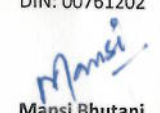



Agnivesh Agarwal
Chairman

DIN: 00038950


Sanjeev Modi
Chief Financial Officer


Vikas Sharma
Chief Executive Officer
& Whole Time Director
DIN: 00761202


Mansi Bhutani
Company Secretary
ICSI Mem No. A49407