DRAFT RED HERRING PROSPECTUS
Please read Section 60B of the Companies Act, 1956
Dated [ ]
(The Draft Red Herring Prospectus will be updated upon RoC filing)
100% Book Building Issue

NATIONAL THERMAL POWER CORPORATION LIMITED

(Incorporated on November 7, 1975 under the Companies Act, 1956 as National Thermal Power Corporation Private Limited and the word "Private" was deleted on September 30, 1976. On September 30, 1985, our Company was converted from a private limited company into a public limited company. In July 1976, the registered office of our Company was changed from Shram Shakti Bhawan, New Delhi to Kailash Building, Kasturba Gandhi Marg, New Delhi; subsequently, in May 1979 to NTPC Square, 62-63, Nehru Place, New Delhi and thereupon in October 1988 to the present Registered Office)

Registered Office: NTPC Bhawan, Scope Complex, 7 Institutional Area, Lodi Road, New Delhi-110003, India.
Tel: +91-11-24360100; Fax +91-11-24361018; e-mail: ipo@ntpc.co.in; Website: www.ntpcindia.com

PUBLIC ISSUE OF 865,830,000 EQUITY SHARES OF RS. 10 EACH FOR CASH AT A PRICE OF RS [.] PER EQUITY SHARE AGGREGATING RS. [ ] MILLION (THE "ISSUE"), CONSISTING OF A FRESH ISSUE OF 432,915,000 EQUITY SHARES OF RS. 10 EACH BY NATIONAL THERMAL POWER CORPORATION LIMITED ("THE COMPANY" OR "THE ISSUER") AND AN OFFER FOR SALE OF 432,915,000 EQUITY SHARES OF RS.10 EACH BY THE PRESIDENT OF INDIA ACTING THROUGH THE MINISTRY OF POWER, GOVERNMENT OF INDIA (THE "SELLING SHAREHOLDER"). THE ISSUE COMPRISES A NET ISSUE TO THE PUBLIC OF 845,215,000 EQUITY SHARES OF RS. 10 EACH (THE "NET ISSUE") AND A RESERVATION FOR EMPLOYEES OF 20,615,000 EQUITY SHARES OF RS. 10 EACH, AT A PRICE OF RS. [ ]. THE ISSUE WOULD CONSTITUTE 10.5 % OF THE FULLY DILUTED POST ISSUE PAID-UP CAPITAL OF THE COMPANY.

PRICE BAND: Rs. _____ TO Rs. _____ PER EQUITY SHARE OF FACE VALUE Rs. 10

THE ISSUE PRICE IS [ ] TIMES OF THE FACE VALUE AT THE LOWER END OF THE PRICE BAND AND [ ] TIMES OF THE FACE VALUE AT THE HIGHER END OF THE PRICE BAND

In case of revision in the Price Band, the Bidding Period will be extended for three additional days after revision of the Price Band subject to the Bidding Period/Issue Period not exceeding 13 days. Any revision in the Price Band and the revised Bidding Period, if applicable, will be widely disseminated by notification to the National Stock Exchange of India Limited and The Stock Exchange, Mumbai, by issuing a press release, and also by indicating the change on the website of the Book Running Lead Managers and at the terminals of the Syndicate.

The Issue is being made through the 100% Book Building Process wherein up to 50% of the Net Issue to the public shall be allocated on a discretionary basis to Qualified Institutional Buyers. Further, not less than 25% of the Net Issue to the public shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 25% of the Net Issue to the public shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Up to 20,615,000 Equity Shares shall be available for allocation on a proportionate basis to the Employees, subject to valid Bids being received at or above the Issue Price and the maximum Bid in this portion is limited to Rs.2.5 million.

RISK IN RELATION TO FIRST ISSUE

This being the first issue of the Equity Shares of the Company, there has been no formal market for the Equity Shares of the Company. The face value of the Equity Shares is Rs. 10 (Rupees Ten Only) and the Issue Price is [] times of the face value. The Issue Price (as determined by the Company and the Selling Shareholder in consultation with the Book Running Lead Mangers, on the basis of assessment of market demand for the Equity Shares by way of Book Building) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares of the Company or regarding the price at which the Equity Shares will be traded after listing.

GENERAL RISKS

Investments in equity and equity-related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors *carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Company and the Issue including the risks involved. The Equity Shares offered in the Issue have not been recommended or approved by the Securities and Exchange Board of India ("SEBI"), nor does SEBI guarantee the accuracy or adequacy of this Draft Red Herring Prospectus. Specific attention of the investors is invited to the section "Risk Factors" beginning on page no[●] of this Draft Red Herring Prospectus.*

ISSUER'S AND SELLING SHAREHOLDER'S ABSOLUTE RESPONSIBILITY

The Company and the Selling Shareholder having made all reasonable inquiries, accept responsibility for and confirm that this Draft Red Herring Prospectus contains all information with regard to the Company and the Issue, which is material in the context of the Issue, that the information contained in this Draft Red Herring Prospectus is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Draft Red Herring Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

LISTING

The Equity Shares offered through this Draft Red Herring Prospectus are proposed to be listed on The National Stock Exchange of India Limited and The Stock Exchange, Mumbai. We have received in-principle approval from The National Stock Exchange of India Limited and The Stock Exchange, Mumbai for the listing of our Equity Shares pursuant to letters dated June 28, 2004 and June 30, 2004 respectively. The National Stock Exchange of India Limited shall be theDesignated Stock Exchange.

BOOK RUNNING LEAD MANAGERS		
ICICI SECURITIES LIMITED ICICI Centre, 163, Backbay Reclamation, H.T.Parekh Marg, Mumbai, India. 400020 Tel : +91-22-2288 2460 Fax : +91 – 22- 2283 7045 E-mail : ntpc_ipo@isecltd.com	**ENAM FINANCIAL CONSULTANTS PVT LTD** 801/ 802, Dalamal Towers, Nariman Point, Mumbai, India.400 021 Tel. : +91- 22- 5638 1800 Fax. : +91- 22- 2284 6824 E-mail: ntpc.ipo@enam.com	**KOTAK MAHINDRA CAPITAL COMPANY LIMITED** Bakhtawar, 3rd Floor, 229, Nariman Point, Mumbai, India. 400 021 Tel. : +91- 22- 5634 1100 Fax. : +91- 22- 2284 0492 E-mail:ntpc.ipo@kotak.com

REGISTRAR TO THE ISSUE
Karvy Computershare Private Limited Karvy House, 46, Avenue 4, Street no.1, Banjara Hills, Hyderabad, 500034. Tel: +91- 40- 23312454 Fax: +91-40-2331 1968 E-mail: ntpcipo@karvy.com

ISSUE PROGRAMME	
BID / ISSUE OPENS ON	
BID / ISSUE CLOSES ON	

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DEFINITIONS AND ABBREVIATIONS

DEFINITIONS

Term	Description
"NTPC" or "the Company" or "our Company" or "National Thermal Power Corporation Limited"	National Thermal Power Corporation Limited, a public limited company incorporated under the Companies Act, 1956.
"we" or "us" and "our"	Refers to National Thermal Power Corporation Limited and, where the context requires, its subsidiaries, which are NTPC Vidyut Vyapar Nigam Limited, NTPC Hydro Limited, NTPC Electric Supply Company Limited and Pipavav Power Development Company Limited.

Issue Related Terms

Term	Description
Allotment	Unless the context otherwise requires, the issue or transfer of Equity Shares, pursuant to this Issue.
Article/Articles of Association	Articles of Association of our Company.
Auditors	The statutory auditors of the Company: (1) Kalani & Co. (2) Amit Ray & Co (3) Umamaheswara Rao & Co. (4) S.N. Nanda & Co.and (5) T.R. Chadha & Co.
Banker(s) to the Issue	ICICI Bank Limited, Kotak Mahindra Bank Limited, HDFC Bank Limited, Deutsche Bank AG, Citibank N.A., The Hongkong and Shanghai Banking Corporation Limited, CALYON Bank, Standard Chartered Bank, IDBI Bank Limited and State Bank of India.
Bid	An indication to make an offer during the Bidding Period by a prospective investor to subscribe to our Equity Shares at a price within the Price Band, including all revisions and modifications thereto.
Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form and payable by the Bidder on submission of the Bid in the Issue.
Bid Closing Date / Issue Closing Date	The date after which the Syndicate will not accept any Bids for the Issue, which shall be notified in an English national newspaper and Hindi national newspaper, with wide circulation.
Bid cum Application Form	The form in terms of which the Bidder shall make an offer to subscribe to the Equity Shares of our Company and which will be considered as the application for issue or transfer of the Equity Shares pursuant to the terms of

Term	Description
	this Draft Red Herring Prospectus.
Bidder	Any prospective investor who makes a Bid pursuant to the terms of this Draft Red Herring Prospectus and the Bid cum Application Form.
Bidding Period / Issue Period	The period between the Bid Opening Date/Issue Opening Date and the Bid Closing Date/Issue Closing Date inclusive of both days and during which prospective Bidders can submit their Bids.
Bid Opening Date / Issue Opening Date	The date on which the Syndicate shall start accepting Bids for the Issue, which shall be the date notified in an English national newspaper and a Hindi national newspaper, with wide circulation.
Board of Directors/Board	The board of directors of our Company or a committee constituted thereof.
Book Building Process	Book building route as provided under Chapter XI of the SEBI Guidelines, in terms of which the Issue is made.
BRLMs/Book Running Lead Managers	Book Running Lead Managers to the Issue, in this case being ICICI Securities Limited, Enam Financial Consultants Private Limited and Kotak Mahindra Capital Company Limited.
BSE	The Stock Exchange, Mumbai.
CBRLMs/Co-Book Running Lead Managers	Co- Book Running Lead Managers to the Issue, in this case being CLSA India Limited and HSBC Securities and Capital Markets (India) Private Limited.
CAN/ Confirmation of Allocation Note	Means the note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares after discovery of the Issue Price in accordance with the Book Building Process.
Cap Price	The higher end of the Price Band, above which the Issue Price will not be finalised and above which no Bids will be accepted.
Companies Act	The Companies Act, 1956 as amended from time to time.
Cut-off Price	Any price within the Price Band finalised by us in consultation with the BRLMs. A Bid submitted at Cut-off Price is a valid Bid at all price levels within the Price Band.
Depository	A body corporate registered under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time.
Depositories Act	The Depositories Act, 1996, as amended from time to time.
Depository Participant	A depository participant as defined under the Depositories Act.
Designated Date	The date on which funds are transferred from the Escrow Account to the Issue Account after the Prospectus is filed with the RoC, following which the

Term	Description
	Allotment will be made to successful Bidders.
Designated Stock Exchange	NSE.
Director(s)	Director(s) of National Thermal Power Corporation Limited, unless otherwise specified.
Draft Red Herring Prospectus	This Draft Red Herring Prospectus issued in accordance with Section 60B of the Companies Act, which does not have complete particulars on the price at which the Equity Shares are offered and size of the Issue. It carries the same obligations as are applicable in case of a Prospectus and will be filed with RoC at least three days before the Bid Opening Date. It will become a Prospectus upon filing with RoC after the pricing and issue or transfer of Equity Shares.
Employee	All or any of the following: (a) a permanent employee of the Company working in India (b) a director of the Company, whether a whole time director, part time director or otherwise; (c) an employee as defined in (a) or (b) above of our subsidiaries.
Employee Reservation Portion	The portion of the Fresh Issue being a maximum of 20,615,000 Equity Shares available for allocation to Employees.
Equity Shares	Equity shares of the Company of Rs. 10/- each unless otherwise specified in the context thereof.
Escrow Account	Account opened with an Escrow Collection Bank(s) and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a Bid.
Escrow Agreement	Agreement entered into amongst the, the Company, the Selling Shareholder, the Registrar, the Escrow Collection Bank(s), the BRLMs and the CBRLMs for collection of the Bid Amounts and for remitting refunds, if any, of the amounts collected, to the Bidders.
Escrow Collection Bank(s)	The banks, which are clearing members and registered with SEBI as Banker to the Issue at which the Escrow Account will be opened.
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time, and the regulations framed thereunder.
FII	Foreign Institutional Investor (as defined under Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000) registered with SEBI under applicable laws in India.
Financial Year /fiscal / FY	Period of twelve months ended March 31 of that particular year, unless otherwise stated.

Term	Description
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form.
Floor Price	The lower end of the Price Band, below which the Issue Price will not be finalised and below which no Bids will be accepted.
Fresh Issue	The issue of 432,915,000 Equity Shares at the Issue Price by the Company pursuant to the Red Herring Prospectus.
GoI/Government	The Government of India.
Indian GAAP	Generally accepted accounting principles in India.
I.T. Act	The Income Tax Act, 1961, as amended from time to time.
Issue	Public issue of 865,830,000 Equity Shares at the Issue Price comprising the Fresh Issue and the Offer for Sale pursuant to the Red Herring Prospectus.
Issue Price	The final price at which Equity Shares will be allotted in terms of this Draft Red Herring Prospectus, as determined by the Company and the Selling Shareholder in consultation with the BRLMs, on the Pricing Date.
Issue Account	Account opened with the Banker(s) to the Issue to receive monies from the Escrow Account for the Issue on the Designated Date.
Margin Amount	The amount paid by the Bidder at the time of submission of his/her Bid, being 0% to 100% of the Bid Amount.
Memorandum / Memorandum of Association	The Memorandum of Association of our Company.
NSE	National Stock Exchange of India Limited.
Net Issue/Net Issue to the public	The Issue less the allocation to the Employees
Non-Institutional Bidders	All Bidders that are not eligible Qualified Institutional Buyers for this Issue or Retail Individual Bidders and who have bid for an amount more than Rs. 50,000/-.
Non-Institutional Portion	The portion of the Issue being a minimum of 211,303,750 Equity Shares of Rs. 10/- each available for allocation to Non-Institutional Bidders.
Non Residents	Non-Resident is a person resident outside India, as defined under FEMA and who is a citizen of India or a Person of Indian Origin under Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000.
NRI / Non-Resident Indian	Non-Resident Indian, is a person resident outside India, who is a citizen of India or a person of Indian origin and shall have the same meaning as ascribed

Term	Description
	to such term in the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000.
OCB/Overseas Corporate Body	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs including overseas trusts, in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly as defined under Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000.
Offer for Sale	The offer for sale by the Selling Shareholder of 432,915,000 Equity Shares at the Issue Price pursuant to this Red Herring Prospectus.
One Time Settlement / OTS	Scheme for One Time Settlement of outstanding dues
PPA/Power Purchase Agreements	Power Purchase Agreement including the Bulk Power Supply Agreements
Pay-in Date	Bid Closing Date or the last date specified in the CAN sent to Bidders, as applicable.
Pay-in-Period	(i) With respect to Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid Opening Date and extending until the Bid Closing Date, and (ii) with respect to Bidders whose Margin Amount is less than 100% of the Bid Amount, the period commencing on the Bid Opening Date and extending until the closure of the Pay-in Date, as specified in the CAN.
Person/Persons	Any individual, sole proprietorship, unincorporated association, unincorporated organization, body corporate, corporation, company, partnership, limited liability company, joint venture, or trust or any other entity or organization validly constituted and/or incorporated in the jurisdiction in which it exists and operates, as the context requires.
Price Band	The price band with a minimum price (Floor Price) of Rs. [ ] and the maximum price (Cap Price) of Rs.[ ] including revisions thereof.
Pricing Date	The date on which the Company and the Selling Shareholder in consultation with the BRLMs finalise the Issue Price.
Prospectus	The Prospectus, filed with the RoC containing, *inter alia,* the Issue Price that is determined at the end of the Book Building Process, the size of the Issue and certain other information.
Qualified Institutional Buyers or QIBs	Public financial institutions as specified in Section 4A of the Companies Act, FIIs, scheduled commercial banks, mutual funds registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 250 million and pension funds

Term	Description
	with minimum corpus of Rs. 250 million.
QIB Portion	The portion of the Issue being 422,607,500 Equity Shares of Rs. 10 each at the Issue Price, available for allocation to QIBs.
Registered Office of the Company	NTPC Bhawan, Scope Complex, 7 Institutional Area, Lodi Road, New Delhi-110003, India.
Registrar /Registrar to the Issue	Registrar to the Issue, in this case being Karvy Computershare Private Limited.
Retail Individual Bidders	Individual Bidders (including HUFs and NRIs) who have bid for Equity Shares for an amount less than or equal to Rs. 50,000, in any of the bidding options in the Issue.
Retail Portion	The portion of the Issue being minimum of 211,303,750 Equity Shares of Rs.10/- each available for allocation to Retail Individual Bidder(s).
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in any of their Bid cum Application Forms or any previous Revision Form(s).
RHP or Red Herring Prospectus	Means the document issued in accordance with Section 60B of the Companies Act, which does not have complete particulars on the price at which the Equity Shares are offered and the size of the Issue. The Red Herring Prospectus which will be filed with the RoC at least 3 days before the Bid Opening Date and will become a Prospectus after filing with the RoC after pricing and allocation.
RoC	Registrar of Companies, National Capital Territory of Delhi and Haryana, located at New Delhi.
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time.
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act, 1992.
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time to time.
SEBI Guidelines	SEBI (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI on January 27, 2000, as amended, including instructions and clarifications issued by SEBI from time to time.
SEBI Takeover Regulations	Securities and Exchange Board of India (Substantial Acquistion of Shares and Takeover) Regulations, 1997, as amended from time to time.
Selling Shareholder	The President of India acting through the Ministry of Power, Government of India.

Term	Description
Stock Exchanges	BSE and NSE.
Syndicate	The BRLMs, the CBRLMs and the Syndicate Members.
Syndicate Agreement	The agreement to be entered into among the Company, the Selling Shareholder and the members of the Syndicate, in relation to the collection of Bids in this Issue.
Syndicate Members	ICICI Brokerage Services Limited, Enam Securities Private Limited and Kotak Securities Limited
TRS or Transaction Registration Slip	The slip or document issued by the Syndicate Members to the Bidder as proof of registration of the Bid.
U.S. GAAP	Generally accepted accounting principles in the United States of America.
Underwriters	The BRLMs, the CBRLMs and the Syndicate Members.
Underwriting Agreement	The Agreement among the members of the Syndicate, the Selling Shareholder and the Company to be entered into on or after the Pricing Date.

ABBREVIATIONS

Abbreviation	Full Form
ABT	Availability Based Tariff
APDRP	Accelerated Power Development and Reforms Programme
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India
BTU	Billion Thermal Units
CAGR	Compounded Annual Growth Rate
CCGT	Combined Cycle Gas Turbine
CEA	Central Electricity Authority
CERC	Central Electricity Regulatory Commission
CDSL	Central Depository Services (India) Ltd.
CLSA	CLSA India Limited
CPSU	Central Power Sector Utilities
DPE	Department of Public Enterprises
EGM	Extraordinary General Meeting
Enam	Enam Financial Consultants Private Limited
EPS	Earnings per share
ERC	Electricity Regulatory Commission
ERC Act	Electricity Regulatory Commission Act, 1998
FCNR Account	Foreign Currency Non Resident Account
FEMA	Foreign Exchange Management Act, 1999
FIPB	Foreign Investment Promotion Board

GAIL	Gail (India) Limited
GIR Number	General Index Registry Number
GRIDCO	Grid Corporation of Orissa
HUF	Hindu Undivided Family
HSBC	HSBC Securities and Capital Markets (India) Private Limited.
IPO	Initial Public Offering
I-Sec	ICICI Securities Limited
KWh	kilowatt hour
Kotak	Kotak Mahindra Capital Company Limited
LC	Letters of credit
Mmscmd	Million Metric Standard Cubic Metres per day
MoP	Ministry of Power, Government of India
MoPNG	Ministry of Petroleum and Natural Gas, Government of India
MW	Megawatt
NAV	Net Asset Value
NGO	Non Governmental Organisation
NHPC	National Hydro-electric Power Corporation Limited
NRE Account	Non Resident External Account
NRO Account	Non Resident Ordinary Account
NSDL	National Securities Depository Limited.
P/E Ratio	Price/Earnings Ratio
PAN	Permanent Account Number
PCC	Pulverised Coal Combusiton
PFC	Power Finance Corporation Limited
PGCIL	Power Grid Corporation of India Limited
Plan/ Five Year Plan	Development Plans prepared by the Planning Commission covering a period of five years
PLF /Plant Load Factor	The total sent out energy corresponding to scheduled generation during a given period, expressed as a percentage of sent out energy corresponding to installed capacity in a given period.
PSU	Public Sector Undertaking
PTC	Power Trading Corporation of India Limited
RBI	The Reserve Bank of India
REB	Regional Electricity Board
REC	Rural Electrification Corporation Limited
RONW	Return on Net Worth
SEB(s)	State Electricity Board(s) and their successor(s), if any, including those those formed pursuant to restructuring/unbundling
SERC	State Electricity Regulatory Commission
SCM	Standard Cubic Meter
SLC	Standing Linkage Committee (for coal supplies)
Supreme Court	Hon'ble Supreme Court of India
T&D	Transmission and Distribution
TPA(s)/Tripartite Agreement(s)	Tripartite Agreements executed by the Government, Reserve Bank of India and the respective State Governments as detailed in page [●] of this Draft Red Herring Prospectus.
Unit	1 kWh; that is, the energy contained in a current of one thousand amperes flowing under an electromotive force of one volt during one hour.

CERTAIN CONVENTIONS; USE OF MARKET DATA

Unless stated otherwise, the financial data in this Draft Red Herring Prospectus is derived from our restated unconsolidated financial statements as of and for the fiscal years ended March 31, 2000, 2001, 2002, 2003 and 2004 and our audited unconsolidated financial statements as of and for the quarter ended June 30, 2004, all prepared in accordance with Indian GAAP and included elsewhere in this Draft Red Herring Prospectus. Unless stated otherwise, the operational data in this Draft Red Herring Prospectus is presented on a consolidated basis and includes the operations of the Company and its subsidiaries. Our fiscal year commences on April 1 and ends on March 31 of each year, so all references to a particular fiscal year are to the twelve-month period ended March 31 of that year. In this Draft Red Herring Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding.

There are significant differences between Indian GAAP and U.S. GAAP; accordingly, the degree to which the Indian GAAP financial statements included in this Draft Red Herring Prospectus will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practices. Any reliance by Persons not familiar with Indian accounting practices on the financial disclosures presented in this Draft Red Herring Prospectus should accordingly be limited. We and the Selling Shareholder have not attempted to explain those differences or quantify their impact on the financial data included herein, and we and the Selling Shareholders urge you to consult your own advisors regarding such differences and their impact on our financial data.

All references to "India" contained in this Draft Red Herring Prospectus are to the Republic of India. All references to "Rupees" or "Rs." are to Indian Rupees, the official currency of the Republic of India. All references to "US$"; "U.S. Dollar" or "US Dollars" are to United States Dollars, the official currency of the United States of America.

For additional definitions, please see the section titled "Definitions and Abbreviations" on page[●] of this Draft Red Herring Prospectus.

Unless stated otherwise, industry data used throughout this Draft Red Herring Prospectus has been obtained from data prepared by the CEA, MoP, the Planning Commission of India and from industry publications. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we and the Selling Shareholder believe that industry data used in this Draft Red Herring Prospectus is reliable, it has not been independently verified.

As used in this Draft Red Herring Prospectus, the terms, "Ninth Plan", "Tenth Plan" and "Eleventh Plan" refer to the Five Year Plans of the Government, and mean the Ninth Five Year Plan covering the period fiscal 1998-2002, the Tenth Five Year Plan covering the period fiscal 2003-2007 and the Eleventh Five Year Plan covering the period fiscal 2008-2012, respectively.

FORWARD-LOOKING STATEMENTS

We have included statements in this Draft Red Herring Prospectus which contain words or phrases such as "will", "aim", "will likely result", "believe", "expect", "will continue", "anticipate", "estimate", "intend", "plan", "contemplate", "seek to", "future", "objective", "goal", "project", "should", "will pursue" and similar expressions or variations of such expressions, that are "forward-looking statements".

Actual results may differ materially from those suggested by the forward looking statements due to risks or uncertainties associated with our expectations with respect to, but not limited to, regulatory changes relating to the power sector in India and our ability to respond to them, our ability to successfully implement our strategy, our growth and expansion, technological changes, our exposure to market risks, general economic and political conditions in India which have an impact on our business activities or investments, the monetary and fiscal policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally, changes in domestic and foreign laws, regulations and taxes and changes in competition in our industry.

For further discussion of factors that could cause our actual results to differ, see the section titled "Risk Factors" beginning on page [●] of this Draft Red Herring Prospectus. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither the Company nor the Selling Shareholder nor the members of the Syndicate, nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, the Company, the Selling Shareholder, the BRLMs and the CBRLMs will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchanges.

RISK FACTORS

An investment in equity securities involves a high degree of risk. You should carefully consider all of the information in this Draft Red Herring Prospectus, including the risks and uncertainties described below, before making an investment in our Equity Shares. Any of the following risks as well as the other risks and uncertainties discussed in this Draft Red Herring Prospectus could have a material adverse effect on our business, financial condition and results of operations and could cause the trading price of our Equity Shares to decline, which could result in the loss of all or part of your investment.

Internal Risks

The CERC's new tariff regulations will adversely affect our results of operations and our cash flow from operations.

The CERC has issued new tariff regulations for the period from April 1, 2004 to March 31, 2009. Under the regulations, the post-tax rate of return on equity has been reduced to 14% from the 16% which we were allowed until March 31, 2004. The recovery of interest cost on debt and return on equity will be based on a prescribed 70/30 debt to equity ratio. Where the equity employed is greater than 30%, the amount of equity for determination of the tariff will be limited to 30%. The return on the excess equity can be recovered on the same basis as the recovery on the debt component. Where the equity employed is less than 30%, the actual amounts of debt and equity will be used for purposes of determination of the tariff. Most of our existing plants have debt to equity ratios lower than 70 to 30. Therefore, our recovery in respect of equity amounts in excess of 30% for these plants will be lower than under the prior regulations. We believe that the reduction in the return on equity and the limitation of recovery to the prescribed debt to equity ratio will have an adverse effect on our results of operations and cash flow from operations. For a discussion of the impact of the new tariff regulations on our results of operations, see the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations— Factors Affecting Our Results of Operations" on page [●] of this Draft Red Herring Prospectus.

The tariff policy under the Electricity Act, 2003 is not yet settled and the new tariff policy and regulations could have a negative effect on our results of operations.

Pursuant to the Electricity Act, the Government is required to formulate the national tariff policy. The CERC is required to specify the terms and conditions for the determination of tariffs**,** and is to be guided by the Government's tariff policy in setting the terms and conditions of tariffs. A task force appointed by the Government has proposed a draft national tariff policy but the final tariff policy has not yet been approved by the Government. To the extent the final tariff policy contains provisions that may be unfavourable to us, such as reductions in the return on equity or additional limitations on our ability to recover depreciation expenses or fuel and other costs through our tariffs, our financial condition and results of operations could be adversely affected. In addition, the effects of the new tariff policy on us will be dependent on how the CERC interprets the new policy, which we are unable to predict at this time. For a discussion on tariff policy in the electricity industry in India, see the section titled "The Electricity Power Industry in India**—**Tariff Setting" on page [●] of this Draft Red Herring Prospectus.

The Electricity Act introduces measures which could result in increased competition for us.

The Electricity Act, which came into force in June 2003, removes licensing requirements for thermal generators, provides for open access to transmission and distribution networks and removes restrictions on the right to build captive generation plants. These reforms provide opportunities for increased private sector involvement in power generation. Specifically, the open access reforms, by which generators will be able to sell their output directly to distribution companies and, ultimately, directly to consumers, may increase the financial viability of private investment in power generation. Large Indian business houses such as the Tata and Reliance groups, among others, which already have a presence in the Indian power sector, may seek to expand their operations in the sector. The power sector in India could also attract increased investment from international companies. Further, as a result of the measures introduced under the Electricity Act and the One Time Settlement (see "The Electricity Power Industry in India—Scheme for One Time Settlement of Outstanding Dues"), SEBs may experience improvements in their financial position and may seek to expand their installed capacity. These changes could result in increased competition for us.

There may be other changes to the regulatory framework that could adversely affect us.

The statutory and regulatory framework for the Indian power sector has changed significantly in recent years and the impact of these changes is unclear. There are likely to be more changes in the next few years. The Electricity Act puts in place a framework for reforms in the sector, but in many areas the details and timing are yet to be determined. It is expected that many of these reforms will take time to be implemented. Furthermore, there could be additional changes in the areas of tariff policy, the unbundling of the SEBs, restructuring of companies in the power sector, open access and parallel distribution, and licensing requirements for, and tax incentives applicable to, companies in the power sector. In addition, the new Government that was formed in May 2004 has announced in its "Common Minimum Programme" that it plans to undertake a review of the Electricity Act. We presently do not know what the nature or extent of this review will be, and cannot assure you that such review will not have an adverse impact on our financial condition and results of operations.

The majority of our revenues are derived from sales of power to the State Electricity Boards and these entities are in a weak financial position.

The SEBs are the largest purchasers of power from us and accounted for over 99% of our sales of power in fiscal 2002, 2003 and 2004. We are obligated to supply power to SEBs in accordance with the terms of the allocation letters issued by the Government for each of our power stations. The financial performance of the SEBs has deteriorated significantly over the last decade. The estimated commercial losses of the SEBs in fiscal 2002 (without taking subsidies into account) were approximately Rs. 330 billion. The One Time Settlement introduced several measures to improve the financial condition of the SEBs. These measures included the issuance to us of Rs. 164,107 million in bonds to securitise the receivables for past due amounts from the SEBs. The bonds bear tax-free interest of 8.5% per annum and mature in various stages, starting from October 1, 2006 until April 1, 2016to 15 years from the date of issue. In addition, the Tripartite Agreements have improved the situation by requiring the SEBs to establish issuance of letters of credit LCs to cover current payments. However, we cannot assure you that the SEBs will always be required to, or be able to, establish LCs to secure their payments to us. There could, for example, be a change in Government policy that might lead to a change in the requirement to establish LCs. Any change that adversely affects our ability to recover our dues from the SEBs will adversely affect our financial position. There have also been recent instances of state governments promising free power to certain sections of society, such as farmers. The adoption of such policies by state governments would adversely affect the financial health of the SEBs, which would in turn adversely affect their ability to make payments to us.

The unbundling of the SEBs pursuant to the Electricity Act could have an adverse impact on our revenues.

Under the Electricity Act, the SEBs are required to unbundle their operations into separate generation, transmission and distribution companies. Following unbundling, our PPAs, which are currently with the SEBs, will be with one or more of the unbundled entities. These unbundled entities, particularly distribution companies, may have lower creditworthiness than the original SEBs. This could adversely affect their ability to make payments to us. Further, upon divestment of ownership or control of a SEB or any of the unbundled entities, as applicable, in favour of any entity not owned or controlled, directly or indirectly, by the applicable state government, the Tripartite Agreement relating to the SEB or the unbundled entity, as applicable will expire. In such an event, the SEB or the unbundled entity, as applicable, will no longer be required to establish LCs in our favour, which could have an adverse impact on our realization of dues from them.

Our expansion plans require significant capital expenditure and if we are unable to obtain the necessary funds for expansion, our business may be adversely affected.

We will need significant additional capital to finance our business plan and in particular, our plan for capacity expansion. We plan to spend approximately Rs. 885 billion over ten years in the Tenth and Eleventh Plans to fund our planned capacity addition. As of March 31, 2004, we had spent Rs. 80 billion on capacity expansion under these Plans. We expect 30% of our proposed capital expenditures to be funded by internal accruals and through the issue of Equity Shares and the remaining 70% to be funded by debt financing. Our ability to finance our capital expenditure plans is subject to a number of risks, contingencies and other factors, some of which are beyond our control, including our results of operations generally, tariff regulations, interest rates, borrowing or lending restrictions, if any, imposed by the Reserve Bank of India, the amount of dividend required to be paid to the Government and our public shareholders and our ability to obtain financing on acceptable terms. We cannot assure you that debt or equity financing or our internal accruals will be available or sufficient to meet our capital expenditure requirements.

Our operations and our expansion plans have significant fuel requirements and we may not be able to ensure the availability of fuel at competitive prices.

The success of our operations, and the proposed expansion of our generation capacity, will be dependent on, among other things, our ability to ensure unconstrained availability of fuels at competitive prices during the life cycle of our existing and planned power stations. Currently, all our coal supply contracts are with subsidiaries of Coal India Limited and with Singareni Collieries Limited and six of our seven gas supply contracts are with GAIL. If we are unable to obtain supplies from these suppliers on acceptable terms and conditions, we cannot assure you that we will be able to obtain supplies from alternative suppliers. Further, coal and gas allocations, and gas prices, are currently determined by the Government. In the event that coal and gas supply, or gas prices, were to be deregulated, we cannot assure you that we will be able to obtain coal and gas at competitive prices and the required quantities. Coal India Limited has recently announced an increase in its coal prices. Any consequent increase to our fuel costs can be recovered through our tariffs under the current tariff regulations.

There are a number of issues in relation to the availability of fuel in India. With respect to coal, while India has substantial proven reserves, significant investments would be required to exploit and mine these reserves. We cannot assure you that this will occur. While domestic coal production has just kept pace with past demand, the requirement for coal is expected to increase significantly in the future, driven by significant capacity addition in the power sector. High dependence on domestic coal could therefore expose us to potential price and availability risks. Although we plan to enter into coal mining, this may not have a significant impact on our needs.

With respect to gas, our use has been limited in the past due to inadequate supply. We require 16 mmscmd of gas per year to operate our gas-fired stations at a PLF of 80%. In fiscal 2004, we received 10 mmscmd of gas, which represented 77% of our allocation of 13 mmscmd. This has adversely affected the PLF of our gas-fired stations, which in fiscal 2004 was 68.3%. If the supply shortage of gas intensifies, the productivity of our gas-fired stations would be further reduced. Although we are in the process of securing the gas supply for our two 1,300 MW projects at Kawas and Gandhar, we cannot assure you that we will be able to secure adequate supply of gas for our current gas-fired stations or future gas-fired projects.

Our expansion plans are subject to a number of other contingencies.

Our expansion plans are subject to a number of contingencies, including governmental action, delays in obtaining permits or approvals, natural calamities and other factors beyond our control. In addition, most of our projects are dependent on external contractors for construction, delivery and commissioning, as well as the supply and testing of equipment. We cannot assure you that the performance of our external contractors will meet our specifications or performance parameters. If the performance of these contractors is inadequate to our requirements, this could result in incremental cost and time overruns which in turn could adversely affect our expansion plans.

We are entering into new businesses that may not be successful.

We plan to diversify our operations by taking advantage of opportunities created by regulatory and economic reforms. We have entered into the power trading business and are considering downstream integration into the electricity distribution business. We also plan to enter into coal mining to achieve greater fuel security. We intend to enhance our current consulting services capabilities in the domestic and international markets.

At this time, the diversification of our business, and the introduction of the power sector reforms, are in their early stages. These new businesses and the regulatory environment may pose significant challenges to our administrative, financial and operational resources. The early stage and evolving nature of the power sector reforms and our diversification programme makes it difficult to predict competition and consumer demand. We do not have significant experience in these new businesses, and they may involve risks and difficulties with which we are not familiar. They may require capital and other resources, as well as management attention, which could place a burden on our resources and abilities. We may not be successful in these businesses and cannot provide you with any assurances as to the timing and amount of any returns or benefits that we may receive from these new businesses or any other new businesses we may enter into.

We may be adversely affected by changes in Government policy relating to us.

Following the Issue, the Government will own nearly 89.5% of our paid-up capital. To date, the Government's ownership has been an important factor in some aspects of our business including the settlement of tariffs payable by the SEBs to us. Any significant changes in the Government's shareholding in us, or pursuit by the Government of policies that are not in our interests, could adversely affect our business.

We generally manage our business on a day to day basis independently from the Government. The Government has named us as a “Navratna” company as a consequence of which we enjoy enhanced autonomy in making financial and other decisions. Adverse changes in the terms of, or the loss of, our “Navratna” status may decrease our autonomy and our ability to compete with other participants in the Indian power sector.

We will continue to be controlled by the Government following this Issue, and our other shareholders will be unable to affect the outcome of shareholder voting.

After the completion of this Issue, the Government will own nearly 89.5% of our paid-up capital. Consequently, the Government, acting through the MoP, will continue to control us and will have the power to elect and remove our directors and therefore determine the outcome of most proposals for corporate action requiring approval of our Board of Directors or shareholders, such as proposed annual and five-year plans, revenue budgets, capital expenditure, dividend policy, transactions with other Government-controlled companies such as GAIL and Coal India Limited (which are our main fuel suppliers) and BHEL (which is one of our main equipment suppliers), or the assertion of claims against such companies and other public sector companies. In addition, under our Articles of Association, the Government may issue directives with respect to the conduct of our business or our affairs or impose other restrictions on us so long as it retains at least 51% of our Equity Shares. For further details on our Articles of Association, refer to the section titled "Main Provisions of the Articles of Association of the Company" on page [●] of this Draft Red Herring Prospectus.

The interests of the Government may be different from our interests or the interests of our other shareholders. The Government could, by exercising its powers of control, delay or defer a change of control of our Company or a change in our capital structure, delay or defer a merger, consolidation, takeover or other business combinations involving us, or discourage a potential acquiror from making a tender offer or otherwise attempting to obtain control of our Company. In particular, given the importance of the power industry to the economy, the Government could require us to take actions designed to serve the public interest in India and not necessarily to maximise our profits.

Our operations create difficult environmental challenges, and changes in environmental laws and regulations may expose us to liability and result in increased costs.

Our power plants and power generation projects are subject to environmental laws and regulations promulgated by the Ministry of Environment of the Government and the Pollution Control Boards of the relevant states. These include laws and regulations that limit the discharge of pollutants into the air and water and establish standards for the treatment, storage and disposal of hazardous waste materials. We expect that environmental laws will continue to become stricter. Compliance with current and future environmental regulations, particularly by our older plants, may require substantial capital expenditure and, in certain cases, may require the closing down of non-complying plants.

We generate high levels of ash in our operations. There are limited avenues of utilisation of ash and therefore the demand for ash is low. While we continue to explore methods to utilise or dispose of ash, our ash utilisation activities are insufficient to dispose of the ash we generate.

We are subject to a Government requirement that by 2014, 100% of the fly ash produced through our generation activities will be gainfully utilised. Compliance with this requirement, as well as any future norms with respect to ash utilisation, may add to our capital expenditures and operating expenses.

We could be subject to substantial civil and criminal liability and other regulatory consequences in the event that an environmental hazard were to be found at the site of any of our power stations, or if the operation of any of our power stations results in material contamination of the environment. We are defendants in public interest litigation in India relating to allegations of environmental pollution by some of our plants, as well as in some cases having potential criminal and civil liability filed by state pollution control authorities. If these cases are determined against us, it could have a material adverse effect on our business and operations. For details of our outstanding environmental litigation, refer to section titled "Outstanding Litigation and Material Developments—Environmental Cases" on page [●] of this Draft Red Herring Prospectus.

Our business involves numerous other risks.

Our operations are subject to risks generally associated with thermal power generation, and the related receipt, distribution, storage and transportation of fuel, products and wastes. These hazards include explosions, fires, earthquakes and other natural disasters, mechanical failures, accidents, acts of terrorism, operational problems, transportation interruptions, chemical or oil spills, discharges of toxic or hazardous substances or gases, and other environmental risks. These hazards can cause personal injury and loss of life, environmental damage and severe damage to or destruction of property and equipment, and may result in the limitation or interruption of our business operations and the imposition of civil or criminal liabilities. We are also subject to risks such as business interruption due to strikes and work stoppages.

While we maintain insurance with ranges of coverage that we believe to be consistent with industry practice, we are not fully insured against all potential hazards and events incidental to our business and cannot assure you that our insurance coverage will be adequate and available to cover any loss incurred in relation to such types of incidents. We are not covered for certain risks such as war, terrorism and, in most instances, business interruption. The occurrence of any such events may have a material adverse effect on our business, financial condition and results of operations and the trading price of our Equity Shares.

If we are unable to adapt to technological changes, our business could suffer.

Our future success will depend in part on our ability to respond to technological advances and emerging power generation industry standards and practices on a cost-effective and timely basis. The development and implementation of such technology entails significant technical and business risks. We cannot assure you that we will successfully implement new technologies effectively or adapt our processing systems to customer requirements or emerging industry standards. If we are unable, for technical, legal, financial or other reasons, to adapt in a timely manner to changing market conditions, customer requirements or technological changes, our business, financial performance and the trading price of our Equity Shares could be adversely affected.

We are involved in a number of legal proceedings that, if determined against us, could adversely impact our business and financial condition.

We are defendants in a number of legal proceedings relating to our business and operations. Siemens Aktiengesellschaft ("Siemens") has initiated arbitration proceedings in the International Court of Arbitration of the International Chamber of Commerce relating to a contract for the supply of equipment for the Dadri gas-based combined cycle power station. Siemens' claims amount to Deutsche Mark 44.11 million. We filed an appeal in the High Court of Delhi and obtained a stay of the arbitration proceedings. The appeal in the High Court is pending. In addition to the claim by Siemens, there are 133 arbitration related cases against us and the aggregate value of the claims outstanding in these cases is approximately Rs. 1197.47 million.

There are 3, 198 cases in relation to our acquisition of land for a number of our projects and stations. The claimants are seeking compensation additional to the compensation that they have already been provided and/or disputes relating to the title to the property and the aggregate value of these claims is approximately Rs. 7990.87 million.

There are 17 public interest litigation matters pending against us in various courts in India. One of these cases involves a challenge in Orissa to the validity of the Tripartite Agreements. Four of these cases are related to allegations of environmental pollution by certain plants of our Company.

There are 438 cases related to labour and service matters which have been filed by trade unions, employees of our Company and contract labourers employed in our Company, in respect of which the aggregate amount claimed is Rs. 29.32 million.

There are 90 criminal cases pending in various courts against us including 12 cases of contempt of court alleged to have been committed by our officers.

There are 113 money suits against us. The liability of the Company with regard to these money suits is approximately Rs.162.64 million. There are disputes relating to income tax assessments for the year 1977-1978, 1979-1980 and each of the fiscal years 1997 to 2003. The total amount claimed against us in relation to income tax is approximately Rs. 26352.19 million and we have already paid under protest an amount of Rs 26352.01 million. There are 88 cases against us in relation to charges/taxes payable under various laws. The total claim against us in respect of these is approximately Rs. 2,299.3 million.

There are 17 consumer cases against us in various consumer redressal forums in India. The aggregate amount claimed in these cases is Rs. 9.1 million. In addition, there are 235 other cases against us and the aggregate amount claimed in these cases is Rs. 5.73 million.

We have appealed to the High Court of Delhi against some of the CERC's tariff orders for fiscal 2001-2004. If our appeal is not successful, we will be required to refund billings of up to Rs. 30,393 million to our customers. For further details on this dispute, refer to the section titled “Management's Discussion and Analysis of Financial Condition and Results of Operations” on page[●] of this Draft Red Herring Prospectus.

Should any new developments arise, such as changes in Indian law or rulings against us by appellate courts or tribunals, we may need to increase the level of our provisions, which could adversely affect our financial position. Furthermore, if a claim is determined against us and we are required to pay all or a portion of the disputed amounts, it could have material adverse effect on our financial condition.

All the above legal proceedings are pending at different levels of adjudication before various courts, tribunals, enquiry officers, and appellate tribunals. For further details on the above cases, see "Outstanding Litigation and Material Developments" on page [●] of this Draft Red Herring Prospectus.

- ***We are yet to receive renewal of certain statutory approvals required in the ordinary course of our business and if we are unable to obtain these approvals, our business could be adversely affected.***

We are yet to receive the following major approvals which have expired and for which renewal applications have been made:

- A number of licences for the operation of boilers under the Indian Boiler Act, 1923 in relation to Vindhyachal Super Thermal Power Station (expired on July 25, 2004), Ramagundam Super Thermal Power Station (expired on July 1, 2004), , Korba Super Thermal Power Station (expired on June 23, 2004; June 30, 2004;July 24, 2004 and July 31, 2004), Talcher Super Thermal Power Station (expired on July 2, 2004), Singrauli Super Thermal Power Station (expired on July 15, 2004), Tanda Thermal Power Station (expired on July 8, 2004), Auraiya Gas Power Station (expired on August 4, 2004) and Jhanor Gandhar Gas Power Station (expired on July 24, 2004 and August 5, 2004).
- Consents under the Air (Prevention and Control of Pollution) Act, 1981 ("**Air Act**") and Water (Prevention and Control of Pollution) Act, 1974 ("**Water Act**") in relation to Talcher Thermal Power Station, Faridabad Gas Power Project, Ramagundam Super Thermal Power Station, Anta Gas Power Project, Korba Super Thermal Power Station and Simhadri Super Thermal Power Station.
- Consents under the Water Act in relation to Vindhyachal Super Thermal Power Station.
- Authorisations under the Hazardous Waste (Management and Handling) Rules, 1989 in relation to National Capital Power Station, Faridabad Gas Power Project and Simhadri Super Thermal Power Project.
- Authorisations under the Biomedical Waste (Management & Handling) Rules, 1998 in relation to Talcher Thermal Power Station.

Failure to obtain any of the foregoing renewals may adversely affect our operations and business. For further information, please refer to 'Government Approvals' on page [●] of this Draft Red Herring Prospectus.

Some of our immovable properties have certain irregularities in title, as a result of which our operations may be impaired.

Several of the immovable properties for our power projects or plants are acquired by the Government or the concerned state governments under the provisions of the Land Acquisition Act, 1894 and are thereafter awarded to us under the provisions of this Act. The land acquisition procedure prescribed under this Act, 1894 is yet to be completed for us to have clear and absolute title to some of these immovable properties. Further, for some of these immovable properties, certain litigation and objections have been initiated by the affected persons and are pending before various forums and courts in India. For further information, refer to the section titled "Outstanding Litigation and Material Developments" on page[●] of this Draft Red Herring Prospectus.

In addition, several of our immoveable properties for our projects or plants, offices and residences, and are either owned by us or taken on lease, have one or more of the following irregularities of title:

- The conveyance deeds for transfer of property have not been executed;
- The agreements to sell or conveyance deeds have not been registered in the land records maintained by the concerned Sub-Registrar of Assurances;
- Lease deeds have not been executed;
- The agreements to lease or lease deeds have not been registered in the land records maintained by the concerned Sub-Registrar of Assurances; or
- Lease agreements have expired and have not yet been renewed.

We have contingent liabilities under Indian Accounting Standards, which may adversely affect our financial condition.

As of March 31, 2004, the contingent liabilities appearing in our restated unconsolidated financial statements are as follows:

Category	Amount (in Rs. million)
Claims against the Company not acknowledged as debts in respect of:	
Capital Works	5,455
Land compensation cases	10,314
Others	2,438
Disputed sales tax demand	314
Letters of credit other than for capital expenditure	965
Guarantee in favour of bankers of joint venture	24
Others	22
Total	**19,532**

Some of our subsidiaries and joint ventures have incurred losses in recent fiscal periods

Certain of our subsidiaries and joint ventures have incurred losses (as per their standalone financial statements) in recent years, as set forth in the table below:

Name of Subsidiary/Joint Venture	Loss (Rs. millions)		
	Fiscal 2002	Fiscal 2003	Fiscal 2004
NTPC Vidyut Vyapar Nigam Limited	NA	(0.13)	-
NTPC Hydro Limited	NA	(0.016)	(17.25)
NTPC Electric Supply Company Limited	NA	(0.03)	(0.03)
Pipavav Power Development Company Limited	-	-	(3.60)
NTPC Alstom Power Services Private Limited	(16.45)	-	-
NTPC Tamil Nadu Energy Company Limited	-	-	(4.84)

External Risks

Political, economic and social developments in India could adversely affect our business.

We derive virtually all of our revenues from India. All our electricity generating facilities and other assets are located in India and all of our officers and directors are resident in India. Our operations and financial results and the market price and liquidity of our equity shares may be affected by changes in Indian Government policy or taxation or social, ethnic, political, economic or other developments in or affecting India.

Since achieving independence in 1947, India has had a mixed economy with a large public sector and an extensively regulated private sector. The Government and the state governments have in the past, among other things, imposed controls on the prices of a broad range of goods and services, restricted the ability of businesses to expand existing capacity and reduce the number of employees, and determined the allocation to businesses of raw materials and foreign exchange. Since 1991, the Government has significantly relaxed most of these restrictions. Nonetheless, the role of the Government and state governments in the Indian economy as producers, consumers and regulators, remains significant in ways that directly affect us and the electricity industry. The present Government, which was formed after the Indian parliamentary elections in April-May 2004, is a coalition government. The new Government may follow policies different from those of prior Governments, which could directly and adversely affect our business and our industry. In addition, any political instability in India will adversely affect the Indian economy and the Indian securities markets generally, which could also adversely affect the trading price of our Equity Shares.

India has also witnessed civil disturbances in recent years. While these civil disturbances did not directly affect our operations , it is possible that future civil unrest as well as other adverse social, economic and political events in India could have an adverse impact on us.

Terrorist attacks and other acts of violence or war involving India and other countries could adversely affect the financial markets and our business.

Terrorist attacks, such as the ones that occurred in New York and Washington, D.C. on September 11, 2001, New Delhi on December 13, 2001, Gandhinagar in Gujarat on September 24, 2002, Bali on October 12, 2002 and Mumbai on August 25, 2003 and other acts of violence or war may negatively affect the Indian markets where our equity shares will trade and also adversely affect the worldwide financial markets. These acts may also result in a loss of business confidence, make travel and other services more difficult and ultimately adversely affect our business.

After the December 13, 2001 attack in New Delhi and a terrorist attack on May 14, 2002 in Jammu, India, diplomatic relations between India and Pakistan became strained and there was a risk of intensified tensions between the two countries. The governments of India and Pakistan have recently been engaged in conciliatory efforts. However, any deterioration in relations between India and Pakistan might result in investor concern about stability in the region, which could adversely affect the market price of our equity shares.

Regional or international hostilities, terrorist attacks or other acts of violence of war could have a significant adverse impact on international or Indian financial markets or economic conditions or on Government policy. Such incidents could also create a greater perception that investment in Indian companies involves a higher degree of risk and could have an adverse impact on our business and on the market price of our equity shares.

Any downgrading of India's debt rating by an international rating agency could have a negative impact on our business.

Any adverse revisions to India's credit ratings for domestic and international debt by international rating agencies may adversely impact our ability to raise additional financing, and the interest rates and other commercial terms at which such additional financing is available. This could have a material adverse effect on our business and future financial performance, our ability to obtain financing for capital expenditures, and the trading price of our equity shares.

Depreciation of the Rupee against foreign currencies may have an adverse effect on our results of operations.

As of March 31, 2004, we had foreign currency borrowings of approximately Rs.58.6 billion denominated principally in Japanese Yen, U.S. dollars and Euros, while substantially all of our revenues are denominated in Rupees. Accordingly, depreciation of the Rupee against these currencies will increase the Rupee cost to us of servicing and repaying our foreign currency borrowings. Since the current tariff regulations allow us to pass through foreign exchange fluctuations through our tariffs, we do not currently hedge our foreign currency exposure. If as a result of future changes in tariff regulations we are unable to recover the costs of foreign exchange variations through our tariffs, we may be required to use hedging arrangements, which may not fully protect us from foreign exchange fluctuations.

After this Issue, the price of our equity shares may be volatile, or an active trading market for our equity shares may not develop.

Prior to this Issue, there has been no public market for our equity shares. The prices of our equity shares may fluctuate after this Issue due to a wide variety of factors, including the performance of our business, competitive conditions and general economic, political and social factors. We cannot assure you that an active trading market for our equity shares will develop or be sustained after this Issue, or that the price at which our equity shares are initially offered will correspond to the prices at which they will trade in the market subsequent to this Issue.

Notes:

- Public issue of 865,830,000 Equity Shares for cash at a price of Rs [.] per Equity Share aggregating Rs. [ ] million. The Issue comprises a Fresh Issue by the Company of 432,915,000 Equity Shares and an Offer for Sale by the Selling Shareholder of 432,915,000 Equity Shares. The Issue comprises of a Net Issue to the public of 845,215,000 Equity Shares and a reservation for Employees of 20,615,000 Equity Shares.

- The net worth of our Company before the Issue (as on March 31, 2004) was Rs.355,512 million (on an unconsolidated basis).
- The average cost of acquisition of Equity Shares by the President of India, our Promoter, is Rs. 10 per Equity Share and the book value per Equity Share as on March 31, 2004 was Rs.45.51 per Equity Share.
- Refer to the notes to our financial statements for the Related Party Transactions.
- Investors may contact the BRLMs and the CBRLMs for any complaints, information or clarifications pertaining to the Issue.
- Investors are advised to refer to the section titled “Basis of Issue Price” on page [●] of this Draft Red Herring Prospectus.

Investors should note that in case of oversubscription in the Issue, Allotment will be made on a proportionate basis to Retail Individual Bidders, Employees and Non Institutional Bidders. Please refer to the paragraph titled “Basis of Allocation” on page [●] of this Draft Red Herring Prospectus.

SUMMARY

You should read the following summary with the Risk Factors beginning on page [●] *of this Draft Red Herring Prospectus and the more detailed information about us and our financial statements included elsewhere in this Draft Red Herring Prospectus.*

Overview

We are the largest power generating company in India. As of March 31, 2004, our installed capacity represented approximately 19.1% of India's total installed capacity, and we contributed 26.7% of the total power generation of India during fiscal 2004. A study conducted by AT Kearney in 2002 placed us among the ten largest thermal generators in the world in terms of generated output. We are 100% owned by the Government of India and, following this Issue, the Government will own approximately 89.5% of our paid-up capital.

As of March 31, 2004, our total installed capacity was 21,435 MW through 13 coal-fired power stations and seven gas-fired power stations (including our naphtha-fired station at Kayamkulam). We also operate 314 MW of capacity through three joint venture projects and manage a 705 MW power station owned by the Government. Our power stations are distributed across India. We generated 149.2 billion units of electricity in fiscal 2004. In fiscal 2004, over 99% of our total sales of electricity were to the SEBs pursuant to long term power purchase agreements. As a result of the recent Tripartite Agreements, we realized 100% of the amounts due to us from the SEBs for fiscal 2004, and their current payments to us are secured through letters of credit.

We operate our plants at a high level of efficiency. In fiscal 2004, for our coal-fired plants (excluding two plants taken over from other generators, which are undergoing renovation and modernisation) the average availability was 88.8% and the plant load factor was 84.4%, compared to the all-India average PLF for coal-fired plants of 72.7%. For our gas-fired plants, the average availability was 89.0% and the PLF was 68.3%. In fiscal 2004, our average selling price of electricity was Rs. 1.47 per unit, making us one of the most competitive sources of bulk power in India. In fiscal 2004, our average selling price of electricity per unit was Rs. 1.27 for our coal-fired stations and Rs. 2.41 for our gas-fired stations. We have also significantly improved the performance of plants that we have taken over from other generators, as well as those we operate under management contracts or through joint ventures.

Because demand for electricity continues to significantly exceed supply in India, the target for capacity addition has been set at 41,110 MW under the Government's Tenth Plan (fiscal 2003-2007). Under the Plan, CPSUs are to implement 22,832 MW of the targeted capacity expansion, of which we have been allocated 9,370 MW, or 41%. 2000 MW of our target have already been commissioned, and construction activities for projects representing 6,370 MW are in different stages of progress. We have a memorandum of understanding regarding a joint venture with the Indian Railways for 500 MW of capacity and our joint ventures with the Steel Authority of India Limited have plans to expand their capacity by 500 MW by fiscal 2007. Our planned capacity addition during the Government's Eleventh Plan (fiscal 2008-2012) is 11,558 MW, of which we have commenced work on 2,120 MW.

In addition to increasing our capacity, we plan to diversify our operations by taking advantage of opportunities created by regulatory and economic reforms. We have entered into the power trading business and are considering downstream integration into the electricity distribution business. We also plan to enter into coal mining to achieve greater fuel security, and plan to enter into coal washing operations. We intend to enhance our current consulting services capabilities in the domestic and international markets.

Based on our performance, in 1997 the Government named us as one of the "Navratnas" (nine jewels), which are public sector enterprises that, by virtue of their operational and financial strengths and market leadership, have been accorded greater operational freedom and autonomy in decision making.

In fiscal 2003 and 2004, we generated total revenues of Rs. 198,499 million and Rs. 259,642 million, and profit after tax of Rs. 36,075 million and Rs. 52,608 million, respectively. Our revenues and profits in fiscal 2004 were significantly higher than prior periods because of interest on bonds issued to us, as well as a one-time surcharge on outstanding dues from the SEBs, pursuant to the One Time Settlement.

Our Competitive Strengths

We believe that the following are our primary competitive strengths:

Leadership position in the Indian power generation sector

We are India's largest power generating company in terms of installed capacity and generated output. As of March 31, 2004, our installed capacity of 21,435 MW represented 19.1% of India's total installed capacity of approximately 112,058 MW, compared to 8.7% for the next largest producer in India. In fiscal 2004, we generated 149.2 billion units of electricity, which represented 26.7% of India's total electricity output of 558 billion units, compared to 8.2% provided by the next largest producer in India.

Long term power purchase agreements with our customers

As of March 31, 2004, the entire output from our installed capacity was contracted for through long term PPAs. Over 99% of our total sales was under contract to the SEBs, and 100% our billings to the SEBs are currently secured through letters of credit issued pursuant to the Tripartite Agreements. At the time we make investment decisions on new capacity or expansion of existing capacity, we typically have commitments for the purchase of the output.

Proximity to fuel sources

Most of our coal-fired stations are located close to the coal mines that supply coal to the plants, which helps reduce supply interruptions and transportation costs. Most of our gas-fired stations are located along major gas pipelines. We believe that our proximity to our primary fuel sources is one of the key factors enabling us to generate electricity at rates which are among the most competitive in India.

Large scale and diversified generation capacity

We have installed substantial generation capacities in single locations, which we believe offers us significant economies of scale in our operations. Our generation capacity is distributed nationally, which minimizes regional or location-specific risks. In addition, we are diversified by fuel type, with approximately 82% of our current capacity being coal-fired and 18% being gas-fired. We have also commenced work on our first hydro powered station in Koldam, which is expected to become operational by fiscal 2009.

High operational efficiency

In fiscal 2004, the average availability of our coal-fired plants (excluding two plants taken over from other generators, which are undergoing renovation and modernisation) was 88.8% and their average PLF was 84.4%. This compares favourably to the all-India average PLF for coal-fired plants of 72.7% in fiscal 2004. In order to consistently ensure high availability of our plants and equipment, we extensively monitor and systematically maintain our plants. We believe that our monitoring and maintenance techniques offer us a competitive advantage in an industry where reliability and maintenance costs are a significant determinant of profitability.

Established track record in implementing new projects

We have extensive experience in the development and execution of new projects. We have reduced our project implementation time over the past 18 years. Our first 500 MW unit at Singrauli was completed in fiscal 1986 in 59 months from the time the main plant was ordered and our most recent 500 MW unit at Talcher was completed in fiscal 2003 in 38 months from the time the main plant was ordered. Our engineering capabilities range from the concept stage to the commissioning of our projects. We believe that our experience and expertise in project implementation provide us with significant competitive advantages in an industry where substantial expansion is expected in the foreseeable future.

Strong financial position

We have a strong financial position, which we believe will enable us to finance our capacity expansion plans. As of March 31, 2004, we had a debt to equity ratio of 0.43 and in fiscal 2004 we had net cash from operating activities of Rs. 58,118 million. Under the Tripartite Agreements we have received bonds in lieu of outstanding receivables from the SEBs as well as LCs securing future payments. As of March 31, 2004, our domestic bonds were given the highest credit rating of AAA by CRISIL or LAAA by ICRA, and our Eurobond offering in March 2004 received a BB rating from Standard & Poor's and a BB+ rating from Fitch, which were equivalent to India's sovereign rating. Our weighted average cost of debt financing declined from 8.49% in fiscal 2002 to 6.95% in fiscal 2004.

Government support

We play a pivotal role in the Government's plans for the power sector, and our planned capacity addition in the Tenth Plan constitutes 23% of the planned capacity addition of the entire power sector in India. The Government's support was critical in securing the settlement of outstanding dues owed to us by the SEBs. The Government has also granted us "Navratna" status. This provides us with strategic and operational autonomy, including the ability to make investment decisions without Governmental approval.

Competent and committed workforce

We have a highly competent and committed workforce. Our senior executives have extensive experience in our industry and many of them have been with us for a significant portion of their careers. We invest significant resources in employee training and development. In 2003, a study by Business Today and Hewitt Associates rated us as the third best employer among all Indian companies.

Our Strategy

Our corporate vision is "to be one of the world's largest and best power utilities, powering India's growth". The following are our strategies to achieve this vision:

Expand our installed capacity

We plan to add 9,370 MW capacity during the Tenth Plan, of which we have already commissioned 2000 MW and construction activities for projects representing 6,370 MW are in different stages of progress. We are also planning to add an additional 1,000 MW of capacity through joint ventures during this period. Our planned capacity addition during the Eleventh Plan is 11,558 MW, of which we have commenced work on 2,120 MW. As part of our capacity addition programme, we also intend to diversify our fuel mix by adding approximately 2,028 MW of hydroelectric capacity by fiscal 2012. We believe that if we are successful in our capacity expansion plans we will be able to maintain our leadership position in the Indian power generation industry.

Achieve greater fuel security

We have long term coal and gas supply agreements with our fuel suppliers. We intend to enter into coal mining and coal washing operations to ensure better control, greater reliability and lower cost of our coal supply. We believe that our entry into coal mining may enable us to benchmark the price at which we obtain coal from our suppliers. To ensure reliable supply of gas for our planned capacity addition at Kawas and Gandhar, we are in the process of finalising a long term contract for sourcing gas. We have also commenced a competitive bidding process for our planned gas capacity addition in Kayamkulam. We believe that these initiatives, among others, will give us greater fuel security and control over fuel expenses, and will enhance our competitiveness.

Take advantage of diversification opportunities provided by regulatory and economic reforms

We plan to diversify our business by taking advantage of opportunities created by regulatory and economic reforms. We have entered into the power trading business and are considering downstream integration into the electricity distribution business. We also intend to enhance our current consulting services capabilities in the domestic and international markets. We believe that these initiatives, together with our plan to enter into coal mining, will enable us to achieve greater vertical integration and create new avenues for revenue and margin growth.

Improve our operating performance

We intend to improve plant availability and reduce our operating costs by improving, among other things, the thermal efficiency and heat rate of our plants. We intend to devote significant resources to modernising our plants and investing in technologically advanced equipment and methods. We also intend to implement advanced maintenance practices. We believe that our focus on modernising our plants and on their maintenance will increase their useful life, improve their efficiency and operating performance and reduce capital expenditure.

Emphasize research and development

We propose to continue applied research to improve the performance of our power plants. We also intend to conduct fundamental research into alternative fuels, non-conventional energy sources and new technologies. We intend to invest up to 0.5% of our annual profit after tax in research and development initiatives. We believe that our focus on research and development will enable us to improve our operating performance.

Continue to invest in employee development

We intend to continue developing the capabilities of our employees through an objective and open performance management system, by recognising and rewarding employee performance and by institutionalising our core values among our employees. We intend to continue to provide better and more comprehensive training to our employees at various stages in their careers to familiarize them with technological advances and up-to-date operational and management practices in our industry. We believe that our continuing initiatives will further enhance the capabilities and productivity of our employees and strengthen our recognition as a preferred employer.

Expand our Corporate Social Responsibility Initiatives

We are involved in a variety of corporate social responsibility initiatives and intend to expand our involvement in this area. We intend to continue our focus on the resettlement and rehabilitation of Persons who are affected by our projects and other activities, and plan to establish a foundation to address the issue of disability in a comprehensive manner. We also intend to facilitate distributed generation, which may involve the use of non-conventional energy sources to provide electricity to remote and rural areas. We intend to invest up to 0.5% of our annual profit after tax in furtherance of these initiatives.

SUMMARY FINANCIAL AND OPERATING DATA

The following tables set forth certain summary financial data derived from our restated unconsolidated financial statements as of and for the fiscal years ended March 31, 2002, 2003 and 2004 and our audited unconsolidated finacial statements as of and for the quarter ended June 30, 2004. These financial statements have been prepared in accordance with Indian GAAP, the Companies Act and the SEBI Guidelines and the annual financial statements have been restated as described in the auditors' report included therewith, in the section titled "Restated Unconsolidated Financial Statements" beginning on page [●] of this Draft Red Herring Prospectus. The following tables also set forth certain operating data for the fiscal years ended March 31, 2002, 2003 and 2004. The summary financial and operating data presented below should be read in conjunction with our financial statements, the notes thereto and the sections titled "Selected Financial Information" on page [●] of this Draft Red Herring Prospectus and "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page [●] of this Red Draft Herring Prospectus. Indian GAAP differs in certain significant respects from U.S. GAAP. For more information on these differences, see "Summary of Significant Differences between Indian GAAP and U.S. GAAP" on page [●] of this Red Herring Prospectus.

Summary Financial Data

(Rs. in millions)

	Fiscal year ended March 31,			
	2002	**2003**	**2004**	**Quarter Ended June 30, 2004**
SUMMARY PROFIT AND LOSS INFORMATION, AS RESTATED:				
Revenues:				
Sales	177,982	190,288	188,519	51,867
Energy Internally Consumed	171	187	193	49
Provisions written back	107	3,988	9,648	1
Other income	6,725	4,036	61,282	5,379
Total Revenues	184,985	198,499	259,642	57,296
Expenditures:				
Fuel	103,991	110,312	122,150	31,883
Employees' remuneration and benefits	8,036	8,213	8,835	2,380
Generation, administration and other expenses	11,640	10,869	9,813	2,624
Depreciation	13,784	15,291	20,232	4,785
Provisions	1,836	5,555	5,835	-
Interest and finance charges	8,677	9,916	33,697	4,511
Total Expenditures	147,964	160,156	200,562	46,183
Profit before Tax, Prior Period Adjustments and Extraordinary Items	37,021	38,343	59,080	11,113
Prior period income/expenditure (net)	1	803	183	5
Extraordinary Item -- capital receipt	501	0		-
Profit before Tax	37,521	37,540	58,897	11,108
Provisions for current tax	10,299	11,255	8,682	2,210
Less: Income Tax Recoverable	8,174	9,791	2,393	1,643
	2,125	1,464	6,289	567
Provisions for deferred tax	0	3,545	7,901	1,107
Less: deferred tax recoverable	0	3,544	7,901	1,107
	0	1	0	-
Net Taxation	2,125	1,465	6,289	567

	Fiscal year ended March 31,			
	2002	2003	2004	Quarter Ended June 30, 2004
Profit after Tax as per audited statement of accounts (A)	35,396	36,075	52,608	10,541
				-
Adjustment on account of				-
Changes in account policies	5	16	(21)	-
Impact of material adjustments	4572	(4,130)	(12,901)	-
Prior period items	(299)	681	183	-
				-
Total Adjustments (B)	4278	(3,433)	(12,739)	-
				-
Adjusted Profit (A+B)	39,674	32,642	39,869	-
SUMMARY OF ASSETS AND LIABILITIES, AS RESTATED:				
Fixed Assets (A):				
Gross Block	325,027	366,189	400,364	402,721
Less: Depreciation	152,492	167,728	187,808	192,540
Net Block	172,535	198,461	212,556	210,181
Capital Work-in-Progress/Capital advance	52,038	51,543	56,413	61,774
Construction stores and advances	13,512	12,320	18,540	21,554
Investments (B)	167,597	170,266	173,380	173,780
Current Assets, Loans & Advances (C):				
Inventories	20,176	17,712	17,380	16,720
Sundry debtors	7,102	8,360	4,699	7,437
Cash and bank balances	12,048	5,447	6,091	4,009
Other Current Assets	9,565	42,273	80,023	85,843
Loans and Advances	26,546	30,606	27,275	27,636
Sub-total (C)	75,437	104,398	135,468	141,645
Less: Liabilities & Provisions (D):				
Secured loans	16,455	41,226	45,844	45,564
Unsecured loans	99,357	90,931	108,684	108,702
Deferred Tax Liability	0	1	1	1
Deferred revenue on account of Advance against Depreciation	0	271	1,591	2238
Development Surcharge Fund	1,241	2,492	3,784	5487
Current Liabilities and Provisions	61,430	74,277	80,941	80,900
Sub-total (D)	178,483	209,198	240,845	242,892
NET WORTH (A+B+C-D)	302,636	327,790	355,512	366,042
Represented by:				
Share Capital (E)	78,125	78,125	78,125	78, 125
Reserves and Surplus (Adjusted) (F)	224,583	249,752	277,387	287, 917
Miscellaneous Expenditure (to the extent not written off or adjusted): (G)	72	87		
NET WORTH (E+F-G)	302,636	327,790	355,512	366,042

Summary Operating Data

	Fiscal Year ended March 31,		
	2002	2003	2004

Installed capacity at fiscal year end (in MW)................	19,935	20,935	21,435
Units of electricity generated (in millions) ∗.................	133,193	140,853	149,161
Units of electricity sold (in millions)............................	124,519	129,288	138,012
Average selling price per unit (in Rs.)...........................	1.40	1.43	1.47
Average availability (%)			
Coal-Fired:...	89.1	88.7	88.8
Gas-Fired:..	87.7	87.7	89.0
Average PLF (%)			
Coal-Fired:...	81.1	83.6	84.4
Gas-Fired:..	71.1	70.0	68.3

∗ Includes generation during pre-commissioning phase.

THE ISSUE

Fresh Issue	432,915,000 Equity Shares
Offer for Sale	432,915,000 Equity Shares
Total Equity Shares in the Issue	865,830,000 Equity Shares
Of which:	
Reservation for Employees	20,615,000 Equity Shares
Net Issue to the Public	845,215,000Equity Shares
Of which:	
Qualified Institutional Buyers Portion	Up to 422,607,500 Equity Shares (Allocation on a discretionary basis)
Non Institutional Portion	At least 211,303,750 Equity Shares (Allocation on a proportionate basis)
Retail Portion	At least 211,303,750 Equity Shares (Allocation on a proportionate basis)
Equity Shares outstanding prior to the Issue	7,812,549,400 Equity Shares
Equity Shares outstanding after the Issue	8,245,464,400 Equity Shares
Objects of the Issue	Please see the section entitled "Objects of the Issue" on page [●] of this Draft Red Herring Prospectus.

GENERAL INFORMATION

Authority for the Issue

The Board of Directors has pursuant to resolution passed at its meeting held on March 31, 2004 authorised the Fresh Issue subject to the approval by the shareholders of our Company under section 81(1A) of the Companies Act. Further, our Board of Directors pursuant to a resolution passed at its meeting held on July 11, 2004 authorised the Issue.

Our shareholders have authorised the Issue by a special resolution in accordance with section 81(1A) of the Companies Act, passed at the extra ordinary general meeting of our Company held on May 31, 2004 at New Delhi.

As per letter no. 4(28)/2002-MODI dated July 13, 2004 from the Department of Disinvestment, Ministry of Finance to the Company and letter no.3/3/2004-Th.1dated July 26, 2004 from the MoP to the Company, the Government of India has approved the Offer for Sale by the Selling Shareholder.

SEBI vide its letter CFD/DIL/YG/11140/2004 dated May 28, 2004 has granted its approval for exemption from the requirements of Rule 19(2)(b) of the Securities Contract Regulation Rules, 1957 as regards the requirements of size of the issue of minimum public offerings of 10% of the post issue capital and also the percentage allocation to QIBs.

Prohibition by SEBI

Our Company, our Directors, our subsidiaries, our affiliates, and companies with which our Directors are associated with as directors, have not been prohibited from accessing or operating in capital markets under any order or direction passed by SEBI.

Eligibility for the Issue

We are eligible for the Issue as per Clause 2.2.1 of the SEBI Guidelines as explained under:

- We have net tangible assets of at least Rs. 30 million in each of the preceding 3 full years (of 12 months each), of which not more than 50% is held in monetary assets;
- We have a pre-Issue net worth of not less than Rs.10 million in each of the three preceding full years;
- We have a track record of distributable profits as per Section 205 of Companies Act for at least three out of immediately preceding five years;
- The proposed Issue size would not exceed five times the pre-Issue net worth as per the audited accounts for the year ended March 31, 2004;
- Our Company has not changed its name during the last 1 year.

The distributable profits as per Section 205 of the Companies Act and net worth for the last five years as per our restated unconsolidated financial statements are as under:

(Rs. million)

	Fiscal 2000	Fiscal 2001	Fiscal 2002	Fiscal 2003	Fiscal 2004
Distributable Profits	36,237	34,993	39,674	32,642	39,869
Net worth..................................	243,295	270,021	302,636	327,790	355,512
Net Tangible Assets	415,772	432,668	481,119	536,988	596,357
Monetary Assets*	24,173	12,016	13,659	23,894	66,351

Monetary Assets as a % of Net Tangible Assets	5.81%	2.78%	2.84%	4.45%	11.13%

* Monetary Assets comprise of cash and bank balances, public deposit account with the Government and interest accrued thereon

We undertake that the number of allottees, i.e., Persons receiving Allotment in the Issue shall be at least 1000, otherwise, the entire application money will be refunded forthwith. In case of delay, if any, in refund, our Company shall pay interest on the application money at the rate of 15% per annum for the period of delay.

Disclaimer Clause

AS REQUIRED, A COPY OF THE DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGERS, ICICI SECURITIES LIMITED, ENAM FINANCIAL CONSULTANTS PRIVATE LIMITED AND KOTAK MAHINDRA CAPITAL COMPANY LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURES AND INVESTOR PROTECTION) GUIDELINES, 2000 AS FOR THE TIME BEING IN FORCE. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY AND THE SELLING SHAREHOLDER ARE PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGERS ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGERS, ICICI SECURITIES LIMITED, ENAM FINANCIAL CONSULTANTS PRIVATE LIMITED AND KOTAK MAHINDRA CAPITAL COMPANY LIMITED HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED AUGUST 23, 2004 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992 WHICH READS AS FOLLOWS:

> **“WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE.**
>
> **ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS**

CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY.

WE CONFIRM THAT:

(A) THE DRAFT RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;

(B) ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND

(C) THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE.

(D) BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID.

(E) WHEN UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS."

WE CERTIFY THAT WRITTEN CONSENT FROM SHAREHOLDERS HAS BEEN OBTAINED FOR INCLUSION OF ITS SECURITIES AS PART OF PROMOTER'S CONTRIBUTION SUBJECT TO LOCK-IN AND THE SECURITIES PROPOSED TO FORM PART OF THE PROMOTER'S CONTRIBUTION SUBJECT TO LOCK-IN, WILL NOT BE DISPOSED/SOLD/TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT RED HERRING PROSPECTUS WITH THE SEBI TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT RED HERRING PROSPECTUS.

ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF FILING OF THE RED HERRING PROSPECTUS WITH THE ROC IN TERMS OF SECTION 60B OF THE COMPANIES ACT, 1956. ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF REGISTRATION OF THE PROSPECTUS WITH THE ROC IN TERMS OF SECTION 56, SECTION 60 AND SECTION 60B OF THE COMPANIES ACT."

THE FILING OF THE DRAFT RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 AND SECTION 68 OF THE COMPANIES ACT OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY AND OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP AT

ANY POINT OF TIME, WITH THE BOOK RUNNING LEAD MANAGERS, ANY IRREGULARITIES OR LAPSES IN THE DRAFT RED HERRING PROSPECTUS.

Caution

Our Company, the Selling Shareholder, our Directors, the BRLMs and the CBRLMs accept no responsibility for statements made otherwise than in this Draft Red Herring Prospectus or in the advertisements or any other material issued by or at instance of the above mentioned entities and anyone placing reliance on any other source of information, including our website, www.ntpcindia.com, would be doing so at his or her own risk.

The BRLMs and the CBRLMs accept no responsibility, save to the limited extent as provided in the Memorandum of Understanding entered into among the BRLMs, the CBRLMs, the Selling Shareholder and us dated [   ] and the Underwriting Agreement to be entered into among the Underwriters, Selling Shareholder and us.

All information shall be made available by us, the Selling Shareholder, the BRLMs and the CBRLMs to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports or at bidding centres etc.

Disclaimer in Respect of Jurisdiction

This Issue is being made in India to Persons resident in India (including Indian nationals resident in India who are majors, HUFs, companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), or trusts under the applicable trust law and who are authorised under their constitution to hold and invest in shares, permitted insurance companies and pension funds and to permitted non residents including NRIs, FIIs and other eligible foreign investors (viz. Foreign Venture Capital Funds registered with SEBI, multilateral and bilateral development financial institutions). This Draft Red Herring Prospectus does not, however, constitute an offer to sell or an invitation to subscribe to Equity Shares offered hereby in any other jurisdiction to any Person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any Person into whose possession this Draft Red Herring Prospectus comes is required to inform himself or herself about and to observe, any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in New Delhi only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Draft Red Herring Prospectus has been filed with SEBI for observations and SEBI has given its observations. Accordingly, the Equity Shares, represented thereby may not be offered or sold, directly or indirectly, and this Draft Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Draft Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in our affairs from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

Accordingly, the Equity Shares are only being offered or sold in the United States to “Qualified Institutional Buyers” as defined in Rule 144A under the U.S. Securities Act of 1933 (the

"Securities Act")and outside the United States to certain Persons in offshore transactions in compliance with Regulation S under the Securities Act.

DISCLAIMER CLAUSE OF THE NSE

As required, a copy of this Draft Red Herring Prospectus has been submitted to NSE. NSE has given vide its letter NSE/LIST/3598-V dated June 28, 2004, permission to us to use NSE's name in this Draft Red Herring Prospectus as one of the stock exchanges on which our further securities are proposed to be listed, subject to the Company fulfilling the various criteria for listing including the one related to paid up capital and market capitalization (i.e., the paid up capital shall not be less than Rs 10. crores and the market capitalization shall not be less than Rs 25. crores at the time of listing). The NSE has scrutinised this Draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to us. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed to mean that this Draft Red Herring Prospectus has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Red Herring Prospectus; nor does it warrant that our securities will be listed or will continue to be listed on the NSE; nor does it take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company.

Every Person who desires to apply for or otherwise acquires any of our securities may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against NSE whatsoever by reason of any loss which may be suffered by such Person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

DISCLAIMER CLAUSE OF THE BSE

As required, a copy of this Draft Red Herring Prospectus has been submitted to BSE. BSE has given vide its letter dated June 30, 2004, permission to the Company to use BSE's name in this Red Herring Prospectus as one of the stock exchanges on which our further securities are proposed to be listed. BSE has scrutinised this Draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to us. BSE does not in any manner:

(i) warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Red Herring Prospectus; or
(ii) warrant that this Company's securities will be listed or will continue to be listed on BSE; or
(iii) take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

and it should not for any reason be deemed or construed to mean that this Red Herring Prospectus has been cleared or approved by BSE. Every Person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against BSE whatsoever by reason of any loss which may be suffered by such Person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Filing

A copy of this Draft Red Herring Prospectus has been filed with SEBI at Corporation Finance Department, Ground Floor, Mittal Court, "A" Wing, Nariman Point, Mumbai 400 021.

A copy of the Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, will be delivered for registration to the RoC and a copy of the Prospectus required to be filed under Section 60 of the Companies Act would be delivered for registration with RoC.

Listing

Applications have been made to the NSE and BSE for permission to deal in and for an official quotation of the Equity Shares of our Company. NSE shall be the Designated Stock Exchange with which the basis of allocation will be finalised for the Non Institutional Portion and Retail Portion.

If the permission to deal in and for an official quotation of the Equity Shares are not granted by any of the Stock Exchanges, our Company and the Selling Shareholder shall forthwith repay, without interest, all moneys received from the applicants in pursuance of this Draft Red Herring Prospectus. If such money is not repaid within eight days after our Company and the Selling Shareholder become liable to repay it (i.e. from the date of refusal or within 70 days from the date of Issue Closing Date, whichever is earlier), then our Company and the Selling Shareholder shall, on and from expiry of 8 days, be jointly and severally liable to repay the money, with interest at the rate of 15% per annum on application money, as prescribed under Section 73 of the Companies Act.

Our Company and the Selling Shareholder shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at the Stock Exchanges mentioned above are taken within seven working days of finalisation and adoption of the Basis of Allotment for the Issue.

Impersonation

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, which is reproduced below:

"Any Person who:

(a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or

(b) otherwise induces a company to allot, or register any transfer of shares therein to him, or any other Person in a fictitious name,

shall be punishable with imprisonment for a term which may extend to five years."

Minimum Subscription

If we do not receive the minimum subscription of 90% of the Fresh Issue less the Employee Reservation Portion to the extent of the amount payable on application, including devolvement of

Underwriters, if any, within 60 days from the Bid Closing Date, we shall forthwith refund the entire subscription amount received. If there is a delay beyond eight days after we become liable to pay the amount (i.e. 60 days from the Bid Closing Date), we shall pay interest prescribed under Section 73 of the Companies Act.

In case of under-subscription in the Issue, the Equity Shares in the Fresh Issue will be issued prior to the sale of Equity Shares in the Offer for Sale.

Withdrawal of the Issue

Our Company and the Selling Shareholder, in consultation with the BRLMs, reserves the right not to proceed with the Issue at anytime after the Bid Closing Date, without assigning any reason thereof.

Letters of Allotment or Refund Orders

We and the Selling Shareholder shall give credit to the beneficiary account with depository participants within two working days from the date of the finalisation of basis of allocation. We and the Selling Shareholder shall ensure despatch of refund orders, if any, of value up to Rs.1,500 by "Under Certificate of Posting", and shall dispatch refund orders above Rs.1,500, if any, by registered post or speed post at the sole or first Bidder's sole risk within 15 days of the Bid Closing Date/Issue Closing Date.

In accordance with the Companies Act, the requirements of the Stock Exchanges and SEBI Guidelines, we and the Selling Shareholder undertake that:

- Allotment shall be made only in dematerialised form within 15 days from the Issue Closing Date;
- Despatch of refund orders shall be done within 15 days from the Issue Closing Date; and
- We and the Selling Shareholder shall pay interest at 15% per annum (for any delay beyond the 15 day time period as mentioned above), if Allotment is not made, refund orders are not despatched and/or demat credits are not made to investors within the 15 day time prescribed above.

We and the Selling Shareholder will provide adequate funds required for despatch of refund orders or allotment advice to the Registrar to the Issue.

Refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Bid/Issue Programme

Bidding Period / Issue Period

BID / ISSUE OPENS ON	
BID / ISSUE CLOSES ON	

Bids and any revision in Bids shall be accepted **only between 10 a.m. and 3 p.m**. (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form except that on the Bid Closing Date, the Bids shall be accepted **only between 10 a.m. and 1 p.m.** (Indian Standard Time) and uploaded till such time as permitted by the BSE and NSE on the Issue Closing Date.

The Company and the Selling Shareholder reserve the right to revise the Price Band during the Bidding Period in accordance with SEBI Guidelines. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the price band disclosed in this Red Herring Prospectus.

In case of revision in the Price Band, the Issue Period will be extended for three additional days after revision of Price Band subject to the Bidding Period/Issue Period not exceeding 13 days. Any revision in the Price Band and the revised Bidding Period/Issue Period, if applicable, will be widely disseminated by notification to BSE and NSE, by issuing a press release, and also by indicating the change on the web sites of the BRLMs, the CBRLMs and at the terminals of the Syndicate.

BOOK RUNNING LEAD MANAGERS

ICICI Securities Limited
ICICI Centre, 163, Backbay Reclamation,
H.T.Parekh Marg,
Mumbai, 400020
Tel : +91-22-2288 2460
Fax : +91 – 22- 2283 7045
Email : ntpc_ipo@isecltd.com

Enam Financial Consultants Private Limited
801/802, Dalamal Towers
Nariman Point
Mumbai 400 021
Tel. : +91-22- 5638 1800
Fax. : +91-22- 2284 6824
E-mail: ntpc.ipo@enam.com

Kotak Mahindra Capital Company Limited
Bakhtawar, 3rd Floor,
229 Nariman Point,
Mumbai 400 021
Tel. : +91- 22- 5634 1100
Fax. : +91- 22- 2284 0492
e-mail: ntpc.ipo@kotak.com

CO-BOOK RUNNING LEAD MANAGERS

CLSA India Limited
8/F, Dalamal House, Nariman Point,
Mumbai – 400 021
Tel: +91 22 2284 1348
Fax: +91 22 2284 0271
e-mail: ntpc.ipo@clsa.com

HSBC Securities and Capital Markets (India) Private Limited
52/60 Mahatma Gandhi Road, Fort,
Mumbai- 400 001
Tel. : +91- 22- 2267 4921
Fax. : +91- 22- 2263 1984
e-mail: ntpc.ipo@hsbc.co.in

Statement of Inter Se Allocation of Responsibilities for the Issue

The following table sets forth the distribution of responsibility and coordination for various activities amongst the BRLMs and the CBRLMs:

Activities	Responsibility	Co-ordinator
Capital structuring with the relative components and formalities such as type of instruments, etc.	I-SEC, ENAM, KOTAK	I-SEC
Due diligence of the Company's operations/ management/ business plans/ legal etc.	I-SEC, ENAM, KOTAK	I-SEC
Drafting & Design of offer document and of statutory advertisement including memorandum containing salient features of the Prospectus. The designated Lead Manager shall ensure compliance with stipulated requirements and completion of prescribed formalities with Stock Exchange, Registrar of Companies and SEBI	I-SEC, ENAM, KOTAK	I-SEC
Drafting and approval of all publicity material other than statutory advertisement as mentioned above including corporate advertisement, brochure, etc.	I-SEC, ENAM, KOTAK	ENAM
Appointment of Registrar and Bankers	I-SEC, ENAM, KOTAK	KOTAK
Appointment of Printer and Ad agency	I-SEC, ENAM, KOTAK	ENAM
Marketing of the Issue, which will cover inter alia, ▪ Formulating marketing strategies, preparation of publicity budget ▪ Finalize Media & PR strategy ▪ Finalizing centers for holding conferences for brokers, etc. ▪ Finalize collection centers ▪ Arrange for selection of underwriters and underwriting agreement ▪ Follow-up on distribution of publicity and issue material including form, Prospectus and deciding on the quantum of the issue material	I-SEC, ENAM, KOTAK, CLSA, HSBC	ENAM
Finalizing the list of QIBs. Divisions of QIBs for one to one meetings, road show related activities including preparation of road show presentation and order procurement	I-SEC, ENAM, KOTAK	KOTAK
Managing the Book	I-SEC, ENAM, KOTAK	ENAM
Finalizing of Pricing and Allocation	I-SEC, ENAM, KOTAK	I-SEC
Post bidding activities including management of Escrow Accounts, co-ordination with Registrar and Banks, Refund to Bidders, etc.	I-SEC, ENAM, KOTAK	KOTAK
The post issue activities of the issue will involve essential follow up steps, which must include finalization of listing of instruments and dispatch of certificates and refunds, with the various agencies connected with the work such as Registrars to the Issue, Bankers to the Issue and the bank handling refund business. Lead Manager shall be responsible for ensuring that these agencies fulfil their functions and enable him to discharge this responsibility through suitable agreements with the issuer Company.	I-SEC, ENAM, KOTAK	KOTAK

SYNDICATE MEMBERS

ICICI Brokerage Services Limited
ICICI Centre, 163, Backbay Reclamation,
H.T.Parekh Marg,
Mumbai, 400020
Tel: +91-22-2288 2460
Fax: +91-22-2283 7045

Enam Securities Private Limited
2nd Floor, Khatau Building,
44, Bank Street, Off Shaheed Bhagat Singh Road,
Fort, Mumbai- 400 001
Tel: +91- 22- 2267 7901
Fax: +91-22- 2266 5613

Kotak Securities Limited
Bakhtawar, 1st Floor, 229, Nariman Point
Mumbai- 400 021
Tel: +91-22-5634 1100
Fax: +91-22-5630 3927

Registered Office of Our Company

National Thermal Power Corporation Limited,
NTPC Bhawan, Scope Complex,
7, Institutional Area, Lodi Road,
New Delhi- 110003
Tel: +91-11-24360100
Fax +91-11-24361018
E-mail: ipo@ntpc.co.in

Company Secretary and Compliance Officer
Mr. Anjan Kumar Bajpaie
Company Secretary
NTPC Bhawan, Scope Complex,
7, Institutional Area, Lodi Road,
New Delhi- 110003.
Tel: +91- 11-24360071
Fax: +91-11- 24360241
E-Mail: ipo@ntpc.co.in

Investors can contact the Compliance Officer in case of any pre-Issue or post-Issue related problems such as non-receipt of letters of allotment, credit of allotted shares in the respective beneficiary account, refund orders or cancelled Stockinvests, etc.

Registrar to the Issue

Karvy Computershare Private Limited
Karvy House, 46,

Avenue 4, Street no.1,
Banjara Hills,
Hyderabad, 500034.
Tel: +91- 40- 23312454.
Fax: +91-40-2331 1968.
E-mail: ntpcipo@karvy.com

Legal Advisors to the Issue

Domestic Legal Counsel to the Issue

Amarchand & Mangaldas & Suresh A. Shroff & Co.
Amarchand Towers
216, Okhla Industrial Estate, Phase - III
New Delhi - 110 020
Tel. : +91-11- 2692 0500
Fax. : +91-11- 2692 4900

International Legal Counsel to the Issue
(Advising on matters pertaining to the laws of the State of New York and the Federal law of the United States of America)

Cravath, Swaine & Moore LLP
CityPoint, One Ropemaker Street
London EC2Y 9HR
England
Tel: +44 20 7453 1000
Fax: +44 20 7860 1150

Auditors

Kalani & Co.
B-145-B, Mangal Marg,
Bapu Nagar,
Jaipur-302 015.

Amit Ray & Co
5-B, Sardar Patel Marg,
Allahabad- 211 001

Umamaheswara Rao & Co.
Flat No. 5 H, D Block 3-3-324
Krishna Apartments,
Yellareddyguda Lane, Ameerpet ‘x’ Road,
Hyderabad- 500 073

S.N. Nanda & Co.
1-E/23, Jhandewalan Extension,
New Delhi- 110 055.

T.R. Chadha & Co.
B- 30, Connaught Place,
Kuthalia Building,
New Delhi- 110 001.

Banker to the Issue and Escrow Collection Bankers

ICICI Bank Limited
Capital Markets Division,
30, Mumbai Samachar Marg,
Mumbai 400 001.

Kotak Mahindra Bank Limited
7th Floor, Amba Deep
14, Kasturba Gandhi Marg,
New Delhi 110001.

HDFC Bank Limited,
B-6/3, Safdarjung Enclave,
DDA Commerical Complex,
Opp. Deer Park,
New Delhi 110029.

Deutsche Bank AG
New Delhi Branch
Tolstoy House, 15-17 Tolstoy Marg,
Post Bag 33
New Delhi 110001.

Citibank N.A.
Corporate Bank,
DLF Centre, 5th Floor,
Parliament Street,
New Delhi- 110 001.

The Hongkong and Shanghai Banking Corporation Limited
Corporate Banking Division,
ECE House, 1st Floor,
28, Kasturba Gandhi Marg,
New Delhi 110 001.

CALYON Bank
Mercantile House, 6th Floor,
15, Kasturba Gandhi Marg,
New Delhi 110 001

Standard Chartered Bank
H-2, Connaught Circus
New Delhi- 110 001

IDBI Bank Limited
K.G.Marg Branch,
11th Floor, Surya Kiran Building,
19, Kasturba Gandhi Marg,
New Delhi- 110 001

State Bank of India
Mumbai Main Branch,
Mumbai Samachar Marg,
Post Box No. 13, Fort,
Mumbai- 400 023

Bankers to the Company

Allahabad Bank
17/90, Madras Hotel Complex,
Connaught Circus
New Delhi 110 001

Andhra Bank
A-778, Sector 19,
Noida 201301

Bank of Baroda,
Bank of Baroda building,
Ground Floor,
16, Sansad Marg,
New Delhi 110 001

Canara Bank
DDA Building,
Nehru Place,
New Delhi

Central Bank of India,
Madhuban Building,
55, Nehru Place, New Delhi

Dena Bank
Core 6, Ground Floor
SCOPE Complex,
New Delhi

Indian Bank
G-6, South Extension, Part I,
New Delhi

Indian Overseas Bank
14-15, Farm Bhawan,
Nehru Place,
New Delhi

ICICI Bank Limited
A-9, Connaught Place,
New Delhi

Jammu &Kashmir Bank Limited
G-40, Connaught Place,
New Delhi

Oriental Bank of Commerce
A-30/33, Ist Floor
Connaught Circus,
New Delhi

Punjab National Bank
Parliament Street Branch,
5, Parliament Street,
New Delhi

Punjab and Sind Bank
H Block, Connaught Place,
New Delhi

State Bank of Bikaner and Jaipur
G-72, Connaught Circus,
New Delhi

State Bank of Hyderabad
Core 6, Ground Floor
Pragati Vihar,
New Delhi

State Bank of India
CAG Branch
11th and 12th Floor
Jwahar Vyapar Bhawan
Janpath
New Delhi

State Bank of Mysore
3,4 and 5, DDA Building,
Nehru Place,
New Delhi.

State Bank of Patiala
Commercial Branch
36, Chanderlok Buidling,
11 Floor, Janpath,
New Delhi

State Bank of Saurashtra
13, Nehru Place,
New Delhi

State Bank of Travancore
SBT House,

18/4, Arya Samaj Road,
Karol Bagh,
New Delhi

UCO Bank
H-Block
New Asiatic Building,
Connaught Place,
New Delhi

Union Bank of India
G-39, Connaught Circus,
New Delhi

United Bank of India
90/8, Connaught Circus,
New Delhi

Vijaya Bank
Vijaya Building,
17, Barakhamba Road,
New Delhi.

Credit Rating

As the Issue is of equity shares, credit rating is not required.

Trustees

As the Issue is of equity shares, the appointment of Trustees is not required.

Book Building Process

Book Building refers to the process of collection of Bids, on the basis of the Red Herring Prospectus within the Price Band. The Issue Price is fixed after the Bid Closing Date.

The principal parties involved in the Book Building Process are:

(1) The Company;
(2) The Selling Shareholder;
(3) Book Running Lead Managers and Co- Book Running Lead Manager;
(4) Syndicate Members who are intermediaries registered with SEBI or registered as brokers with NSE/BSE and eligible to act as underwriters. Syndicate Members are appointed by the BRLMs;
(5) Registrar to the Issue.

SEBI through its guidelines has permitted an issue of securities to the public through 100% Book Building Process, wherein: (i) upto 50% of the Net Issue shall be allocated on a discretionary basis to QIBs (ii) not less than 25% of the Net Issue shall be available for allocation on a proportionate basis to the Non-Institutional Bidders (iii) not less than 25% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

Pursuant to recent amendments to the SEBI Guidelines, QIB Bidders are not allowed to withdraw their Bid (s) after the Bid Closing Date and for further details please refer to the "Terms of the Issue" on page [•] of this Draft Red Herring Prospectus.

Our Company and the Selling Shareholder shall comply with guidelines issued by SEBI for this Issue. In this regard, our Company and the Selling Shareholder have appointed ICICI Securities Limited, Enam Financial Consultants Private Limited and Kotak Mahindra Capital Company Limited as the BRLMs and CLSA India Limited and HSBC Securities and Capital Markets (India) Private Limited as the CBRLMs to manage the Issue and to procure subscription to the Issue.

The process of book building, under SEBI Guidelines, is relatively new and the investors are advised to make their own judgment about investment through this process of book building prior to making a Bid in the Issue.

Steps to be taken for bidding:

1. Check eligibility for bidding (please refer to the section "Issue Procedure- Who Can Bid" on page [•] of this Draft Red Herring Prospectus);
2. Ensure that the Bidder has a demat account; and
3. Ensure that the Bid cum Application Form is duly completed as per instructions given in this Draft Red Herring Prospectus and in the Bid cum Application Form.

Underwriting Agreement

After the determination of the Issue Price and allocation of our Equity Shares but prior to filing of the Prospectus with RoC, our Company and the Selling Shareholder will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be offered through this Issue. It is proposed that pursuant to the terms of the Underwriting Agreement, the BRLMs and the CBRLMs shall be responsible for bringing in the amount devolved in the event that the Syndicate Members do not fulfill their underwriting obligations.

The Underwriters have indicated their intention to underwrite the following number of Equity Shares:

(This portion has been intentionally left blank and will be filled in before filing of the Prospectus with RoC)

Name and Address of the Underwriters	Indicative Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. million)

ICICI Securities Limited ICICI Centre, 163, Backbay Reclamation, H.T.Parekh Marg, Mumbai, 400020	[ ]	[ ]
Enam Financial Consultants Private Limited 801/802, Dalamal Towers Nariman Point Mumbai 400 021	[ ]	[ ]
Kotak Mahindra Capital Company Limited Bakhtawar, 3rd Floor, 229 Nariman Point, Mumbai 400 021	[ ]	[ ]
CLSA India Limited 8/F, Dalamal House, Nariman Point, Mumbai – 400 021	[ ]	[ ]
HSBC Securities and Capital Markets (India) Private Limited 52/60 Mahatma Gandhi Road, Fort, Mumbai- 400 001	[ ]	[ ]
Syndicate Members		
ICICI Brokerage Services Limited ICICI Centre, 163, Backbay Reclamation, H.T.Parekh Marg, Mumbai, 400020.	[ ]	[ ]
Enam Securities Private Limited 2nd Floor, Khatau Building, 44, Bank Street, Off Shaheed Bhagat Singh Road, Fort, Mumbai- 400 001.	[ ]	[ ]
Kotak Securities Limited, Bakhtawar, 1st floor, 229, Nariman Point Mumbai- 400 021.	[ ]	[ ]

The above mentioned amount is indicative underwriting and this would be finalized after pricing and actual allocation. The above Underwriting Agreement is dated [•]

In the opinion of the Board of Directors acting through the Chairman & Managing Director or the Director (Finance) and the Selling Shareholder, based on a certificate dated [ ] given to them by BRLMs, the CBRLMs and the Syndicate Members, the resources of the Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. All the above-mentioned Underwriters are registered with SEBI under Section 12(1) of the SEBI Act or registered as brokers with the stock exchanges. The above Underwriting Agreement has been accepted by the Board of Directors acting through the Chairman & Managing Director or the Director (Finance) of our Company and our Company has issued letters of acceptance to the Underwriters.

Allocation among Underwriters may not necessarily be in proportion to their underwriting commitments. Notwithstanding the above table, the Underwriters shall be severally responsible for ensuring payment with respect to Equity Shares allocated to investors procured by them. In the event of any default, the respective Underwriter in addition to other obligations to be defined in the Underwriting Agreement, will also be required to procure / subscribe to the extent of the defaulted amount. Allocation to QIBs is discretionary as per the terms of this Draft Red Herring Prospectus and may not be proportionate in any way and the patterns of allocation to the QIBs could be different for the various Underwriters.

CAPITAL STRUCTURE

Share capital as at the date of filing of Draft Red Herring Prospectus with SEBI (before and after the Issue) is set forth below:

(Rs. in million)

	Aggregate nominal value	Aggregate Value at Issue Price
A. Authorised Capital [1]		
10,000,000,000 Equity Shares of Rs. 10 each	100,000.000	
B. Issued, Subscribed and Paid-Up Capital before the Issue		
7812,549,400 Equity Shares of Rs.10 each fully paid-up	78,125.494	
C. Present Issue in terms of this Draft Red Herring Prospectus		
Issue of:		
865,830,000 Equity Shares of Rs. 10 each fully paid-up	8,658.300	[ ]
Comprising:		
Fresh Issue of 432,915,000 Equity Shares of Rs. 10 each fully paid-up	4,329.150	
Offer for Sale of 432,915,000 Equity Shares of Rs. 10 each fully paid-up	4,329.150	
Out of which		
(I) reserved for Employees on a competitive basis		
20,615,000 Equity Shares of Rs. 10 each	206.150	[ ]
(II) **Net Issue to the public**		
845,215,000Equity Shares of Rs. 10 each	8,452.150	[ ]
D. Equity Capital after the Issue		
8,245,464,400 Equity Shares of Rs. 10 each fully paid-up	82,454.644	[ ]
E. Share Premium Account		
Before the Issue	0.000	
After the Issue	[ ]	

[1] The authorized share capital of our Company was increased from Rs. 1,250 million divided into 1.25 million equity shares of Rs. 1,000 each of the Company to Rs. 3,000 million divided into 3 million equity shares of Rs. 1,000 each of the Company through special resolution passed at general meeting on May 14, 1979, Rs. 8,000 million divided into 8 million equity shares of Rs.

1,000 each of the Company through special resolution passed at general meeting on June 5, 1980, Rs. 15,000 million divided into 15 million equity shares of Rs. 1,000 each of the Company through special resolution passed at general meeting on September 28, 1981, Rs. 25,000 million divided into 25 million equity shares of Rs. 1,000 each of the Company through special resolution passed at general meeting on September 30, 1983, Rs. 40,000 million divided into 40 million equity shares of Rs. 1,000 each of the Company through special resolution passed at general meeting on September 28, 1984, Rs. 60,000 million divided into 60 million equity shares of Rs. 1,000 each of the Company through special resolution passed at general meeting on July 31, 1987, Rs. 80,000 million divided into 80 million equity shares of Rs. 1,000 each of the Company through special resolution passed at general meeting on September 28, 1990, Rs. 100,000 million divided into 10,000 million Equity Shares of Rs. 10 each through special resolution passed at general meeting on September 23, 2002.

The Selling Shareholder has offered 432,915,000 Equity Shares as part of the Issue. This amounts to 5.54% of the pre-Issue equity capital of the Company.

The President of India, through the MoP presently holds (including shares held through its seven nominees) 100% of the issued and paid up equity capital of our Company. After the Issue the shareholding of the President of India, through the MoP (including shares held through its seven nominees) shall be at least 89.5% of the fully diluted post Issue paid up equity capital of our Company. The Government vide their letter no. 3/3/2004 – Th.1 dated July 26, 2004 have given their approval for lock in of 20% of the fully diluted post Issue paid up equity share capital of our Company for 3 (three) years from the date of Allotment and lock in of balance pre Issue share capital of our Company (excluding the Offer for Sale) for a period of 1 (one) year from the date of Allotment. Further, the shares issued last shall be locked in first.

SEBI vide its letter CFD/DIL/YG/11140/2004 dated May 28, 2004 has granted its approval for exemption from the requirements of Rule 19(2)(b) of the Securities Contract Regulation Rules, 1957 as regards the requirements of size of the issue of minimum public offerings of 10% of the post issue capital and also the percentage allocation to QIBs.

Notes to the Capital Structure

1. Share Capital History of our Company:

Date/Year of Allotment	No. of Shares	Face Value (Rs.)*	Issue Price (Rs.)	Consideration	Reasons for Allotment	Cumulative Share Premium
March 15,1977	2	1000	1000	Cash	Subscription to shares on signing of the Memorandum of Association	Nil
May 9, 1977	2	1000	1000	Cash	Release of Equity by Govt. for issue of share in favour of nominees of President of India.	Nil
March 15, 1977, May 9, 1977 and December 6, 1977	258597	1000	1000	Cash	Allotment Shares to the President of India acting through the MoP against funds released by GOI.	Nil
1978	550000	1000	1000	Cash	-Do-	Nil

Date/Year of Allotment	No. of Shares	Face Value (Rs.)*	Issue Price (Rs.)	Consideration	Reasons for Allotment	Cumulative Share Premium
1979	1280100	1000	1000	Cash	-Do-	Nil
1980	2462800	1000	1000	Cash	-Do-	Nil
1981	2520500	1000	1000	Cash	-Do-	Nil
1982	4048130	1000	1000	Cash	-Do-	Nil
1983	2829831	1000	1000	Cash	-Do-	Nil
1984	5080100	1000	1000	Cash	-Do-	Nil
1985	6212276	1000	1000	Cash	-Do-	Nil
February 8, 1986.	3	1000	1000	Cash	Release of Equity by Govt. for issue of share in favour of nominees of President of India.	Nil
February 8, 1986; March 21, 1986; April 30, 1986; May 30, 1986; July 3, 1986; July 31, 1986; September 10,1986; September 24, 1986; November 18, 1986.	5678196	1000	1000	Cash	Allotment of Shares to the President of India acting through the MoP against funds released by GOI.	Nil
1987	5564765	1000	1000	Cash	-Do-	Nil
1988	6866650	1000	1000	Cash	-Do-	Nil
1989	3686550	1000	1000	Cash	-Do-	Nil
1990	10198600	1000	1000	Cash	-Do-	Nil
1991	10310692	1000	1000	Cash	-Do-	Nil
1992	7352000	1000	1000	Cash	-Do-	Nil
1993	5098600	1000	1000	Cash	-Do-	Nil
March 25, 1996	-13862600	1000	-	-	Reduction of Equity Shares upon transfer of assets pertaining to transmission systems to Powergrid Corporation of India Ltd. as per MoP order dated March 31, 1994	Nil
July 9, 1996	7213900	1000	1000	Cash	Allotment of Shares to the President of India acting through the MoP against funds released by GOI.	Nil
1997	688100	1000	1000	Cash	-Do-	Nil
1998	1587700	1000	1000	Cash	-Do-	Nil
1999	2500000	1000	1000	Cash	-Do-	Nil

* With effect from September 23, 2002, the face value of the equity shares of our Company have been split into Equity Shares of face value Rs 10 each. As on date, the outstanding pre-Issue Equity Shares of our Company is 7812549400 Equity Shares of face value of Rs 10 each.

2. Promoters' Contribution and lock-in

a. Details of Promoters Contribution locked in for 3 years

Name of Shareholder	Date of Allotment/ Acquisition	Date when made fully paid-up	Conside ration	No. of Equity Shares (Face Value Rs10/-)	% of Pre-Issue paid-up Capital	% of Post-Issue paid-up Capital	Lock-in Period
President of India acting through the MoP	22.10.99	22.10.99	Cash	50000000	0.6	0.6	3 years
President of India acting through the MoP	13.07.99	13.07.99	Cash	50000000	0.6	0.6	3 years
President of India acting through the MoP	31.03.99	31.03.99	Cash	75000000	1.0	0.9	3 years
President of India acting through the MoP	05.01.99	05.01.99	Cash	75000000	1.0	0.9	3 years
President of India acting through the MoP	27.10.98	27.10.98	Cash	10000000	0.1	0.1	3 years
President of India acting through the MoP	02.09.98	02.09.98	Cash	6770000	0.1	0.1	3 years
President of India acting through the MoP	30.03.98	30.03.98	Cash	52000000	0.7	0.6	3 years
President of India acting through the MoP	04.02.98	04.02.98	Cash	90000000	1.2	1.1	3 years
President of India acting through the MoP	03.02.97	03.02.97	Cash	68810000	0.9	0.8	3 years
President of India acting through the MoP	09.07.96	09.07.96	Cash	721390000	9.2	8.7	3 years
President of India acting through the MoP	26.07.91	26.07.91	Cash	450123000	5.8	5.5	3 years
Total				**1,649,093,000**	**21.1**	**20.0**	

b. Details of Promoters contribution locked in for one year

Other than the above Equity Shares that are locked-in for three years, the entire pre-Issue share capital less the number of Equity Shares for which transfer is made under the Offer for Sale shall be locked-in for a period of one year from the date of Allotment in this Issue.

3. The list of top ten shareholders of our Company and the number of Equity Shares held by them is as under:

(a) and (b)

Top ten shareholders of our Company on the date of filing and ten days prior to filing of this Draft Red Herring Prospectus with RoC are as follows:

Sr. No.	**Name of Shareholders**	**Number of Equity Shares**
1.	President of India acting through the MoP	7,812,548,700
2.	Mr. C. P. Jain holding as nominee of the President of India	100
3.	Mr. K. K. Sinha holding as nominee of the President of India	100
4.	Mr. P. Narasimharamulu holding as nominee of the President of India	100
5.	Mr. T. Sankaralingam holding as nominee of the President of India	100
6.	Mr. M. Sahoo holding as nominee of the President of India	100
7.	Mr. Arvind Jadhav holding as nominee of the President of India	100
8.	Mr. Ashwani Kapur holding as nominee of the President of India	100

c. Top ten shareholders two years prior to date of filing of this Draft Red Herring Prospectus with RoC is as follows:

Sr.No.	**Name of Shareholders**	**Number of Equity Shares**
1.	President of India acting through the MoP.	7,812,548,700
2.	Mr. C.P. Jain as nominee of the President of India.	100
3.	Mr. B. N. Ojha as nominee of the President of India.	100
4.	Dr. A. Palit as nominee of the President of India..	100
5.	Mr. K. K. Sinha as nominee of the President of India.	100

6.	Mr. Arvind Jadhav as nominee of the President of India.	100
7.	Mr. Shashi Shekhar as nominee of the President of India.	100
8.	Mr. R. Ramanujam as nominee of the President of India.	100

4. There are no outstanding warrants, options or rights to convert debentures, loans or other instruments into our Equity Shares.

5. Neither the President of India, acting through the MoP, who is our Promoter, nor our Directors have purchased or sold any Equity Shares, during a period of six months preceding the date on which this Draft Red Herring Prospectus is filed with SEBI. Our Company, our Directors, the BRLMs and the CBRLMs have not entered into any buy-back and/or standby arrangements for purchase of Equity Shares from any Person.

6. In the Net Issue, in case of over-subscription in all categories, up to 50% of the Net Issue shall be available for allocation on a discretionary basis to Qualified Institutional Buyers, a minimum of 25% of the Net Issue shall be available for allocation on a proportionate basis to Non Institutional Bidders and a minimum of 25% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Under-subscription, if any, in any portionwould be met with spill over from other categories at the sole discretion of our Company in consultation with the BRLMs.

7. A total of 2.38 % of the Issue size, i.e 20,615,000 Equity Shares, has been reserved for Allocation to the Employees on a proportionate basis, subject to valid Bids being received at or above the Issue Price and subject to the maximum Bid in this portion being Rs.2.5 million. Only Employees on the rolls of the Company as on the cut-off date i.e. July 31, 2004 would be eligible to apply in this Issue under reservation for our Employees. Employees may bid in the 'Net Issue' portion as well and such Bids shall not be treated as multiple Bids. Any under subscription in the Equity Shares under the Employee Reservation Portion would be treated as part of the Net Issue.

8. An investor cannot make a Bid for more than the number of Equity Shares offered through the Issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investor.

9. There would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of this Draft Red Herring Prospectus with SEBI until the Equity Shares have been listed.

10. We presently do not intend or propose to alter our capital structure for a period of six months from the date of opening of the Issue, by way of split or consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly for Equity Shares) whether preferential or otherwise, except that we may issue options to our employees pursuant to any employee stock option schemeor, if we enter into acquisitions or joint ventures, we may, subject to necessary approvals, consider raising additional capital to fund such activity or use Equity Shares as currency for acquisition or participation in such joint ventures.

11. There shall be only one denomination of the Equity Shares, unless otherwise permitted by law. We shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.

12. As on May 31, 2004 the total number of holders of Equity Shares is eight.

13. The Company has not raised any bridge loans against the proceeds of the Fresh Issue.

14. We have not issued any Equity Shares out of revaluation reserves or for consideration other than cash.

15. The Company has received approval from the Government of India, Ministry of Finance and Company Affairs (Department of Economic Affairs) ("FIPB") pursuant to its letter no [] dated [], for the transfer of Equity Shares in this Issue to eligible NRIs, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions. As per the RBI regulations, OCBs are not permitted to participate in the Issue. The Company has received approval from the RBI stating that the RBI has no objection for non-resident Bidders to acquire Equity Shares in the Offer for Sale, pursuant to its letter no. [] dated []. The final permission of the RBI for acquisition of Equity Shares is to be received on completion of certain filing requirements.

OBJECTS OF THE ISSUE

The Objects of the Fresh Issue:

We plan to add 9,370 MW of generating capacity over fiscal 2003-2007. The estimated capital expenditure during this period is Rs 415,220 million which comprises capital expenditure requirements for installing 9,370 MW of generating capacity, implementing new projects which will be started during the period, which will be completed post fiscal 2007 and renovation and modernisation of some of the existing power stations. These projects are proposed to be funded with a debt-equity ratio of 70/30. The equity component of the expansions is to be funded from internal accruals and fresh issue of equity.

The main objects clause of our memorandum of association and the objects incidental and ancillary to the main objects enable us to undertake our existing activities and activities for which the funds are being raised by us in the Issue.

We intend to deploy the proceeds from the Fresh Issue, after deducting Issue related expenses, for equity contribution towards expansion of generating capacity and general corporate purposes. The estimated Issue related expenses including underwriting and management fees, brokerage, fees to various advisors and all other expenses is approximately Rs. 300 million. The Issue will also help us achieve the benefits of listing our Equity Shares on the Stock Exchanges and creating a public trading market for our Equity Shares. We believe that the listing of our Equity Shares will enhance our brand name and provide liquidity to our shareholders.

Interim Use of Proceeds

Our management, in accordance with the policies established by the Board, will have flexibility in deploying the proceeds received by us from the Fresh Issue. Pending utilisation for the purposes described above, we intend to temporarily invest the funds from the Fresh Issue in high quality interest bearing liquid instruments including deposits with banks, for the necessary duration. Such investments would be in accordance with investment policies approved by our Board of Directors from time to time.

The Objects of the Offer for Sale:

The object of the Offer for Sale is to carry out the disinvestment of up to 432,915,000 Equity Shares of Rs. 10 each by the Selling Shareholder. The Company will not receive any of the proceeds from the Offer for Sale.

THE POWER INDUSTRY IN INDIA

Unless otherwise indicated, all financial and statistical data relating to the power industry in India in the following discussion is derived from the Ministry of Power's Annual Report (2002-2003), the Central Electricity Authority's General Review (2000-2001) and Executive Summary (March 2004) and the Planning Commission (Power and Energy Division) Annual Report on the Working of the State Electricity Boards and Electricity Departments (2001-2002). The data may have been re-classified by us for the purpose of presentation. Unless otherwise indicated, the data presented excludes captive capacity and generation. The term "units" as used herein refers to kilowatt hours.

Overview

The power industry in India has been characterized by energy shortages. In fiscal 2004, demand for electricity exceeded supply by an estimated 7.1% in terms of total requirements and 11.2% in terms of peak demand requirements. Although power generation capacity has increased substantially in recent years, it has not kept pace with the growth in demand or the growth of the economy generally. According to the United Nations, India has one of the lowest electricity consumption levels in the world, at 355 units per capita in 2000, due in part to unreliable supply and inadequate distribution networks. This contrasts with 827 units per capita in China, 1,878 units per capita in Brazil and 12,331 units per capita in the United States, in 2000.

Historically, state and central government entities played the dominant roles in the development of the Indian power industry. However, capacity growth did not keep pace with demand, due to inadequate investment and the poor financial health of the SEBs. In recent years, however, in light of persistent shortages, the Government has taken significant action to restructure the industry and attract investment. This has included measures to restructure the SEBs and improve their financial health. In addition, the Government has liberalised policies relating to the generation and distribution sectors.

History

At the time of independence in 1947, India had power generating capacity of a meagre 1,362 MW. Power was not available in villages or rural areas, and only a few urban centres had electricity. Generation and distribution of power was carried out primarily by private utility companies.

After independence, electricity was made subject to the concurrent jurisdiction of the state and central governments, although Parliament was given the ability to exercise pre-emptive power. The Electricity (Supply) Act, 1948 of India (the "Supply Act") created the institutional framework under which the industry was developed, which framework was not substantially modified until the recent passage of the Electricity Act, 2003 (the "Electricity Act").

The Supply Act led to the creation of the SEBs—state government agencies with the sole responsibility for generation, transmission and distribution of electricity within each state. Most states established SEBs; the smaller states and Union Territories, established Electricity Departments ("EDs") to manage and operate power systems. As of March 31, 2004, the SEBs own or control approximately 58% of India's total generating capacity and have substantial control of most of the distribution assets.

The Ministry of Power (the “MoP”) and the Ministry of Non-Conventional Energy Sources of the Government are primarily responsible for the development of the power industry in the country. The MoP is responsible for overseeing India's power industry. Its duties include perspective planning, policy formulation, monitoring the implementation of power projects, training and manpower development and the administration and enactment of legislation in regard to thermal and hydro power generation, transmission and distribution. In the mid 1970s, it was recognized that relying solely on the SEBs for power development was leading to power shortages and large inter-state imbalances, particularly in light of the uneven distribution of coal and hydroelectric resources throughout the country. To supplement the efforts of the states, the central Government increased its role in the generation and transmission of power. NTPC and National Hydro Power Corporation, Ltd. ("NHPC") were created in 1975 by the central Government to establish thermal and hydro generating plants and to install associated interregional transmission systems. In the same year, the Central Electricity Authority ("CEA") was established in its present form to develop a uniform national power policy. Additional power generating companies were established later. In 1992, the central entity known today as the Power Grid Corporation of India Limited ("POWERGRID") was established to construct, operate and maintain inter-state and interregional transmission systems. These entities are collectively referred to as the Central Power Sector Utilities ("CPSUs") and are directly accountable to the MoP. The other companies under the direct control of the MoP are the Power Finance Corporation (“PFC”) and the Rural Electrification Corporation. The Power Trading Corporation of India Limited ("PTC") was formed in 1999 to allow surplus power supplies to be efficiently traded to utilities with deficit power supplies. PTC is promoted by NTPC, POWERGRID, NHPC, and PFC.

Through successive Five Year Plans, the Government implemented a major expansion of generating assets. From 1982, when NTPC's first project was commissioned, to the end of fiscal 2004, India's total installed capacity increased from 35,781 MW to 112,058 MW, representing a compound annual growth rate of 5.3%. In addition, captive generation capacity at the end of fiscal 2004 was approximately 19,061 MW. The transmission and distribution network has been expanded so as to cover nearly 80% of the country. However, this expansion has not kept pace with the growing demand for electricity.

Recent Developments

To supplement public sector investment, the Government took steps in 1991 to attract private investment in the power industry. The Government permitted 100% foreign ownership of power generating assets and provided assured returns, a five-year tax holiday, low equity requirements, and for some private generators, counter-guarantees against non-payment of dues by SEBs. However, these reforms still did not address the poor financial health of the SEBs, and power shortages persisted. Transmission and distribution ("T&D") losses were especially high, due to inadequate metering, obsolete equipment, and theft. T&D losses were estimated to be 32.9% on average for the nation in fiscal 2001. The commercial losses of the SEBs were Rs. 253 billion in fiscal 2001, an amount equivalent to over 1% of India's GDP at the time. By March 2001, overdue payments by the SEBs to the CPSUs, including interest and surcharges, amounted to Rs.278 billion.

In order to incentivise the states to take concrete measures to restructure their power operations, the Government introduced the Accelerated Power Development and Reforms Programme ("APDRP") in fiscal 2001. The APDRP aims to bring down T&D losses to 10% through various central, state and local level initiatives and to improve the performance of generating stations through renovation and modernisation. In order to improve the financial health of the SEBs, the Government implemented the Scheme for One Time Settlement of Outstanding Dues (the "One

Time Settlement"), which settled the outstanding dues of the SEBs payable to the CPSUs, and set up a system to facilitate the full payment of subsequent billings. Most recently, the Electricity Act was adopted, which consolidated all existing laws governing the industry, created a program for restructuring the SEBs, and introduced greater competition and access into certain segments of the industry. These developments are all described in greater detail below under "Regulatory Framework--Recent Policy Initiatives".

Supply and Demand

Although electricity generation capacity has increased substantially in recent years, the demand for electricity in India is still substantially higher than the available supply. In fiscal 2004, India faced an energy shortage of approximately 7.1% of total energy requirements and 11.2% of peak demand requirements.

The following table presents data showing the gap between the total requirement for electricity versus the total amount of electricity made available from fiscal 2000 to fiscal 2004.

Actual Power Supply Position (Fiscal 2000–Fiscal 2004)

Fiscal Year	Requirement	Availability	Surplus/Deficit (+/-)	
	(million units)	(million units)	(million units)	(%)
2000	480,430	450,494	-29,836	-6.2%
2001	507,216	467,400	-29,816	-7.8%
2002	522,537	483,350	-39,817	-7.5%
2003	545,983	497,890	-48,093	-8.8%
2004	559,264	519,398	-39,866	-7.1%

Source: Ministry of Power Annual Report, 2002-2003; CEA Executive Summary, March 2004; CEA Annual Report, 2002-2003.

Consumption

The end users of power can be broadly classified into industrial (representing approximately 34% of sales in fiscal 2004), agricultural (representing approximately 25% of sales in fiscal 2004), domestic (representing approximately 25% of sales in fiscal 2004), and commercial consumers (representing approximately 7% of sales in fiscal 2004). The balance of sales goes to various other consumers.

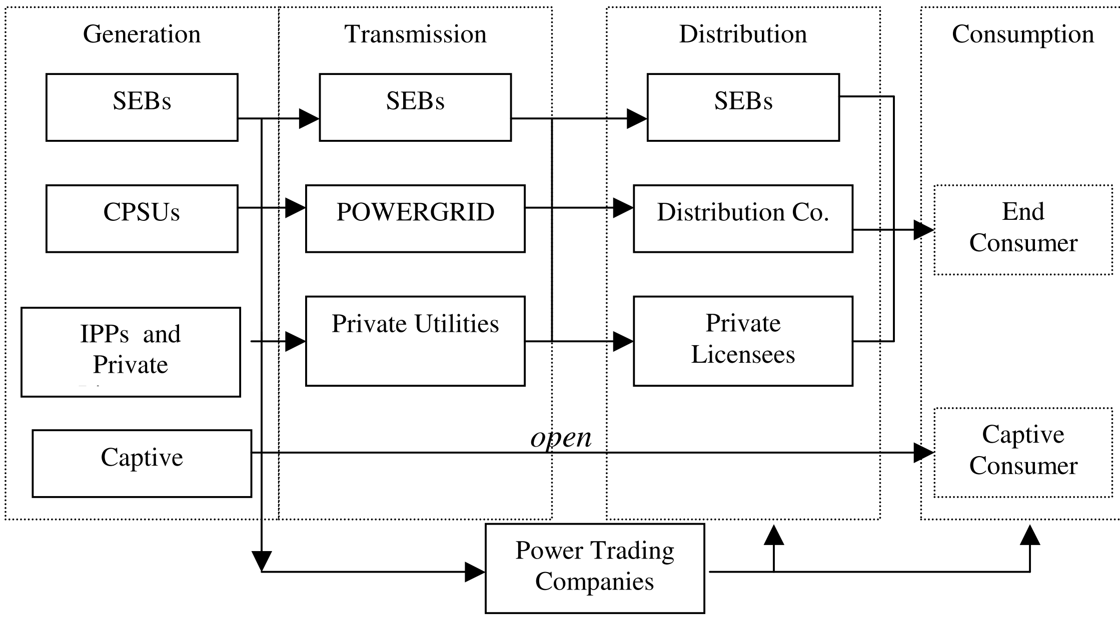
The following table compares per capita electricity consumption in India, other countries and the world average consumption as of 2000.

Country	Per Capita Electricity Consumption in 2000 (units)
India	355
China	827
Egypt	976
Brazil	1,878
U.K.	5,601
Australia	9,006
U.S.A.	12,331
World Average	2,156

Source: U.N. Development Programme, Human Development Indicators 2003.

Organization of the Power Industry

The following diagram depicts, in schematic form, the structure of the Indian power industry:



Power Generation

As of March 31, 2004, India's power system had an installed generation capacity of approximately 112,058 MW. Thermal power plants powered by coal, gas, naphtha or oil accounted for approximately 70% of total power capacity in India as of March 31, 2004, hydroelectric stations for approximately 26% and others (including nuclear stations and wind power) accounted for approximately 4%. The CPSUs accounted for approximately 30% of total power generation capacity as of March 31, 2004, the various SEBs accounted for 60% and private sector companies accounted for approximately 10%.

Installed Capacities

The following table presents the installed generation capacity of India's electricity generators by type of generation from fiscal 2000 to fiscal 2004.

Installed Generation Capacities, Fiscal 2000-Fiscal 2004 by Generation (in MW)

As of March 31,	Thermal (% of Total)	Hydro (% of Total)	Wind (% of Total)	Nuclear (% of Total)	Total (in MW)
2000	71.8	24.3	1.2	2.7	98,184
2001	71.2	24.7	1.3	2.8	101,626
2002	71.0	25.0	1.4	2.6	105,046
2003	71.0	24.9	1.6	2.5	107,973
2004	69.6	26.3	1.7	2.4	112,058

Source: CEA Executive Summary, March 2004.

Installed Generation by Capacity by Sector (Fiscal 2004)

Type/Sector	Central	State	Private	Total
Thermal	27,257	41,676	9,036	77,968
Hydro	5,374	23,250	876	29,500
Nuclear	2,720	0	0	2,720
Wind	0	65	1,805	1,870
Total	35,351	64,991	11,717	112,058

Source: CEA Executive Summary, March 2004

In addition, captive generation capacity at the end of fiscal 2004 was approximately 19,061 MW.

Future Capacity Additions

The Government adopts a system of successive Five Year Plans that set out targets for economic development in various sectors, including the power sector. Each successive Five Year Plan has increased power generation capacity addition targets. The Ninth Plan targeted a capacity addition of 40,245 MW, of which 24.4% was to come from hydro capacity, 73.4% was to come from thermal capacity, and 2.2% was to come from nuclear capacity. MoP estimates indicate that only around 19,251 MW, or 48% of the planned capacity addition, were added in the aggregate during the Ninth Plan. The target for capacity addition has been set at 41,110 MW under the Tenth Plan, as described below:

Capacity Addition Programme, Tenth Plan (in MW)

Type/Sector	Central	State	Private	Total
Thermal	12,790	6,676	5,951	25,417
Hydro	8,742	4,481	1,170	14,393
Nuclear	1,300	0	0	1,300
Total	22,832	11,157	7,121	41,110

Source: Ministry of Power, 2002-2003 Annual Report

The Government has set an ambitious target of providing "Power for All" during the Tenth and Eleventh Plans. Based on the 16th Electricity Power Survey prepared by the CEA, India would require additional capacity creation of nearly 100,000 MW by 2012 to achieve this goal.

Capacity Utilisation

Capacity utilisation in the Indian power sector, as measured by the plant load factor ("PLF") of generating plants, is lower than in developed countries. However, the PLF for coal-fired plants has increased from 63.0% in fiscal 1996 to 72.7% in fiscal 2004. The following table shows the PLF for coal-fired plants from fiscal 2000 to fiscal 2004, by sector.

Fiscal Year	Centre	State	Private	Overall
2000	73.8	63.7	68.9	67.3
2001	74.3	65.6	73.1	69.0
2002	74.3	67.0	74.7	69.9
2003	77.1	68.7	78.9	72.2
2004	78.7	68.4	80.4	72.7

Source: Planning Commission Annual Report on the Workings of the SEBs and EDs, 2001-2002; CEA, Annual Report 2002-2003; CEA, Executive Summary March 2004.

PLF varies significantly across ownership segments. Coal-fired generating plants owned by SEBs operated at an average PLF of around 68.4% in fiscal 2004, while those owned by private utilities and CPSUs operated at a PLF of 80.4% and 78.7%, respectively, during the same period.

Transmission and Distribution

In India, the T&D system is a three-tier structure comprising regional grids, state grids and distribution networks. The distribution network and the state grids are owned and operated by SEBs or state governments through SEBs. Most of the inter-state transmission links are owned and operated by POWERGRID. In order to facilitate the transfer of power between neighbouring states, state grids are interconnected to form regional grids.

Because peak demand does not occur simultaneously in all states, situations may arise in which there is surplus of power in one state while another state faces a deficit. The regional grids facilitate transfers of power from a power surplus state to a power deficit state. The grids also facilitate the optimal scheduling of maintenance outages and better co-ordination between the power plants. The regional grids are to be gradually integrated to form a national grid, whereby surplus power from a region could be transferred to a region facing power deficits, thereby facilitating a more optimal utilisation of the national generating capacity. At present the national grid has a capacity of 8,500 MW and POWERGRID expects to achieve grid capacity of 30,000 MW by fiscal 2010.

The T&D system in India is characterized by high losses, ranging from 24-33% during fiscal years 1997 to 2001, which includes theft as well as commercial losses. This compares with T&D losses of 10 to 15% in developed countries. T&D losses for the 19 SEBs and 8 EDs increased from 21.8% in fiscal 1993 to 29.9% in fiscal 2001. In the absence of adequate metering arrangements, however, loss figures have an implicit element of inaccuracy.

The Electricity Act calls for the unbundling of the SEBs so that the generation, transmission and distribution functions are placed into separate corporations. In addition, the Electricity Act provides for open access, whereby any generator has non-discriminatory access to transmission lines or distribution systems, and permits the creation of alternative or parallel distribution networks. However, these reforms are likely to take time to have full effect. Private sector investments have been allowed in the transmission sector and foreign direct investment in this sector is being encouraged by the Government. In addition, decentralized distributed generation using non-conventional sources of energy such as solar power and biomass are being encouraged in the country.

Power Trading

The Electricity Act recognized power trading as a distinct activity from generation, transmission, and distribution. Power trading involves the exchange of power from suppliers with surpluses to suppliers with deficits. Seasonal diversity in generation and demand, as well as the concentration of power generation facilities in the fuel-rich eastern region of India, have created ample opportunities for trading of power. Recent regulatory developments include the announcement of rules and provisions for open access and licensing related to inter-state trading in electricity. Under the rules notified, the regulatory intention is the promotion of competition. Several entities have started trading operations or have applied for trading licences. Current participants in the power trading business include, among others, PTC, NTPC's subsidiary NTPC Vidyut Vyapar Nigam Limited and the Tata group.

Regulatory Framework

As noted above, responsibility for the development of the power industry is shared between the Government and the state governments. The MoP is the ministry governing the central power sector in the country.

The MoP oversees the operation of all CPSUs. The Central Electricity Authority ("CEA") advises the MoP on electricity policy and technical matters, among others. The Central Electricity Regulatory Commission ("CERC") was constituted under the Electricity Regulatory Commission Act, 1998 (the "ERC Act") to regulate the tariffs for the CPSUs and other entities with interstate generation or transmission operations. The ERC Act , which has been replaced by the Electricity Act, also provided for the formation of State Electricity Regulatory Commissions ("SERCs") in the respective states for the rationalization of energy tariffs and the formulation of policy within each state. As of March 31, 2004, twenty states have set up their SERCs.

Geographically, the SEBs are grouped into five Regional Electricity Boards ("REBs"). The REBs coordinate system operations in the respective regional grids including generation schedule, overhaul and inter-grid maintenance programs, power transfers and tariffs.

Tariff Setting

Tariff Setting for Generators

Tariffs for state sector generators are regulated by the SERCs or the respective state governments, and those for independent power producers are not regulated. The Electricity Act empowers the CERC to set the tariff of generating companies owned or controlled by the Government and other entities with interstate generation or transmission operations. Under the Electricity Act, the Government will formulate national electricity and tariff policies in conjunction with state governments and the CEA. The CERC advises the Government on the formulation of that policy. The tariff policy is intended to serve as a guide in the actual tariff setting. The Government has constituted a task force for the formulation of a national tariff policy, which has circulated a draft tariff policy that has not yet been accepted by the Government.

In the meantime, CERC has issued tariff regulations effective from April 1, 2004 for a period of five years. These regulations provide for tariffs consisting of a capacity charge, a variable charge and an unscheduled interchange charge. For further discussion on tariffs and their impact on our results of operations, see "Our Business–Sales of Power" and "Management's Discussion and Analysis of Financial Condition and Results of Operations–Factors Affecting Our Results of Operations."

Tariff Setting for End Consumers

Under the Electricity Act, tariffs for customers of the SEBs and EDs will be regulated by the SERCs. The Act allows state governments to provide power at subsidized rates, but requires them to fund the subsidy out of their respective state government budgets.

While setting the tariff for consumers of SEBs and EDs, some states have attempted to cross-subsidise tariffs by charging lower rates for agricultural and domestic consumers, and charging higher rates for industrial and commercial consumers. Tariffs, even with cross-subsidization, have not kept pace with the cost of supply. The cost of supply for distribution licensees averaged Rs. 3.49 per unit in fiscal 2002, up from Rs. 1.09 per unit in fiscal 1989. The increase in the total cost of supply is mainly due to the increase in power purchase costs. The average tariff has not increased proportionately with the increase of the cost of supply. The average revenue per unit was Rs. 2.40 per unit in fiscal 2002, leaving a gap of Rs. 1.10 for every unit of power supplied. This has adversely affected most of the SEBs and their commercial losses totalled approximately Rs. 330 billion in fiscal 2002.

Recent Policy Initiatives

Mega Power Projects

In October 1998, the Government announced a policy aimed at utilising economies of scale and producing power at the most economical locations. Under this policy, subject to satisfying certain conditions, thermal power projects with a capacity of 1,000 MW and above (or hydro projects with a capacity of 500 MW and above) and selling power to more than one state are granted "mega power project" status, and allowed certain fiscal benefits, such as the duty-free import of capital goods and a ten-year income tax holiday. Mega power projects in both the public and private sectors can avail of the benefits of this policy.

Accelerated Power Development and Reforms Programme

To improve the condition of the SEBs, the Government launched a combination of regulatory and development initiatives. In fiscal 2000, the Government initiated the APDRP to provide financial assistance to the states for undertaking renovation and modernization programs for thermal and hydro power stations and to strengthen and improve the sub-transmission and distribution network. The Government earmarked a total of Rs. 400 billion for the programme during the Tenth Plan. The programme includes investment components and incentive components.

Under the investment component of APDRP, the Government provides financial assistance to the states to strengthen and upgrade their sub-transmission and distribution networks. Half of the cost of such projects is met by the Government through concessional loans, with the balance arranged by the states as counterpart funding from financial institutions. However, for states in the northeastern region, Jammu & Kashmir, Himachal Pradesh, Uttaranchal and Sikkim, the Government provides financial assistance for up to 100% of the project cost.

Under the incentive component, the MoP makes a grant to the states of 50% of the SEB's actual cash loss reductions year-over-year. This component has been introduced to motivate the SEBs and utilities to reduce their financial losses.

Scheme for One Time Settlement of Outstanding Dues

To help improve the financial health of the SEBs, the Government implemented the One Time Settlement on April 17, 2002. The One Time Settlement provided for:

- the securitisation of dues outstanding and 40% of surcharge/interest as of September 30, 2001 through tax-free bonds (bearing a coupon of 8.5% and maturing in various stages, starting from October 1, 2006 until April 1, 2016) to be issued by the Reserve Bank of India (the "RBI") on behalf of each of the state governments to the CPSUs;

- the waiver of the remaining 60% of surcharge and interest due to the CPSUs by the SEBs;

- conversion of previously issued SEB bonds into bonds under the One Time Settlement;

- the full payment of all dues after September 30, 2001 by a mechanism:

  - requiring SEBs to provide letters of credit to CPSUs equivalent to 105% of the average monthly billing for the preceding 12 months;

  - giving SEBs a one time cash incentive equal to 2% of the bond amounts for opening and maintaining letters of credit securing their payment obligations;

  - giving SEBs cash incentives (for the four year period beginning in fiscal 2003) for regular payments under the bonds amounting to 6% of the bond amount in the first year, 5% in the second year and 4% in each of the last two years;

  - allowing CPSUs to take certain actions in the case of failure to open or maintain letters of credit or default in making payment of current dues within the stipulated 60-day period, including graded reductions in power supply and, if payment defaults continue for more than 90 days, recovery of payments from the RBI directly which payment is then debited from the applicable state's account with the RBI.

The One Time Settlement is effected by individual Tripartite Agreements between the Government, the RBI and each state.

The Tripartite Agreements also contain a series of obligations on the part of each state government and its SEB in relation to ongoing power industry reforms including the establishment of SERCs, the metering of distribution feeders and the completion of tariff petitions in accordance with performance milestones reviewed by the MoP. SEBs have opened letters of credits as envisaged in the Scheme, which has enabled full realization of the current billings in most cases. The state governments have ensured timely servicing of the bonds to date.

Electricity Act, 2003

The Government enacted the Electricity Act with the objectives of consolidating the laws relating to generation, transmission, distribution, trading and use of electricity and creating measures conducive to the development of the power industry, including promoting competition. The Electricity Act includes wide ranging initiatives to (1) liberalise generation and T&D, (2) identify the causes of and solve the SEB crisis, (3) upgrade infrastructure and (4) improve centre-state coordination in planning and development. Some of the key provisions of the Electricity Act include:

- The unbundling of the SEBs into separate corporations for generation, transmission and distribution;

- Requiring open access to the T&D system;

- Exempting the construction, maintenance and operation of captive generating plants from the requirements of the Electricity Act, except for the provision that electricity sent to the grid from the captive generating plant is regulated in the same manner as the electricity sent to the grid by a non-captive generating station;

- Introducing power trading as a distinct activity from power generation, transmission and distribution;

- Compulsory metering of all consumers, in order to improve accountability; and

- Provisions for minimizing the theft of power, including stringent penalties for electricity theft and allowing the appropriate ERC to appoint one of its members as an adjudicating officer to expeditiously deal with cases of power theft.

It is expected that many of these reforms will take time to implement. Some of the reforms, such as unbundling of SEBs, open access, and parallel distribution, involve significant administrative and legislative action. For more information about the Electricity Act, see the section titled "Regulations and Policies" on page [●] of this Draft Red Herring Prospectus.

OUR BUSINESS

Overview

We are the largest power generating company in India. As of March 31, 2004, our installed capacity represented approximately 19.1% of India's total installed capacity, and we contributed 26.7% of the total power generation of India during fiscal 2004. A study conducted by AT Kearney in 2002 placed us among the ten largest thermal generators in the world in terms of generated output. We are 100% owned by the Government of India and, following this Issue, the Government will own approximately 89.5% of our paid-up capital.

As of March 31, 2004, our total installed capacity was 21,435 MW through 13 coal-fired power stations and seven gas-fired power stations (including our naphtha-fired station at Kayamkulam). We also operate 314 MW of capacity through three joint venture projects and manage a 705 MW power station owned by the Government. Our power stations are distributed across India. We generated 149.2 billion units of electricity in fiscal 2004. In fiscal 2004, over 99% of our total sales of electricity were to the SEBs pursuant to long term power purchase agreements. As a result of the recent Tripartite Agreements, we realized 100% of the amounts due to us from the SEBs for fiscal 2004, and their current payments to us are secured through letters of credit.

We operate our plants at a high level of efficiency. In fiscal 2004, for our coal-fired plants (excluding two plants taken over from other generators, which are undergoing renovation and modernisation) the average availability was 88.8% and the plant load factor was 84.4%, compared to the all-India average PLF for coal-fired plants of 72.7%. For our gas-fired plants, the average availability was 89.0% and the PLF was 68.3%. In fiscal 2004, our average selling price of electricity was Rs. 1.47 per unit, making us one of the most competitive sources of bulk power in India. In fiscal 2004, our average selling price of electricity per unit was Rs. 1.27 for our coal-fired stations and Rs. 2.41 for our gas-fired stations. We have also significantly improved the performance of plants that we have taken over from other generators, as well as those we operate under management contracts or through joint ventures.

Because demand for electricity continues to significantly exceed supply in India, the target for capacity addition has been set at 41,110 MW under the Government's Tenth Plan (fiscal 2003-2007). Under the Plan, CPSUs are to implement 22,832 MW of the targeted capacity expansion, of which we have been allocated 9,370 MW, or 41%. 2000 MW of our target have already been commissioned, and construction activities for projects representing 6,370 MW are in different stages of progress. We have a memorandum of understanding regarding a joint venture with the Indian Railways for 500 MW of capacity and our joint ventures with the Steel Authority of India Limited have plans to expand their capacity by 500 MW by fiscal 2007. Our planned capacity addition during the Government's Eleventh Plan (fiscal 2008-2012) is 11,558 MW, of which we have commenced work on 2,120 MW.

In addition to increasing our capacity, we plan to diversify our operations by taking advantage of opportunities created by regulatory and economic reforms. We have entered into the power trading business and are considering downstream integration into the electricity distribution business. We also plan to enter into coal mining to achieve greater fuel security, and plan to enter into coal washing operations. We intend to enhance our current consulting services capabilities in the domestic and international markets.

Based on our performance, in 1997 the Government named us as one of the "Navratnas" (nine jewels), which are public sector enterprises that, by virtue of their operational and financial strengths and market leadership, have been accorded greater operational freedom and autonomy in decision making.

In fiscal 2003 and 2004, we generated total revenues of Rs. 198,499 million and Rs. 259,642 million, and profit after tax of Rs. 36,075 million and Rs. 52,608 million, respectively. Our revenues and profits in fiscal 2004 were significantly higher than prior periods because of interest on bonds issued to us, as well as a one-time surcharge on outstanding dues from the SEBs, pursuant to the One Time Settlement.

Our Competitive Strengths

We believe that the following are our primary competitive strengths:

Leadership position In the Indian power generation sector

We are India's largest power generating company in terms of installed capacity and generated output. As of March 31, 2004, our installed capacity of 21,435 MW represented 19.1% of India's total installed capacity of approximately 112,058 MW, compared to 8.7% for the next largest producer in India. In fiscal 2004, we generated 149.2 billion units of electricity, which represented 26.7% of India's total electricity output of 558 billion units, compared to 8.2% provided by the next largest producer in India.

Long term power purchase agreements with our customers

As of March 31, 2004, the entire output from our installed capacity was contracted for through long term PPAs. Over 99% of our total sales was under contract to the SEBs, and 100% our billings to the SEBs are currently secured through letters of credit issued pursuant to the Tripartite Agreements. At the time we make investment decisions on new capacity or expansion of existing capacity, we typically have commitments for the purchase of the output.

Proximity to fuel sources

Most of our coal-fired stations are located close to the coal mines that supply coal to the plants, which helps reduce supply interruptions and transportation costs. Most of our gas-fired stations are located along major gas pipelines. We believe that our proximity to our primary fuel sources is one of the key factors enabling us to generate electricity at rates which are among the most competitive in India.

Large scale and diversified generation capacity

We have installed substantial generation capacities in single locations, which we believe offers us significant economies of scale in our operations. Our generation capacity is distributed nationally, which minimizes regional or location-specific risks. In addition, we are diversified by fuel type, with approximately 82% of our current capacity being coal-fired and 18% being gas-fired. We have also commenced work on our first hydro powered station in Koldam, which is expected to become operational by fiscal 2009.

High operational efficiency

In fiscal 2004, the average availability of our coal-fired plants (excluding two plants taken over from other generators, which are undergoing renovation and modernisation) was 88.8% and their average PLF was 84.4%. This compares favourably to the all-India average PLF for coal-fired plants of 72.7% in fiscal 2004. In order to consistently ensure high availability of our plants and equipment, we extensively monitor and systematically maintain our plants. We believe that our monitoring and maintenance techniques offer us a competitive advantage in an industry where reliability and maintenance costs are a significant determinant of profitability.

Established track record in implementing new projects

We have extensive experience in the development and execution of new projects. We have reduced our project implementation time over the past 18 years. Our first 500 MW unit at Singrauli was completed in fiscal 1986 in 59 months from the time the main plant was ordered and our most recent 500 MW unit at Talcher was completed in fiscal 2003 in 38 months from the time the main plant was ordered. Our engineering capabilities range from the concept stage to the commissioning of our projects. We believe that our experience and expertise in project implementation provide us with significant competitive advantages in an industry where substantial expansion is expected in the foreseeable future.

Strong financial position

We have a strong financial position, which we believe will enable us to finance our capacity expansion plans. As of March 31, 2004, we had a debt to equity ratio of 0.43 and in fiscal 2004 we had net cash from operating activities of Rs. 58,118 million. Under the Tripartite Agreements we have received bonds in lieu of outstanding receivables from the SEBs as well as LCs securing future payments. As of March 31, 2004, our domestic bonds were given the highest credit rating of AAA by CRISIL or LAAA by ICRA, and our Eurobond offering in March 2004 received a BB rating from Standard & Poor's and a BB+ rating from Fitch, which were equivalent to India's sovereign rating. Our weighted average cost of debt financing declined from 8.49% in fiscal 2002 to 6.95% in fiscal 2004.

Government support

We play a pivotal role in the Government's plans for the power sector, and our planned capacity addition in the Tenth Plan constitutes 23% of the planned capacity addition of the entire power sector in India. The Government's support was critical in securing the settlement of outstanding dues owed to us by the SEBs. The Government has also granted us “Navratna” status. This provides us with strategic and operational autonomy, including the ability to make investment decisions without Governmental approval.

Competent and committed workforce

We have a highly competent and committed workforce. Our senior executives have extensive experience in our industry and many of them have been with us for a significant portion of their careers. We invest significant resources in employee training and development. In 2003, a study by Business Today and Hewitt Associates rated us as the third best employer among all Indian companies.

Our Strategy

Our corporate vision is “to be one of the world’s largest and best power utilities, powering India’s growth”. The following are our strategies to achieve this vision:

Expand our installed capacity

We plan to add 9,370 MW capacity during the Tenth Plan, of which we have already commissioned 2000 MW and construction activities for projects representing 6,370 MW are in different stages of progress. We are also planning to add an additional 1,000 MW of capacity through joint ventures during this period. Our planned capacity addition during the Eleventh Plan is 11,558 MW, of which we have commenced work on 2,120 MW. As part of our capacity addition programme, we also intend to diversify our fuel mix by adding approximately 2,028 MW of hydroelectric capacity by fiscal 2012. We believe that if we are successful in our capacity expansion plans we will be able to maintain our leadership position in the Indian power generation industry.

Achieve greater fuel security

We have long term coal and gas supply agreements with our fuel suppliers. We intend to enter into coal mining and coal washing operations to ensure better control, greater reliability and lower cost of our coal supply. We believe that our entry into coal mining may enable us to benchmark the price at which we obtain coal from our suppliers. To ensure reliable supply of gas for our planned capacity addition at Kawas and Gandhar, we are in the process of finalising a long term contract for sourcing gas. We have also commenced a competitive bidding process for our planned gas capacity addition in Kayamkulam. We believe that these initiatives, among others, will give us greater fuel security and control over fuel expenses, and will enhance our competitiveness.

Take advantage of diversification opportunities provided by regulatory and economic reforms

We plan to diversify our business by taking advantage of opportunities created by regulatory and economic reforms. We have entered into the power trading business and are considering downstream integration into the electricity distribution business. We also intend to enhance our current consulting services capabilities in the domestic and international markets. We believe that these initiatives, together with our plan to enter into coal mining, will enable us to achieve greater vertical integration and create new avenues for revenue and margin growth.

Improve our operating performance

We intend to improve plant availability and reduce our operating costs by improving, among other things, the thermal efficiency and heat rate of our plants. We intend to devote significant resources to modernising our plants and investing in technologically advanced equipment and methods. We also intend to implement advanced maintenance practices. We believe that our focus on modernising our plants and on their maintenance will increase their useful life, improve their efficiency and operating performance and reduce capital expenditure.

Emphasize research and development

We propose to continue applied research to improve the performance of our power plants. We also intend to conduct fundamental research into alternative fuels, non-conventional energy sources and new technologies. We intend to invest up to 0.5% of our annual profit after tax in research and development initiatives. We believe that our focus on research and development will enable us to improve our operating performance.

Continue to invest in employee development

We intend to continue developing the capabilities of our employees through an objective and open performance management system, by recognising and rewarding employee performance and by institutionalising our core values among our employees. We intend to continue to provide better and more comprehensive training to our employees at various stages in their careers to familiarize them with technological advances and up-to-date operational and management practices in our industry. We believe that our continuing initiatives will further enhance the capabilities and productivity of our employees and strengthen our recognition as a preferred employer.

Expand our Corporate Social Responsibility Initiatives

We are involved in a variety of corporate social responsibility initiatives and intend to expand our involvement in this area. We intend to continue our focus on the resettlement and rehabilitation of Persons who are affected by our projects and other activities, and plan to establish a foundation to address the issue of disability in a comprehensive manner. We also intend to facilitate distributed generation, which may involve the use of non-conventional energy sources to provide electricity to remote and rural areas. We intend to invest up to 0.5% of our annual profit after tax in furtherance of these initiatives.

Memorandum of Understanding with the Government

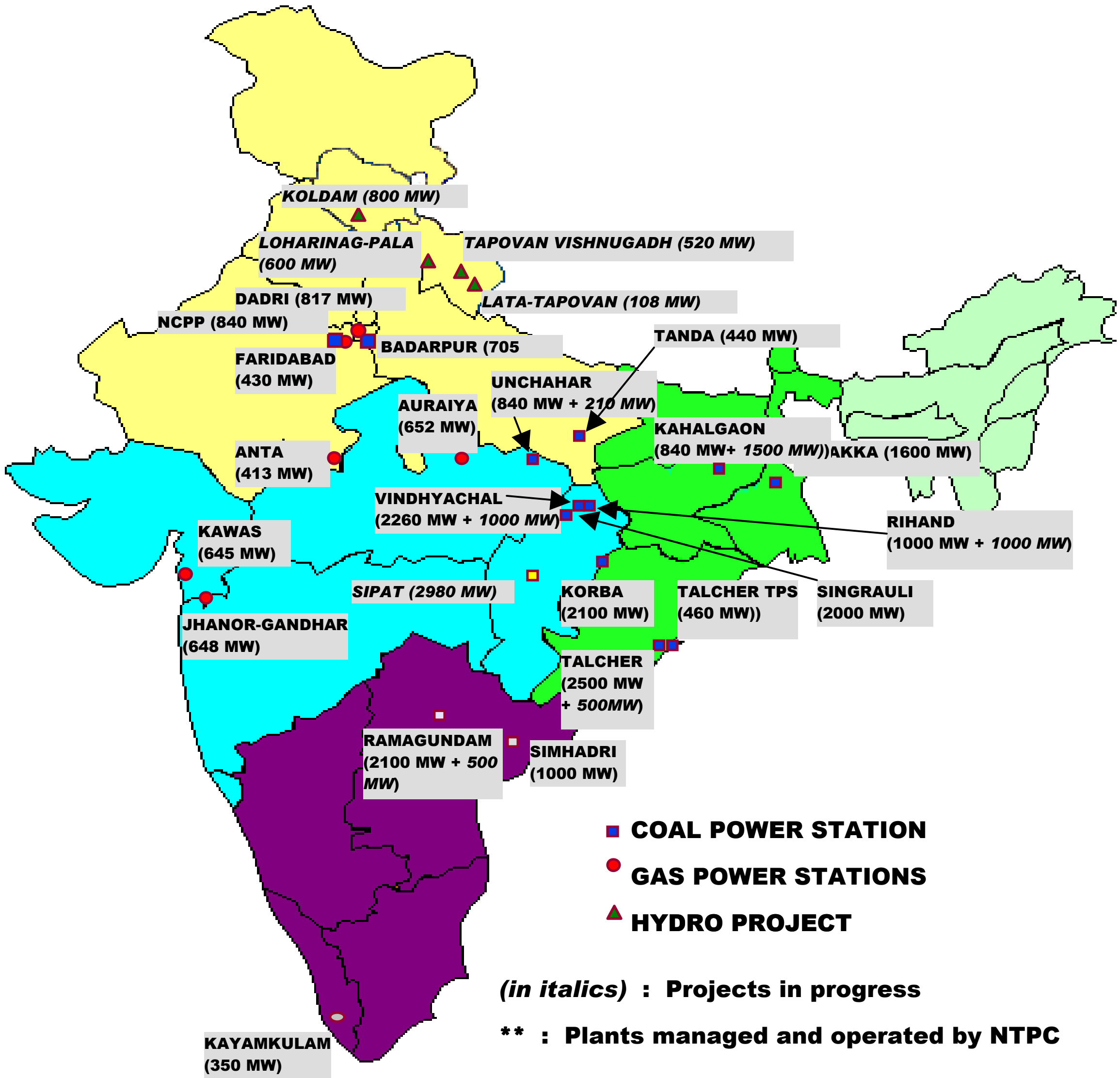
We enter into an annual MOU with the Government. The MOU sets annual performance targets. The MOUs for fiscal 2004 and 2005 also contain provisions to give effect to the arrangements under the One Time Settlement (see "The Electricity Industry in India--Scheme for One Time Settlement of Outstanding Dues"). An evaluation of our actual performance against these targets is conducted at the end of each fiscal year. The Government has given us an "excellent" rating, which is the highest rating, every year since the MOU system became operative in fiscal 1988.

Operations

Our core business is the generation and sale of electricity. We have installed substantial generation capacities in single locations, which are spread across India.

As of March 31, 2004, our total installed capacity was 21,435 MW through 13 coal-fired power stations (17,480 MW) and seven gas-fired power stations, including our naptha-fired station in Kayamkulam (3,955 MW). We also participate in and manage three coal-fired joint venture projects (314 MW) and manage the operations of the 705 MW Badarpur power station in Delhi on behalf of the Government. In fiscal 2004, we generated 149.2 billion units of electricity, which represented an increase of 5.9% over fiscal 2003. In fiscal 2004, we generated 125.1 billion units, or 84% of our total generation, through our coal-fired plants and 24.1 billion units, or 16% of our total generation, through our gas-fired plants.

The map below shows the locations of our existing power stations, as well as those currently under construction, together with their respective capacities.



Power Stations

The following is a list of our owned power stations as well as our joint venture and managed power stations:

Owned Power Stations

Power Station	Location	Installed Capacity as of March 31, 2004 (MW)	Fuel
Northern Region			
Singrauli	Sonebhadra, Uttar Pradesh	2000	Coal
Rihand	Sonebhadra, Uttar Pradesh	1000	Coal
Tanda	Ambedekar Nagar, Uttar Pradesh	440	Coal
Unchahar	Rae Bareli, Uttar Pradesh	840	Coal

Western Region			
Korba	Bilaspur, Chhattisgarh	2100	Coal
Vindhyachal	Sidhi, Madhya Pradesh	2260	Coal
Kawas	Surat, Gujarat	645	Gas
Jhanor Gandhar	Bharuch, Gujarat	648	Gas
Southern Region			
Ramagundam	Karimnagar, Andhra Pradesh	2100	Coal
Simhadri	Pittavanipalem Village, Andhra Pradesh	1000	Coal
Kayamkulam	Allappuzha, Kerala	350	Naphtha
Eastern Region			
Farakka	Murshidabad, West Bengal	1600	Coal
Kahalgaon	Bhagalpur, Bihar	840	Coal
Talcher STPS	Angul, Orissa	2000	Coal
Talcher TPS	Angul, Orissa	460	Coal
National Capital Region			
Dadri Thermal	Budh Nagar, Uttar Pradesh	840	Coal
Dadri Gas	Budh Nagar, Uttar Pradesh	817	Gas
Anta	Baran, Rajasthan	413	Gas
Auraiya	Etawah, Uttar Pradesh	652	Gas
Faridabad	Faridabad, Haryana	430	Gas

Joint Venture and Managed Power Stations

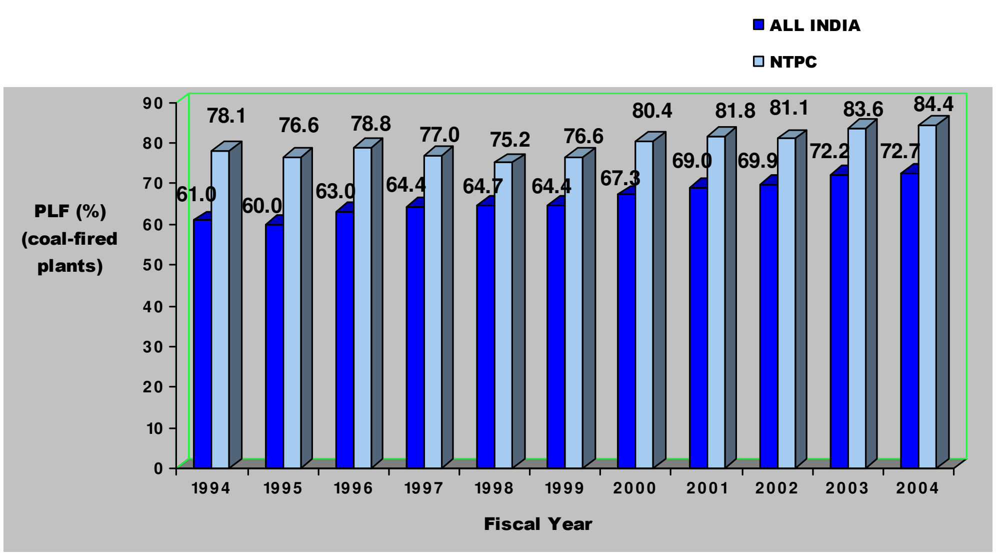
Owned by	**Location**	**Operational Arrangement**	**Current Installed Capacity**	**Fuel**
NTPC-SAIL Power Company Private Limited	Durgapur	50/50 Joint Venture with the Steel Authority of India Limited	120 MW	Coal
NTPC-SAIL Power Company Private Limited	Rourkela	50/50 Joint Venture with the Steel Authority of India Limited	120 MW	Coal
Bhilai Electric Supply Company Private Limited	Bhilai	50/50 Joint Venture with the Steel Authority of India Limited	74 MW	Coal
Government of India	Badarpur, Delhi	Managed for the Government	705 MW	Coal

The operating efficiency of our power stations has improved over the years. The availability factor (which is a measure of how often a plant is available to generate power) of our coal-fired plants has increased from 86.5% in fiscal 1994 to 88.8% in fiscal 2004. The availability factor of our gas-fired plants has increased from 60.2% in fiscal 1994 to 89.0% in fiscal 2004. The average PLF (which is a measure of how much of its capacity a plant actually uses to generate electricity) of our coal-fired plants, has increased from 78.1% in fiscal 1994 to 84.4% in fiscal 2004. In fiscal 2004, the average PLF for coal-fired power plants in India was 72.7%. The average PLF of our gas-fired plants has increased from 50.3% in fiscal 1994 to 68.3% in fiscal 2004.

The availability and PLF figures for our coal-fired plants exclude two stations, Talcher Thermal and Tanda, which were taken over from other generators. These stations are undergoing renovation and modernisation and consequently the CERC sets lower efficiency norms for these stations. When we took over Talcher Thermal in 1995 and Tanda in 2000, their PLF was 18.7% and 14.9%, respectively. The PLF of these stations has since increased to 67.8% and 75.3%, respectively, in fiscal 2004. Our strong competitive position in power generation is a direct result of the extensive monitoring and systematic maintenance operations we undertake at our plants.

Although the availability factor at our gas-fired power stations is relatively high, the PLF at these stations is significantly lower than at our coal-fired stations, which is largely due to shortages in the availability of gas. We are adopting a number of strategies to address these shortages. See "Fuel Supply" below.

The following table presents the average PLF of our coal-fired plants compared to the average PLF for all coal-fired plants in India (including our plants) for the periods indicated:



Source: Ministry of Power Annual Report 2002-2003; CEA Executive Summary, March 2004; Planning Commission Annual Report on the Working of the SEBs 2001-2002

Notes: (1) The availability and PLF figures for our coal-fired plants exclude two plants taken over from other generators, which are undergoing renovation and modernisation.
(2) All-India data for PLF for gas-fired plants is not available with the MoP.

Employee productivity, measured by the ratio of our electricity units generated per employee, increased from 4.06 million units/employee in fiscal 1994 to 7.11 million units/employee in fiscal 2004.

The following table presents certain company-wide operating parameters for the last five fiscal years:

	Fiscal Year				
	2000	**2001**	**2002**	**2003**	**2004**
Installed Capacity (MW)	19,291	19,435	19,935	20,935	21,435
Generation * (Billion Units)	118.7	130.2	133.2	140.9	149.2
Sales (Billion Units)	110.3	120.7	124.5	129.3	138.0
Average availability (%)					
Coal-fired:	90.1	88.5	89.1	88.7	88.8
Gas-fired:	87.7	88.1	87.7	87.7	89.0
Average PLF (%)					
Coal-fired:	80.4	81.8	81.1	83.6	84.4
Gas-fired:	71.3	72.2	71.1	70.0	68.3

* Includes generation during pre-commissioning phase.

Capacity Expansion Plans

Of our planned capacity expansion of 9,370 MW during the Tenth Plan, we have already commissioned 2,000 MW and construction activities for projects representing 6,370 MW are in different stages of progress. In addition, we have an MOU regarding a joint venture with the Indian Railways for 500 MW of capacity and our joint ventures with the Steel Authority of India Limited have plans to expand their capacity by 500 MW by fiscal 2007. Our planned capacity addition during the Eleventh Plan period is 11,558 MW, of which we have commenced work on 2,120 MW. While the majority of this capacity addition will be achieved through new coal-fired operations, we are also planning additional gas and hydroelectric power projects. We intend to pursue our capacity expansion through new greenfield projects, expansion of existing stations, joint ventures and subsidiaries. A list of our planned and commissioned projects is given below:

	Projects	**Tenth Plan (fiscal 2003 to 2007)**	**Eleventh Plan (fiscal 2008 to 2012)**
I.	**Northern Region**		
1.	Rihand – II	1000	**-**
2.	Koldam	-	800
3.	Unchahar - III	210	**-**
4.	Loharinagpala	-	600
5.	Tapovan Vishnugad	-	520
6.	Lata Tapovan	-	108
	Sub Total (I)	**1210**	**2028**
II.	**Southern Region**		

1.	Simhadri	500	-
2.	Ramagundam	500	-
3.	Kayamkulam	-	650
4.	Ennore – JV with TNEB	-	500
	Sub Total (II)	**1000**	**1150**
III.	**Eastern Region**		
1.	Talcher	2000	-
2.	Kahalgaon	1500	**-**
3.	Nabinagar – JV with Indian	500	500
4.	Bhilai – JV with SAIL	500	-
5.	Barh	-	1980
6.	North Karanpura	**-**	1980
	Sub Total (III)	**4500**	**4460**
IV.	**Western Region**		
1.	Vindyachal	1000	-
2.	Sipat	1660	1320
3.	Kawas	-	1300
4.	Gandhar	-	1300
	Sub Total (IV)	**2660**	**3920**
V.	**National Capital Region**		
	Sub Total (V)	**0**	**0**
	TOTAL (I+II+II+IV+V)	**9370**	**11558**

Our expansion plans are subject to change and are dependent on various factors, some of which may be beyond our control.

By designating us a "Navratna" company, the Government has given us significant operational autonomy. We are permitted to make capital investment decisions without obtaining approval from the Government. We are generally permitted to form joint ventures and subsidiaries up to specified investment limits, to borrow both in India and abroad, to purchase new technology and to formulate our own policies. We also have the freedom to independently negotiate PPAs with our customers.

Our internal investment decision process involves assessment by a project sub-committee of the Board, with final investment approval being made by the full Board. In all cases, projects are also appraised by a financial institution before our board gives investment approval. Approval is also subject to compliance with all statutory clearances, availability of necessary fuel linkages and, typically, the execution of PPAs for the life of the plant. We may in the future consider setting up "merchant plants" without pre-agreed PPAs and selling the power they generate in the market.

We will need significant additional capital to fund our capacity expansion plans. Our ability to finance our capital expenditure plans is subject to a number of risks, contingencies and other factors, some of which are beyond our control, including our results of operations, tariff regulations, interest rates, the amount of dividend required to be paid to the Government and our public shareholders and our ability to obtain financing on acceptable terms. We installed 2,700 MW, or 51%, of our planned capacity addition of 5,300 MW during the Ninth Plan period. The

2,600 MW shortfall in capacity was to be based on naphtha fuel. However, the high prices of naphtha, among other things, made this expansion commercially unviable.

Project Management

Over the past 18 years we have reduced our project implementation times. Our first 500 MW unit at Singrauli was completed in fiscal 1986 in 59 months from the time the main plant was ordered and our most recent 500 MW unit at Talcher was completed in fiscal 2003 in 38 months from the time the main plant was ordered. We have also taken several steps to reduce the time it takes to implement a project, including the increased utilization of mechanized excavation techniques, the standardization of designs and layouts, the preparation of standard quality plans and the use of modular assemblies. We also conduct technical and process-related reviews periodically with a view to reducing project costs.

We have adopted an integrated system for the planning, scheduling, monitoring and control of Board approved projects, which covers all aspects of the project, from concept to commissioning. Under our project management system, the initial requirements for a new project are detailed explicitly and all aspects of the work required to complete the project are then divided into schedules of contracts to be awarded by competitive tender. Following the award of a contract, comprehensive and integrated plans govern the implementation of the project and control the quality of materials and work during construction.

Technology and Processes

Power Generation Technologies

We currently operate only thermal power stations, using coal or gas fuel.

Coal-Fired Power Stations

All of our coal-fired power stations employ proven Pulverized Coal Combustion ("PCC") technology which utilizes the heat energy released by the combustion of pulverized coal in a boiler to create steam at high pressures and temperatures. The steam then drives a turbine, which in turn rotates an alternator to produce electricity.

PCC technology can be bifurcated into subcritical PCC technology and supercritical PCC technology. The technologies differ principally in the pressure and temperature at which steam is produced in the boiler. The pressure and temperature of steam in a supercritical plant are significantly higher than in a subcritical plant. Supercritical technology necessitates the use of advanced materials for the equipment that processes the steam. However, supercritical plants are more efficient compared to subcritical plants, requiring less coal than subcritical plants to generate the same amount of electricity. In addition, supercritical plants emit less pollutants than subcritical plants. All of our coal-fired power stations currently employ subcritical technology. We plan to employ supercritical technology more in the future, including in our 1,980 MW Sipat project, 660 MW of which is expected to be operational by fiscal 2007, and 1,320 MW of which is expected to be operational during the Eleventh Plan.

Gas-Fired Power Stations

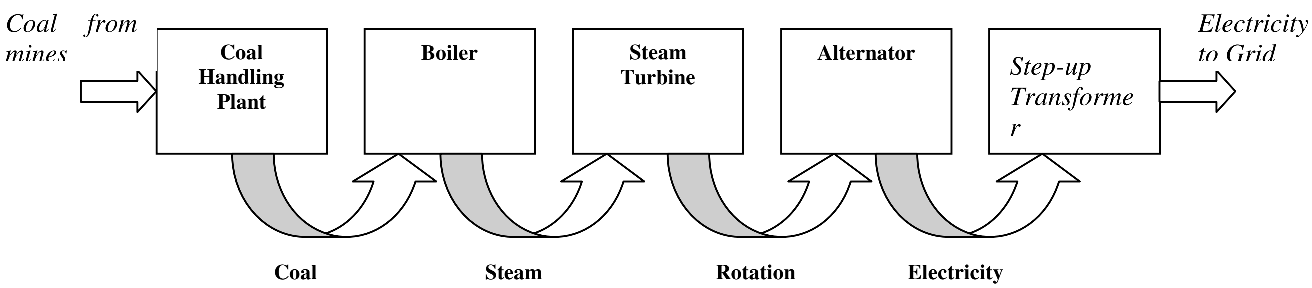
Our gas-fired power stations employ Combined Cycle Gas Turbine ("CCGT") technology, which employs both gas and steam turbines. The energy for electricity generation under this technology comes from the combustion of the gas fuel. Hot gas formed by the combustion of the fuel drives a turbine, which in turn rotates an alternator to produce electricity. The exhaust gas from the turbine is still hot enough after driving the turbine to produce some steam in a heat recovery boiler. The steam captured in the heat recovery boiler drives a steam turbine, which rotates another alternator to produce additional electricity. The CCGT technology is well-proven and more efficient than PCC technology.

Hydroelectric Power

In a hydroelectric power station, energy is harnessed from water by running it from a higher height to a lower height and, in the process, driving a hydro-turbine, which rotates an alternator to produce electricity. Due to available water supply in India and the environmental benefits of hydro power, we have commenced work on our first hydro powered station in Koldam (800 MW), 600 MW of which is expected to become operational by fiscal 2009 and 200 MW of which is expected to become operational by fiscal 2010. We plan to add approximately 2,028 MW of hydroelectric capacity, including Koldam, by fiscal 2012.

Power Generation Processes

Coal-Fired Power Stations



Coal Handling Plants. Most of our coal-fired power stations receive coal from mines through dedicated railways owned and operated by us. The coal handling plants receive coal, crush it to the required size and feed it to the boiler coal pulverizers.

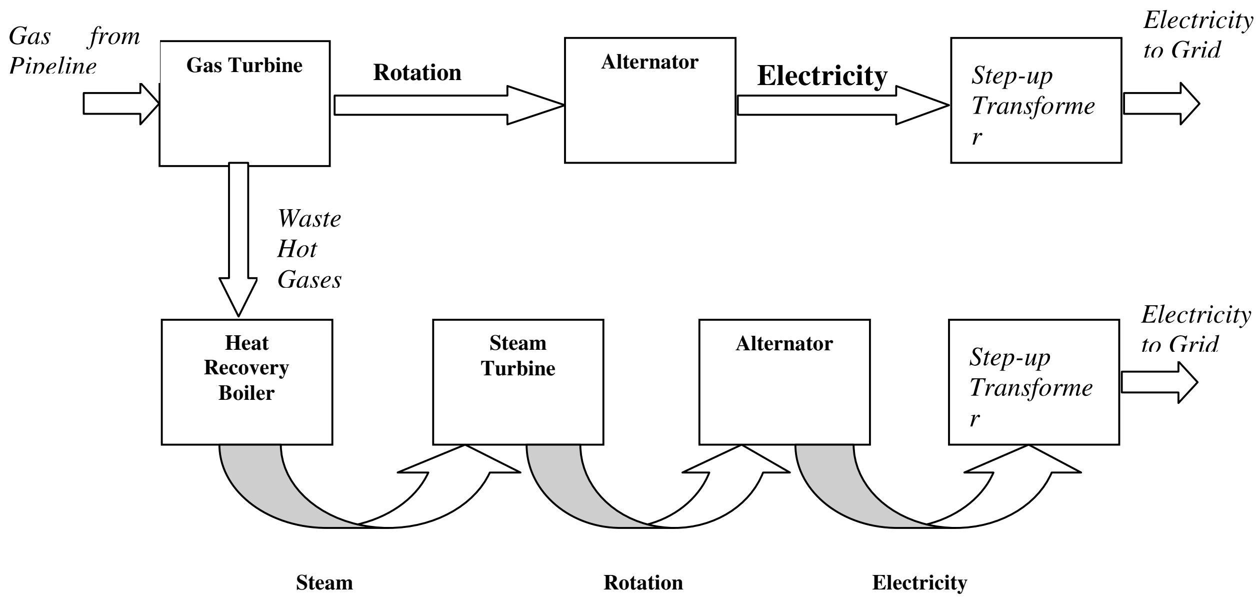
Boilers. Our boiler plants have coal pulverizers to grind coal into a finer size before it is fed to the boiler furnace. The boilers themselves are enclosures encased by tubes filled with flowing water. As the boiler furnace heats, the water flowing in the boiler tubes is converted into high pressure and high temperature steam. This steam is then conveyed to the turbine through steam pipelines.

Steam Turbines. The steam produced in the boiler drives steam turbines, making the turbines' rotors rotate at a high speeds.

Alternators. Alternators are coupled to the steam turbines and rotate with the turbines' rotors. The alternators convert the energy generated by the rotation of the turbines' rotors into electricity.

Step-up Transformers. The step-up transformers step up the voltage of generated electricity before it is fed to the grids for transmission. Transmission of electricity is done at very high voltage to minimize energy losses in the transmission lines.

Gas-Fired Power Stations

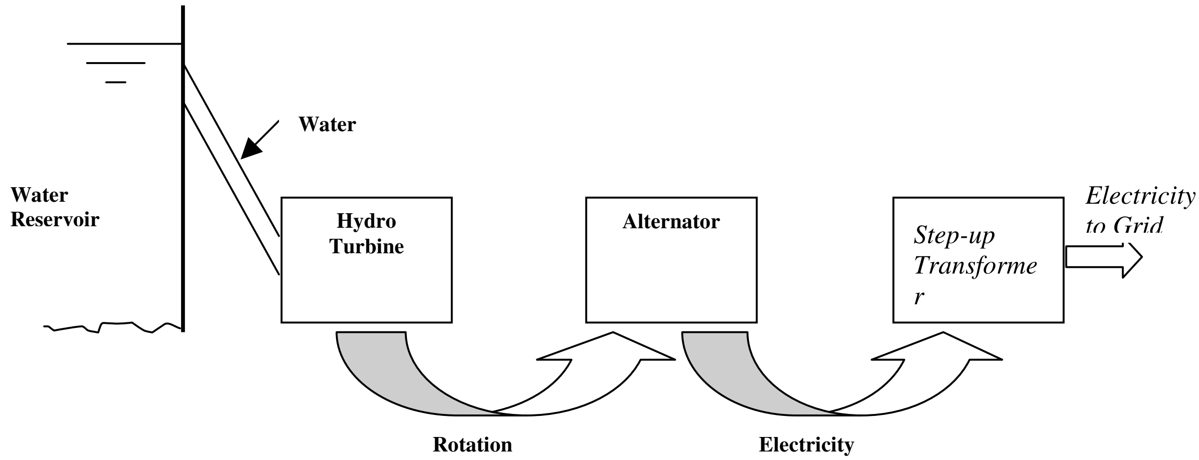


Gas Turbines. Each gas-fired power station consists principally of an air compressor, a combustor and a turbine. Air is drawn in from the atmosphere and compressed before it is fed into the combustor. Gas fuel, which we draw from gas pipelines, burns in the combustor in the presence of the compressed air from the compressor. The gases produced in the combustor, a mixture of high temperature and high pressure hot gases, drive the turbine. The rotational energy of the turbine rotates the alternator, which produces electricity. The voltage of the electricity is stepped up through a transformer before it is fed to the grid.

Heat Recovery Boilers. The exhaust gas of gas-fired power stations loses all pressure in the gas turbine, but remains very hot. The residual heat is recovered in heat recovery boilers to generate steam.

Steam Turbines. The steam generated in the heat recovery boilers is used to generate additional electricity through steam turbines and a separate alternators. The voltage of the electricity is stepped-up through transformers before it is fed to the grids.

Hydroelectric Power



The process of electricity generation in a hydro powered power station is substantially the same as that of a coal-fired power station. However, the turbine in hydro plants is driven by water rather than steam. Instead of a boiler, hydro plants utilize a water reservoir, which provides the energy (i.e., moving water) for rotating the hydro turbine.

Sales of Electricity

The Government allocates the output of each of our stations among the station's customers. In addition, each of our stations has PPAs with its customers. As of March 31, 2004, the entire output of our power stations was contracted for under long-term PPAs. As per the terms of the PPAs, we are obligated to supply electricity to SEBs in accordance with the terms of the allocation letters issued by the Government from time to time. For our coal-fired stations, the term of the PPA for most plants is 25 years, while for our gas-fired stations, the term of the PPA for most plants is 15 years. The terms are equal to the standard expected lives of the plants, although actual lives are often longer, and, unless the customer ceases to draw power, contracts continue in force until they are formally extended, renewed or replaced. As part of our investment approval procedures, we typically require PPAs to be in place for all new plants before approval is given for investment. Due to the current imbalance between demand and supply in the Indian power sector, and the competitive rates at which we are able to supply power, we do not foresee difficulties with renewing the PPAs when they expire. In respect of the three power stations operated under joint ventures with SAIL, all output is supplied to SAIL's steel plants that are located near the power stations.

Historically, we had significant problems recovering payments from the SEBs, which account for over 99% of our total sales. The One Time Settlement eliminated these problems, as the dues from the SEBs that were past due were securitised by the issue of tax free 8.5% bonds (maturing in various stages, from October 1, 2006 until April 1, 2016), and 100% of current billings have been secured by LCs, as described below. For further detail on the One Time Settlement, see “The Electricity Industry in India—One Time Settlement of Outstanding Dues” and for further detail on the effect of the One Time Settlement on us, see "Management's Discussion and Analysis of Financial Condition and Results of Operations".

Pursuant to the Tripartite Agreements that were executed pursuant to the One Time Settlement, each SEB was required to establish LCs in our favour with commercial banks. The LCs are required to cover 105% of the average monthly billing for the preceding 12 months and are required to be reviewed twice every fiscal year. If the LC for the required amount is not in place, we have the right to reduce the power supply to the concerned SEB by 2.5%. The SEBs are required to make payment either through the LC or otherwise within 60 days after we deliver the monthly invoice. If payment is not made within 60 days, we have the right to reduce power supply by 5% and if payment is not made within 75 days, we have the right to reduce power supply by 10%. If payment is not made within 90 days, we can further reduce power supply by 15% and the RBI will be required to pay the outstanding amounts to us from the relevant state's account balance with the RBI. The Tripartite Agreements provide that upon divestment of ownership or control of a SEB or any of the entities resulting from the unbundling of a SEB, as applicable, in favour of any entity not owned or controlled, directly or indirectly, by the applicable state government, the Tripartite Agreement relating to the SEB or the unbundled entity, as applicable, will expire. In such an event, the concerned SEB or unbundled entity will not be required to establish or maintain LCs in our favour. In addition, the settlement of our dues from the erstwhile Delhi Vidyut Board are covered by a bipartite agreement.

Tariffs for each of our plants are determined by the CERC and may change during the term of the respective PPAs, depending on changes in tariff regulations. Under the current tariff regulations, tariffs comprise a capacity charge, a variable charge and an unscheduled interchange charge. The capacity charge includes components for return on equity, depreciation, interest on debt, interest on working capital and operation and maintenance costs. Our recovery of the capacity charge is dependent on the availability of the plant. We are also allowed an incentive for operating our plants at a PLF which is higher than the PLF prescribed by the CERC. The variable charge is related primarily to fuel costs. The unscheduled interchange component is a payment (or penalty) designed to create incentives for grid discipline. From April 1, 2004, our tariffs are based on the CERC's tariff regulations for 2004 to 2009. For a discussion of the CERC's tariff regulations and their effect on our results of operations, see "Management's Discussion and Analysis of Financial Condition and Results of Operations - Factors Affecting Our Results of Operations".

Fuel Supply

Fuel represents our largest expense. Our two primary fuels are coal and gas, and approximately 82% of our current generating capacity is coal-fired and 18% is gas-fired. Fuel supply agreements, which are tied to plant life (25 years for coal and 15 years for gas), are typically finalized when any new plant receives investment approval from the Board.

Coal

We procure coal from subsidiaries of Coal India Limited, a Government-owned enterprise, and Singareni Collieries Company Limited, which is also a Government-owned company. Coal supply for each of our plants is allocated by the Standing Linkage Committee ("SLC"), which is a Government committee led by a representative of the Ministry of Coal along with members from the Ministry of Railways, Ministry of Shipping and Ministry of Surface Transport and one member each from the ministries representing the various utility sectors, including the MoP. The coal requirements of projects in the utility sector are reviewed by the SLC on a quarterly basis.

Most of our coal-fired stations are located within 25 kilometres from the coal mines that supply the stations. These stations are serviced by dedicated railways owned and operated by us, which helps reduce supply interruptions and transportation costs.

For each plant we enter into a long-term coal supply agreement with the relevant company that runs the mine that services the plant. Each plant is supplied coal by specific coal mines identified by the SLC and the supplying company. Each coal supply agreement addresses the quality and quantity of coal supply required for sustained generation, provides for quantity flexibility on both a short-term and long-term basis and allows for alternative sources of supply as backup. The specifications of the coal are agreed upfront and we have the right to reject coal that does not meet certain specified parameters.

The contracts provide that we will purchase the quantity of coal necessary to run the plant at a PLF of 80%. We are required to pay a penalty if we fail to purchase at least 90% of that quantity. The price of the coal varies depending on its calorific value. Grade E and F Indian coal, which we use at our plants, generally has a lower calorific value ranging from 3000 Kcal/kg to 4000 Kcal/kg and a higher ash content ranging from 28% to 41%, compared to the international average calorific value, which ranges from 5,300 Kcal/kg to 6,000 Kcal/kg and ash content which ranges from 5% to 14%. Prior to 1996, coal prices were determined by the Government. Since 1996, the Government has deregulated coal prices in a phased manner. Today, coal prices are determined by the supplying coal companies. Each of our coal supply agreements includes a pricing formula which sets the ceiling on the price we can be charged, and also includes an equitable treatment clause so that if the coal supplier is selling coal at a lower price to other customers, we have the right to purchase coal at that lower price.

At present, the overall demand for steam/non-coking coal in India exceeds production. The power sector currently accounts for 85% of demand and the sector's demand for steam coal is expected to increase substantially in connection with its planned increases in capacity. To reduce the cost of coal, fill gaps in fuel availability and as a fuel security measure, we intend to enter into coal mining and coal washing operations. We have retained the Coal Mining, Planning and Development Institute as a consultant to advise us on strategies to enter into these activities. We have approached the Ministry of Coal seeking allotment of projects for captive mining blocks in the Talcher and North Karanpura coalfields in the eastern region of India.

Natural Gas

India's domestic natural gas supply is insufficient to satisfy demand. Natural gas is allocated to each of our plants by a Gas Linkage Committee, consisting of a representative from the Ministry of Petroleum and National Gas ("MoPNG"), the MoP, the Ministry of Steel, the Ministry of Fertilisers, the Ministry of Chemical and Petrochemicals, the Planning Commission, the Ministry of Finance, GAIL India Limited ("GAIL"), the Oil and Natural Gas Corporation and Oil India Limited. Following allocation, we enter into a long-term gas supply agreement with GAIL to purchase the allocated gas.

Gas prices are fixed by the MOPNG based on a formula linked to the price of a basket of fuel oils. Currently the linkage is fixed at 75% of the basket. A proposal to dismantle the administered pricing mechanism for natural gas and institute an independent Petroleum Regulatory Board to regulate prices and supply is under consideration by the Government. This may lead to increases in the price of natural gas.

While most of our gas-fired stations are located along major gas pipelines, we have experienced gas supply constraints, where less than the allocated amount of gas has been made available by GAIL. Due to the non-availability of gas and the high prices of liquid fuel, we added only 2,700 MW of capacity during the Ninth Plan as against our proposal for 5,300 MW. We require 16 mmscmd of gas to run our gas-fired stations at a PLF of 80%. In fiscal 2004, we received 10 mmscmd of gas, which represented 77% of our allocation of 13 mmscmd. We attempt to cover gas shortages by using alternate fuels such as naphtha and high speed diesel. However, these fuels are more expensive than gas and therefore their use increases our cost of supply and the cost of power generated by us. As a result, the PLF at our gas-fired stations was only 68.3% compared to 84.4% for our coal-fired stations in fiscal 2004.

Under the fiscal 2005 MOU between us and the MOP, the MOP has agreed to encourage the MoPNG to increase gas supply to our gas-fired stations to meet the target availability norm of 80%. We plan to add two gas-fired expansion projects of 1,300 MW each at Kawas and Gandhar by fiscal 2007 and conducted a competitive bidding process for the gas supply for these projects. Reliance Industries Limited was the successful bidder and has committed to provide 132 trillion BTU of gas per year for a period of 17 years. We have also commenced a competitive bidding process for the gas supply for our planned capacity addition at Kayamkulam of 650 MW in the Eleventh Plan and 1,300 MW in the Twelfth Plan.

Competition

Due to the historical imbalance between demand and supply in the Indian power sector, there has generally been a stable market for power generation companies in India. Currently, we are the largest power generation company in India and, as of March 31, 2004, our installed capacity represented approximately 19.1% of the country's total installed capacity, compared to 8.7% for the next largest producer (the Maharashtra State Electricity Board). As of the same date, the largest private sector generator owned 1.6% of India's total installed capacity.

The Electricity Act removed licensing requirements for thermal generators, provided for open access to transmission and distribution networks and removed restrictions on the right to build captive generation plants. These reforms provide opportunities for increased private sector involvement in power generation. Specifically, the open access reforms, by which generators will be able to sell their output directly to distribution and transmission companies and, ultimately, directly to consumers, may increase the financial viability of private investment in power generation. Large Indian business houses such as the Tata and Reliance groups, which already have a presence in the Indian power sector, may also seek to expand their operations in the sector. The power sector in India could also attract increased investment from international companies.

As a result of reforms in the power sector and the One Time Settlement (see "The Electricity Industry in India—Scheme For One Time Settlement of Outstanding Dues"), SEBs may experience improvements in their financial position and may seek to expand their installed capacity.

Competition from hydroelectric power may also increase in the future. While under the Electricity Act, licensing is still required to commission a hydro powered plant, the increased opportunities for private investment in the market described above, when combined with available water supply in India and the resulting low costs of production, may lead to increased investment in and competition from hydroelectricity in the future.

Other Activities

Hydroelectric Generation

We plan to add additional capacity of approximately 2,028 MW by 2012 through the implementation of hydroelectric power projects. We are currently implementing the Koldam Hydroelectric Power Project (4x200 MW) in Himachal Pradesh. We expect three units of 200 MW each of the project to be completed by fiscal 2009. We have entered into an MOU with the state government of Uttaranchal for the development of the Tapovan Vishnugad (520 MW) and the Loharinag-Pala (600 MW) hydroelectric power projects. Detailed survey investigation and technological and economic viability studies have been completed for both projects and detailed reports have been prepared and submitted to the CEA for techno-economic clearance. Subject to the receipt of clearances, these projects are expected to be completed by 2012. To supplement our capacity addition programme in the hydroelectric sector, we incorporated a subsidiary, NTPC Hydro Limited ("NHL"), in December 2002, to develop small and medium scale hydroelectric power projects of up to 250 MW. The government of the state of Uttaranchal has allotted to NHL the Lata-Tapovan (108 MW) project on the Dhauli Ganga river. The MOU for implementation of the project was signed in August 2003. NHL is currently assessing the technical and commercial viability of this project.

Consulting and Other Services

We have a consultancy division which provides engineering services, operations and maintenance services and renovation and modernisation-related services in the power sector. In fiscal 2004, our consultancy division had total revenues of Rs. 255 million. We continue to expand our consultancy operations and seek to leverage our experience in the power sector to expand these operations in both India and abroad. We also believe that involvement in consultancy projects abroad will give us exposure to international best practices in our industry and in the new businesses we intend to enter into.

In addition, Utility Powertech Ltd, our joint venture with Reliance Energy Limited, provides power plant maintenance services. NTPC Alstom Power Services Private Limited, our joint venture with Alstom Power Generation AG, undertakes the renovation and modernisation of old, under performing power stations both in India and other countries of the South Asian Association of Regional Cooperation.

Power Trading

We believe the existence of regional imbalances and the adoption of availability based tariffs may increase opportunities for power trading. We engage in power trading through our subsidiary, NTPC Vidyut Vyapar Nigam Limited ("NVVNL"), which was incorporated in November 2002. In fiscal 2004, its first full year of operation, NVVNL traded 962 million units of electricity and generated revenues and profits after tax of Rs. 2,240 million and Rs. 21.45 million, respectively. NVVNL intends to establish a power exchange to promote inter-state power trading. In addition, we are a promoter of, and currently own 8% of the paid-up capital of, Power Trading Corporation of India Limited, which was the first power trading company in India.

Electricity Distribution

We are exploring entering into the distribution business as we consider it to be an area of potenital growth for us. We incorporated a subsidiary, the NTPC Electric Supply Company Limited, in August 2002, to pursue investments in this area.

Engineering and Technology

We believe we have pioneered the adoption of several new technologies in the power sector in India, such as combined cycle gas based power plants, satellite image processing and software, pneumatic fly ash extraction and ash water recirculation, which have contributed to increased efficiency and greater environmental protection in our operations. Our current initiatives include:

- Adoption of supercritical technology (involving supercritical pressure and temperatures) in our 1,980 MW Sipat project. These supercritical units are more efficient and environment friendly when compared with conventional units.

- Introduction of advanced class gas turbines (with higher efficiency) for our new combined cycle gas based power projects, subject to technical and commercial viability.

- Developing advanced clean coal technologies such as Integrated Gasification Combined Cycle technology which is more efficient, has lower toxic emissions and allows productive use of lower quality coal.

- Implementing liquid waste management systems to collect, treat and re-use waste water, which is expected to reduce effluent discharge.

- Upgrading our transmission systems from 400 KV to 765 KV, which will enable greater efficiency in transmission.

- Undertaking carbon sequestration initiatives in partnership with the Carbon Sequestration Leadership Forum, which comprises 16 member countries.

Our engineering division has been accredited with ISO-9001 certification by Lloyd's Register Quality Assurance Ltd. We utilize modern design automation and cutting edge software systems to achieve this level of quality in our ongoing projects, as well as to monitor and maintain peak performance throughout the life of our existing plants.

Research and Development

The goals of our R&D efforts and our existing R&D centre are to reduce operational costs, improve the efficiency of our plants, minimise emissions and other environmental problems, and promote sustainable development. Our R&D efforts have historically focused on applied research to solve problems in our power plants (with transferable solutions) and on improving their availability and efficiency.

We plan to invest up to 0.5% of our annual profit after tax in R&D to, among other things, set up the Power Technology and Research Centre in Noida, Uttar Pradesh, where we propose to conduct fundamental and applied research in areas such as alternate fuels for electricity generation, nano-technology and clean coal technologies to reduce the impact of high ash content in Indian coal.

Insurance

We maintain insurance policies with leading Indian insurers. All our coal-fired power stations are covered by a fire policy. Our transformers and shunt reactors are covered by selective machinery breakdown insurance. All our gas stations are covered by an industrial all risk policy, which covers fire risk, machinery breakdown for all plant and machinery, loss caused due to earthquake and loss of profit due to fire. Other than in respect of loss of profit from fire for our gas stations, we do not maintain business interruption insurance and terrorism is specifically excluded from all our policies. The total coverage under all our policies as of March 31, 2004 was Rs. 488,174 million.

All insurance polices are tariff policies and the rates, terms, conditions and scope of coverage are determined by the Tariff Advisory Committee, a Government body. Our present policies are valid at least until April 30, 2005 for our coal-fired stations and at least until January 31, 2005 for our gas-fired stations.

Human Resources

We had 23,080 employees (including our employees seconded to the Badarpur station in Delhi) as of March 31, 2004. Our success depends to a great extent on our ability to recruit, train and retain high quality professionals. Accordingly, we place special emphasis on the human resources function in our organisation. We believe that our strong brand name, industry leadership position, wide range of growth opportunities and focus on long-term professional development give us significant advantages in attracting and retaining highly skilled employees. We follow a "people first" approach to leverage the potential of our employees. A survey by Business Today and Hewitt Associates in 2003 ranked us as the third best employer in India.

Employee Training

We encourage our employees to develop management and technology skills through internal programs, industry affiliations and external certifications. We maintain development and assessment centres, comprehensive feedback systems and a number of learning initiatives.

As part of our commitment to training, we have set up the Power Management Institute, which is a training institute for our middle and senior level management personnel.

The activities of the institute include:

- creating and evaluating new management techniques and implementing them in the power sector;
- designing and conducting training programmers, workshops and seminars;
- addressing key issues in the power sector through research and policy seminars;
- carrying out applied research in management areas; and
- undertaking management consultancy assignments in the power sector.

We have three simulation training centres, one each for coal-fired plants of 500 MW and 200 MW and one for gas-fired plants. In addition, employees are deputed abroad for training at reputed institutions.

In connection with our commitment to build business management competency in middle management level executives, we encourage postgraduate study and maintain a number of programs with various institutes and universities in India.

Our employee training efforts have resulted in the recognition of our employees' efforts and quality by a number of national organizations. Our employees have received the "Prime Minister's Shram Award" each year since 1986 and the "Shram Ratna", representing the highest merit, in 1999 and 2000.

Unions

53.5% of our employees are affiliated with worker unions. We believe that we have harmonious relationships with our worker unions. Most of our generating stations have unions that are registered under the Trade Union Act 1926. Most of these unions are affiliated with one of the four major central employee federations - the All India Trade Union Congress, Bharatiya Mazdoor Sangh, Center for Industrial Trade Unions, and Indian National Trade Union Congress. We have had instances of sporadic and localised strikes and labour unrest. These have not led to any generation loss. There are currently no unresolved disputes with our trade unions. The next wage negotiations with our unions are due in 2007. Our executive and supervisory employees are affiliated with employee associations.

Environmental Compliance

National environmental standards in India are drafted by the Central Pollution Control Board and the Ministry of Environment and are enforced by various pollution boards and pollution control committees. Each of our power projects requires various environmental clearances.

Since 1995, we have conducted our business in accordance with a comprehensive environmental policy and environment management system. Our environmental policy is based on the following principles:

- achieving and maintaining a leading role in environmental management in the power sector;
- consideration of environmental requirements in all business decisions;
- continuous consideration and adoption of environmental policies in our business units;
- adoption of environmental management practices; and
- compliance with statutory norms and requirements.

All our operating stations are currently in compliance with applicable environmental regulations, other than Talcher Thermal and Tanda, which were taken over from SEBs. Retrofit programmes for these two stations have been submitted to the Central Pollution Control Board and must be completed by December 31, 2005. We believe that both stations will complete their retrofit programmes by this date. All operating stations have valid water and air consents, which are renewed from time to time. All projects under construction have valid environmental clearance from the Ministry of Environment and Forests and no objection certificates from the State Pollution Control Boards have been received.

In addition to the compliance requirements described above, most of our power stations have been awarded ISO-14001 Environmental Management Systems certification. Consultants conduct environmental audits at periodic intervals and we take prompt action to address any recommendations.

Emission and Effluent Management

While deciding the appropriate technology for our projects, we integrate a number of environmental measures into the plant design. In order to keep emissions, effluents and ambient air quality within acceptable limits, we use equipment and systems such as high efficiency electrostatic precipitators to control stack emissions, tall stacks, dust extraction and dust suppression systems for control of fugitive dust, effluent treatment plants, neutralization pits, ash ponds and ash water recirculation systems. We also utilize cooling towers for control of the effluent quality as well as for conservation of water. In order to keep pace with changing environmental regulation norms and to ensure compliance with statutory requirements in the field of pollution control on a sustained basis, we also undertake renovation, modernisation and retrofitting and upgrading of pollution monitoring and control facilities in our power stations.

Ash Utilisation

We are subject to a Government requirement that by 2014, 100% of fly ash produced through our generation activities is required to be gainfully utilised. The Government also has interim ash utilisation requirements. Our actual ash utilisation has increased from 0.3 million tonnes in fiscal 1992 to 7.5 million tonnes in fiscal 2004 (or 23.5% of our total ash production). We utilize ash for ash dyke raising and for landfills.

At present, we supply the ash free of cost to consumers of ash, who use it in the cement and asbestos industry, land development and road development. In order to provide fly ash in dry form to various users, partial dry ash extraction facilities have been commissioned at all NTPC stations. In order to comply with our ash utilisation targets, we are identifying new uses for ash such as mine filling and have approached the Government and coal companies for assistance.

CenPEEP

In 1994, we established the Centre for Power Efficiency and Environmental Protection ("CenPEEP") under an agreement between the Government and the U.S. Agency for International Development ("USAID") to implement the "Greenhouse Gas Pollution Prevention Project". CenPEEP's mandate is to reduce greenhouse gas emissions per unit of electricity generated by improving the overall performance of coal-fired power stations. CenPEEP receives technological assistance and training from USAID. Two regional centres of CenPeep have been established at Lucknow and Patna.

Corporate Social Responsibility

We are aware of our corporate social responsibilities and include a corporate social responsibility philosophy in our mission statement. We have joined Global Compact, a United Nations initiative for corporate social responsibility committed to basic principles in the areas of human rights, labour standards and the environment. In this capacity, we have worked to represent the physically handicapped in our workforce and our work in this area has been recognised by Global Compact. We also intend to establish a foundation to address the issue of disability in a comprehensive manner.

Another corporate social responsibility initiative is our resettlement and rehabilitation program which aims to improve the overall economic status of Persons who might be displaced or otherwise affected adversely by our projects. We provide such Persons with benefits such as sustainable income, health care, education, sanitation and communication. Each resettlement and rehabilitation programme is based on specific local requirements and is guided by extensive socio-economic surveys. We have set up an institutional framework to implement our resettlement and rehabilitation policy. We have sought to bring together relevant experts in social work and philanthropy, consultants, facilitators and social scientists. We have at times also engaged non-government organisations in pursuing our resettlement and rehabilitation policies.

We also intend to facilitate distributed generation, which may involve the use of non-conventional energy sources to provide electricity to remote and rural areas.

We intend to invest up to 0.5% of our annual profit after tax in a variety of corporate social responsibility initiatives.

Property

Power Stations and Projects

We have immovable properties at our power stations and projects for the purpose of our business. These properties are held either on a freehold or a leasehold basis. There are certain immovable properties for which the conveyance/sale deeds have not been executed in our favour. In addition, there are certain properties which have been acquired from the respective state governments, and for which mutations (the process by which changes in beneficial ownership are formally recorded in land registries in India) have not yet been carried out in the records of the local land registries. Furthermore, the plant at Badarpur is owned by the Government and we do not own any immovable property at the site.

There are certain pending disputes in relation to our immovable properties at various plants. For further information, see "Outstanding Litigation and Material Developments".

Set forth below is a brief summary of our immoveable properties related to our power stations and projects:

Power Station / Project	Location	Area (acres)
Anta Stage I	Baran, Rajasthan	386
Anta Stage II	Baran, Rajasthan	538
Auraiya Stage I	Etawah, Uttar Pradesh	511
Auraiya Stage II	Etawah, Uttar Pradesh	53
Barh	Bihar	1,287
Dadri	District Gautam Budh Nagar, Uttar Pradesh	2,593
Farakka	Murshidabad, West Bengal	4,436
Faridabad	Faridabad, Haryana	324
Jhanor Gandhar	Bharuch, Gujarat	478
Kahalgaon	Bhagalpur, Bihar	3,358
Kawas	Surat, Gujarat	568
Kayamkulam	Allappuzha, Kerala	1,167
Koldam	Bilaspur, Himachal Pradesh	3,628
Korba Stage I	Bilaspur, Chattisgarh	3,584
Korba Stage II	Bilaspur, Chattisgarh	1,227
Ramagundam	Karimnagar, Andhra Pradesh	9,600
Rihand	Sonebhadhra, Uttar Pradesh	6,420
Sipat (I & II)	Bilaspur, Chattisgarh	4,148
Singrauli	Sonebhadhra, Uttar Pradesh	4,589
Simhadri	Pittavanipalem, Vishakhapatnam, Andhra Pradesh	3,360
Talcher, Kanhia	Angul, Orissa	3,699

Talcher Thermal	Angul, Orissa	981
Tanda	Ambedkar nagar, Uttar Pradesh	1,142
Unchahar	Rai Bareli, Uttar Pradesh	1,835
Vindhyachal	Sidhi, Madhya Pradesh	4,856

Offices and Residences

Our registered office is located at NTPC Bhawan, SCOPE Complex, 7 Institutional Area, Lodhi Road, New Delhi. We have six regional headquarters at Lucknow (northern), Patna (eastern), Mumbai (western), Secunderabad (southern), NOIDA (national capital region), and NOIDA (hydro region). In addition thereto, we have commercial offices located at Bhubaneswar, Bangalore, Chennai and Trivandrum. Further we have an immovable property in Allahabad which is currently given on rent.

There are certain immovable properties, including immovable property at Core No. 7, the 6th and 7th floors of Core No. 6, and part of the ground floor and the 1st to 4th floors of Core No. 5, SCOPE Complex for which the lease deeds have not been executed in our favour.

Set forth below is a brief summary of our office and residential properties:

Location	Address	Area (sq. ft)	Property Rights
Allahabad	5th floor, Sangam Place, Commercial Complex, Civil Lines, Allahabad	8,907	Leasehold
Bangalore	MIG-200, 1st Stage, Indira Nagar	2,729	Freehold
	Old house no. 29A at Indira Nagar	2,636	Freehold
Bhubaneswar	Unit No. 21, Mouze, Pakhariput	21,800	Leasehold
Chennai	Ground and 1st floor, 113 Chamiers Road	3,000	Leasehold
Lucknow	Plot No. TC/33/V/I Vibhuti Khand, Gomti Nagar Scheme, Lucknow	108,901	Freehold
Mumbai	2nd floor, Samruddhi Venture Park, MIDC-Marol, Andheri (E), Mumbai	22,854	Leasehold
	37 F, Maker Towers, Block V, Backbay Reclamation, Cuffe Parade, Mumbai	780	Freehold
	75 flats in Building No. 20 D & E MHADA Flats, A S Marg, Powai, Mumbai	66,975	Leasehold
New Delhi	Core No. 7, SCOPE Complex	97,194	Leasehold
	7th floor, Core No. 6, SCOPE Complex	15,553	Leasehold
	6th floor, Core No. 6, SCOPE Complex.	9,208	Leasehold
	7th floor, Core No. 3, SCOPE Complex	12,486	Leasehold
	5th and 6th floor, Core No. 3, SCOPE Complex	18,856	Leasehold
	A 5, Niti Bagh	7,677	Leasehold
	15 flats in Asian Games Village	20,964	Freehold
	R 2/549 Asian Games Village	1,915	Leasehold
	B 32 Maharani Bagh	10,574	Leasehold
	Core No. 5, SCOPE Complex (part of ground floor and 1st to 4th floors)	56,353	Leasehold

Location	Address	Area (sq. ft)	Property Rights
NOIDA	EOC and R&D Plot No. A-8, A-8A, & A9, Sector-24	377,579	Leasehold
	Power Management Institute Plot No. 5-14, Sector-16A	437,286	Leasehold
	NTPC Township Type A/B Plot No. A-44, Sector-33	215,434	Leasehold
	NTPC Township Type C/D Plot No. A-71, Sector-33	250,062	Leasehold
	Plot No. C-55, Sector 33	159,011	Leasehold
	Plot No. B-6 and B-7, Institutional Area, Sector-62	430,400	Leasehold
Patna	2nd floor, Lok Nayak Bhawan, Dak Bhawan Chowk	17,625	Leasehold
Secunderabad / Hyderabad	House No. 1-1-164, Alexander Road, Secuderabad	N/A	Leasehold
	Vacant plot at Praga Tools site, Kawadiguda, Hyderabad	46,899	Freehold
	MCH Complex, Ground, 2nd and 4th floors, RP Road, Secunderabad	12,950	Leasehold
Trivandrum	TC 13/57 (9&10) Pilla Veedu House, Pallimukku, Pettah	N/A	Leasehold

HISTORY AND CERTAIN CORPORATE MATTERS

Our Company was incorporated as National Thermal Power Corporation Private Limited, a private limited company, 100% owned by Government of India, on November 7, 1975 under the Companies Act. The word 'private' was deleted on September 30, 1976 and the name of the Company became National Thermal Power Corporation Limited. Pursuant to the resolution of our shareholders in a general meeting held on September 30, 1985, our Company was converted from a private limited company to a public limited company in accordance with the provisions of the Companies Act.

In July 1976, the registered office of our Company was changed from Shram Shakti Bhawan, New Delhi to Kailash Building, Kasturba Gandhi Marg, New Delhi; subsequently, in May 1979 to NTPC Square, 62-63, Nehru Place, New Delhi and thereupon in October 1988 to the present Registered Office.

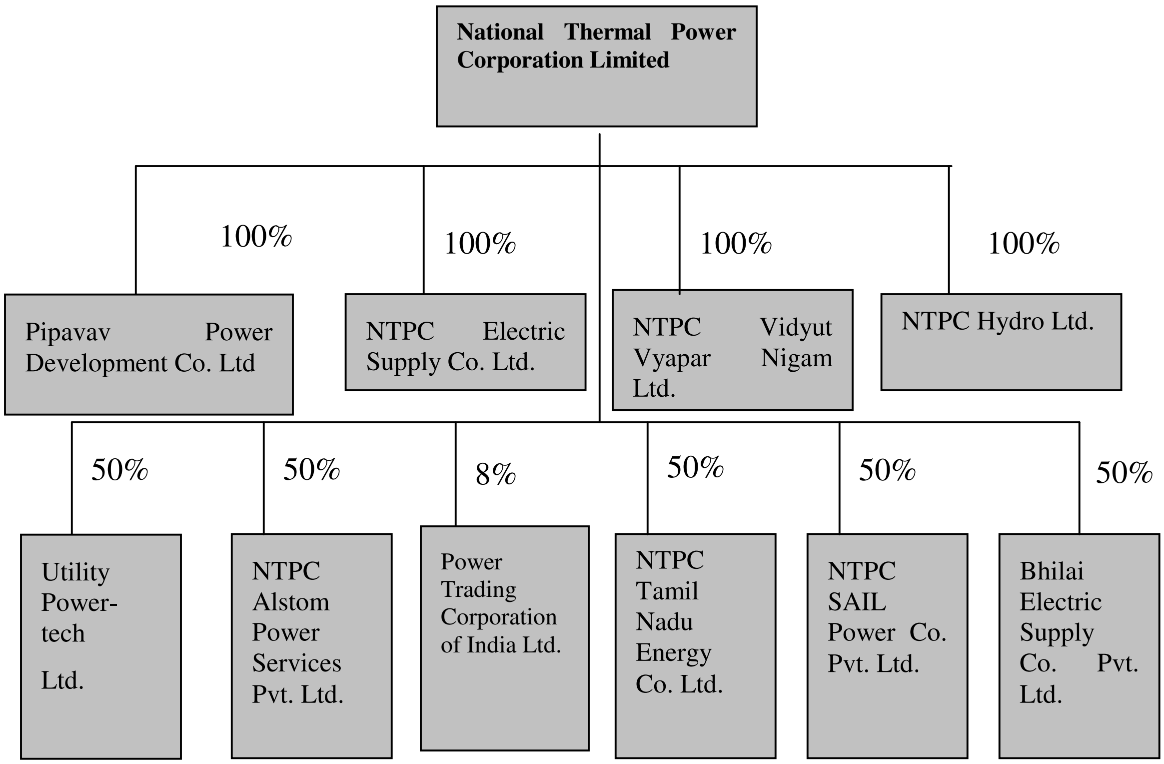
Major Events:

YEAR	EVENT
1975	• Incorporation of NTPC.
1978	• Takeover of management of the Badarpur project.
1982	• The first 200MW unit at Singrauli is commissioned. • The first direct foreign currency borrowing for NTPC- a consortium of foreign banks led by Standard Chartered Merchant Bank extends a loan of GBP 298.41 million for the Rihand project. • NTPC establishes a center for education at Power Management Institute, Delhi.
1984	• The transmission line based on HVDC (High Voltage Direct Current) technology, commissioned for power transmission from Rihand to Delhi. • Singrauli project receives World Bank loan of Rs. 150 million USD through Government of India.
1986	• NTPC synchronizes its first 500MW unit at Singrauli. • NTPC becomes one of the first PSUs to issue bonds in the debt market.
1987	• NTPC crosses the 5000 MW installed capacity mark.
1988	• NTPC raises first syndicated Japanese loan of 30 billion JPY
1989	• Consultancy division of NTPC is launched. • First unit (88 MW) of NTPC's first gas based combined cycle power plant at Anta, Rajasthan commissioned.
1990	• NTPC builds up a total installed capacity of 10000 MW..
1992	• First acquisition by NTPC of Feroze Gandhi Unchahar Thermal Power Station (2x210MW) from Uttar Pradesh Rajya Vidyut Utpadan Nigam of Uttar Pradesh. • Pursuant to legislation by the Parliament of India, the transmission systems owned by our Company was transferred to PowerGrid Corporation of India Limited.
1993	• For the first time, IBRD extends direct loan of USD 400 million to NTPC under time slice concept for its projects
1994	• NTPC achieves 15000 MW of installed capacity.

	• NTPC declares a dividend for the first time of Rs. 650 million. • Jhanor-Gandhar (Gujarat) becomes the first thermal power station in NTPC to have commissioned an integrated Liquid Waste Treatment Plant (LWTP).
1997	• NTPC was identified by the GoI as one of the Navratna public sector undertakings. • Achieves 100 billion units generation in one year. • A consortium of foreign banks led by Sumitomo Bank, Hong Kong extends foreign currency loan of 5 billion Japanese Yen for the first time without GOI guarantee.
1998	• Commissioned the first Naphtha based plant at Kayamkulam with a capacity of 350MW.
1999	• NTPC's Dadri thermal power project, Uttar Pradesh adjudged the best in India with a PLF of 96.12%. • Dadri, Uttar Pradesh certified with ISO-14001 on October 7, 1999.
2000	• NTPC takes up construction of a hydro-electric power project of 800MW capacity in Himachal Pradesh.
2002	• Three wholly owned subsidiaries of NTPC viz. NTPC Electric Supply Company Limited. NTPC Hydro Limited and NTPC Vidyut Vyapar Nigam Limited were incorporated. • NTPC sets up ESP (Electrostatic precipitators) at Talcher STPP. • NTPC exceeds the 20000 MW installed capacity mark.
2003	• NTPC undertakes debt re-structuring. Raises funds through bonds (Series XIIIth & XIVth) for prepayment of high cost GOI loans.
2004	• The award of contract for the first Super Critical Thermal Power Plant at Sipat. • Reached a total installed capacity of 22249 MW with the recent Talcher Unit V getting synchronized on May 13, 2004. • NTPC Feroze Gandhi Unchahar Thermal station achieves a record PLF of 87.43% in current year up from 18.02% in February 92 when it was taken over by NTPC. • LIC extends credit facility for Rs. 70 billion. Rs. 40 billion is in the form of unsecured loans and Rs. 30 billion in the form of bonds. • NTPC makes its debut issue of euro bonds amounting to USD 200 million in the international market

Our Corporate Structure

The following diagram sets out our corporate structure:



We propose to convert Pipavav Power Development Company Limited into a joint venture company and have entered into a memorandum of understanding on February 20, 2004 with the Gujarat Power Corporation Limited and Gujarat Electricity Board for setting up of the power project through this joint venture company.

In addition to the above, we have entered into memorandum of understandings with Bharat Heavy Electricals Limited, Ministry of Railways, Rural Electrification Corporation Limited for the setting up of joint ventures. However, none of these joint ventures have been set up as yet.

Our Main Objects

Our main objects as contained in our Memorandum of Association are:

1. To plan, promote and organise an integrated and efficient development of Thermal/Hydel power and power through Non-Conventional/Renewable Energy Sources in India and abroad including planning, investigation, research, design and preparation of preliminary, feasibility and definite Project reports, construction, generation, operation and maintenance, Renovation and Modernisation of power stations and projects, transmission, distribution, sale of power generation at Stations in India and abroad in accordance with the national economic policies and objectives laid down by the Central Government from time to time.

2. To coordinate the activities of its subsidiaries, to determine their economic and financial objective/targets and to review, control, guide and direct their performance with a view to secure optimum utilisation of all resources placed at their disposal.

3. To act as an agent of Government/Public Sector/Financial Institutions, to exercise, all the rights and powers exercisable at any meeting of any company engaged in the planning, investigation, research, design and preparations of preliminary, feasibility and definite Project reports, construction, generation, operation and maintenance, Renovation and Modernisation of power stations and projects, transmission, distribution and sale of power generated in respect of any share held by the Government, public financial institutions, nationalised banks, nationalised insurance companies with a view to secure the most effective utilisation of the financial investments and loans in such companies and the most efficient development of the concerned industries.

4. To carry on the business of purchasing, selling, importing, exporting, producing, trading, manufacturing or otherwise dealing in all aspects of planning, investigation, research, design and preparation of preliminary, feasibility and definite project reports, construction, generation, operation and maintenance, renovation and modernisation of power stations and projects, transmission, distribution, sale of Thermal/ Hydro power and power generated through Non Conventional Renewable Energy Sources, power development including backward integration and to develop and deal in fuels (e.g. coal, LNG, syngas, orimulsion, lignite, coal-bed methane etc.) in all its aspects and for that purpose to set up, promote, operate and carry on the business of coal mining, coal washeries, liquefied natural gas for supply of fuel to NTPC stations and also to undertake the business of other allied/ancillary industries including those for utilisation of steam generated at power stations, coal ash and other by products and instal, operate and manage all necessary plants, establishments and works.

The main objects clause and the objects incidental or ancillary to the main objects of our Memorandum of Association enable us to undertake our existing activities and the activities for which the funds are being raised through this Issue.

Changes in Memorandum of Association

Since our incorporation, the following changes have been made to our Memorandum of Association:

Date of Amendment	Amendment
14.5.1979	The share capital of the Company was amended to become Rs. 3,000,000,000 divided into 3,000,000 Equity Shares of Rs. 1000 each
5.6.1980	The share capital of the Company was increased to Rs. 8,000,000,000 divided into 8,000,000 Equity Shares of Rs. 1000 each
28.9.1981	The share capital of the Company was increased to Rs. 15,000,000,000 divided into 15,000,000 Equity Shares of Rs. 1,000 each
30.9.1983	The share capital of the Company was increased to Rs. 25,000,000,000 divided into 25,000,000 Equity Shares of Rs. 1,000 each

Date of Amendment	Amendment
28.9.1984	The share capital of the Company was increased to Rs. 40,000,000,000 divided into 40,000,000 Equity Shares of Rs. 1000 each
31.7.1987	The share capital of the Company was increased to Rs. 60,000,000,000 divided into 60,000,000 Equity Shares of Rs. 1000 each
28.9.1990	The share capital of the Company was increased to Rs. 80,000,000,000 divided into 80,000,000 Equity Shares of Rs. 1000 each
29.5.1998	Clause 1 was changed to read as under: "To plan, promote and organise an integrated and efficient development of Thermal/Hydel power and power through Non-Conventional/Renewable Energy Sources in India and abroad including planning, investigation, research, design and preparation of preliminary, feasibility and definite Project reports, construction, generation, operation and maintenance, Renovation and Modernisation of power stations and projects, transmission, distribution, sale of power generation at Stations in India and abroad in accordance with the national economic policies and objectives laid down by the Central Government from time to time." Clauses 3 and 4 were changed to read as follows: "3.To act as an agent of Government/Public Sector/Financial Institutions, to exercise, all the rights and powers exercisable at any meeting of any company engaged in the planning, investigation, research, design and preparations of preliminary, feasibility and definite Project reports, construction, generation, operation and maintenance, Renovation and Modernisation of power stations and projects, transmission, distribution and sale of power generated in respect of any share held by the Government, public financial institutions, nationalised banks, nationalised insurance companies with a view to secure the most effective utilisation of the financial investments and loans in such companies and the most efficient development of the concerned industries. 4.To carry on the business of purchasing, selling, importing, exporting, producing, trading, manufacturing or otherwise dealing in all aspects of planning, investigation, research, design and preparation of preliminary, feasibility and definite project reports, construction, generation, operation and maintenance, renovation and modernisation of power stations and projects, transmission, distribution, sale of Thermal/ Hydro power and power generated through Non Conventional Renewable Energy Sources, power development including backward integration and to develop and deal in fuels (e.g. coal, LNG, syngas, orimulsion, lignite, coal-bed methane etc.) in all its aspects and for that purpose to set up, promote,

Date of Amendment	Amendment
	operate and carry on the business of coal mining, coal washeries, liquefied natural gas for supply of fuel to NTPC stations and also to undertake the business of other allied/ancillary industries including those for utilisation of steam generated at power stations, coal ash and other by-products and instal, operate and manage all necessary plants, establishments and works. Existing clauses 12 (a) and 12 (b) changed to read as under: "12(a): To undertake research and development To undertake Research & development and for that purpose to establish, provide, maintain and conduct or otherwise subsidise research laboratories and experimental workshops and to undertake and carry on directly or in collaboration with other agencies scientific and technical research experiments and tests of all kinds and to process, improve and invent new products and their techniques of manufacture and to promote, encourage, reward in every manner studies and research, scientific and technical investigations and inventions of any kind that may be considered likely to assist, encourage and promote rapid advances in technology, economies, import substitution or any business which the Company is authorised to carry on." 12(b): To undertake Training and Education To impart training and/or education and for that purpose to establish, maintain and operate Training/Educational Institutions and Hostels for Engineers of all types, all other technical staff, Artisans and Mechanics of all types, Accountants, Managers, Executives and other persons in India or in any part of the world; to make such other arrangements as may be expedient for imparting training and/or education including conferring of degrees/diplomas either by itself or in association/affiliation/Collaboration with other recognised/accredited Educational/Training Institutions from India/or any part of the world to an successful candidates."
27.1.1999	Clause 24 amended so as to read as under: "To promote, organise or carry on the business of consultancy services either independently or through suitable tie-ups both in India and abroad in any field of activity in which the company is engaged in or connected therewith as also in such other field of activities where the company has developed expertise by virtue of its dealing in such areas and rendering consultancy and advisory services to clients and any such other services." Clause 26A inserted after existing clause No.26 to read as under: "To donate, make contribution, give grant-in-aid, provide

Date of Amendment	Amendment
	assistance financial or otherwise in aid of any National, Public, Benevolent or Charitable cause, purpose or object, and to give donations, contribute monies, make grants, provide aid pecuniary or otherwise to any person(s), association of persons, society, fund, trust, local or municipal bodies, organisation or institution for rural uplift or development including for purposes like providing or improving drainage and water supply system, environmental protection, afforestation etc., educational or research institutions, health and medicare centres, which in the opinion of the company and its absolute discretion deserve to be assisted, helped or supported by reason of location of Company's business establishments and/or nature of its business activities or otherwise, and which may promote the goodwill of the company and directly or indirectly further the interest of the company and of its members."
23.9.2002	The share capital of the Company is Rs. 100,000,000,000 divided into 10,000,000,000 Equity Shares of Rs. 10/- each

SELECTED FINANCIAL INFORMATION

The following table sets forth our selected financial information derived from our restated unconsolidated financial statements as of and for the fiscal years ended March 31, 2000, 2001, 2002, 2003 and 2004 and our audited unconsolidated financial statements as of and for the quarter ended June 30, 2004. These financial statements have been prepared in accordance with Indian GAAP, the Companies Act, and the SEBI Guidelines and the annual financial statements have been restated as described in the auditors' report included therewith, in the section titled "Restated Unconsolidated Financial Statements" beginning on page [●] of this Draft Red Herring Prospectus. The selected financial information presented below should be read in conjunction with our financial statements, the notes thereto and the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on page [●] of this Draft Red Herring Prospectus. Indian GAAP differs in certain significant respects from U.S. GAAP. For more information on these differences, see "Summary of Significant Differences between Indian GAAP and U.S. GAAP", which appears elsewhere in this Draft Red Herring Prospectus.

(Rs. in millions)

	Fiscal year ended March 31,					
	2000	**2001**	**2002**	**2003**	**2004**	**Quarter Ended June 30, 2004**
SUMMARY PROFIT AND LOSS INFORMATION,:						
Revenues:						
Sales	160,396	189,648	177,982	190,288	188,519	51,867
Energy Internally Consumed	204	244	171	187	193	49
Provisions written back	3,525	3,631	107	3,988	9,648	1
Other income	7,084	9,161	6,725	4,036	61,282	5,379
Total Revenues	171,209	202,685	184,985	198,499	259,642	57,296
Expenditures:						
Fuel	80,051	99,342	103,991	110,312	122,150	31,883
Employees' remuneration and benefits	6,212	7,640	8,036	8,213	8,835	2,380
Generation, administration and other expenses	9,545	10,066	11,640	10,869	9,813	2,624
Depreciation	20,831	23,223	13,784	15,291	20,232	4,785
Provisions	7,890	9,959	1,836	5,555	5,835	Nil
Interest and finance charges	9,828	10,918	8,677	9,916	33,697	4,511
Total Expenditures	134,357	161,148	147,964	160,156	200,562	46,183
Profit before Tax, Prior Period						
Adjustments and Extraordinary Items	36,852	41,537	37,021	38,343	59,080	11,113
Prior period income/expenditure (net)	544	798	1	803	183	5
Extraordinary Item -- capital receipt	0	0	501	0		Nil
Profit before Tax	36,308	40,739	37,521	37,540	58,897	11,108
Provisions for current tax	10,175	13,437	10,299	11,255	8,682	2,210
Less: Income Tax Recoverable	8,111	10,037	8,174	9,791	2,393	1,643
	2,063	3,400	2,125	1,464	6,289	567
Provisions for deferred tax	0	0	0	3,545	7,901	1,107
Less: deferred tax recoverable		0	0	3,544	7,901	1,107
		0	0	1	0	-
Net Taxation	2,063	3,400	2,125	1,465	6,289	567
Profit after Tax as per audited statement of accounts (A)	34,245	37,338	35,396	36,075	52,608	10,541
						-
Adjustment on account of						-
Changes in account policies	11	0	5	16	(21)	Nil
Impact of material adjustments	2,412	(2993)	4572	(4,130)	(12,901)	Nil

	Fiscal year ended March 31,					
	2000	**2001**	**2002**	**2003**	**2004**	**Quarter Ended June 30, 2004**
Prior period items	(431)	648	(299)	681	183	-
						-
Total Adjustments (B)	1992	(2345)	4278	(3,433)	(12,739)	Nil
						-
Adjusted Profit (A+B)	36,237	34,993	39,674	32,642	39,869	10,541
SUMMARY OF ASSETS AND LIABILITIES, AS RESTATED:						
Fixed Assets (A):						
Gross Block	280,825	319,169	325,027	366,189	400,364	402,721
Less: Depreciation	115,401	138,662	152,492	167,728	187,808	192,540
Net Block	165,424	180,507	172,535	198,461	212,556	210,181
Capital Work-in-Progress/Capital advance	41,549	27,896	52,038	51,543	56,413	61,774
Construction stores and advances	9,003	10,265	13,512	12,320	18,540	21,554
Sub- total (A)	215976	218668	238085	262324	287509	293509
Investments (B)	9,016	33,639	167,597	170,266	173,380	173,780
Current Assets, Loans & Advances (C):						
Inventories	20,227	18,356	20,176	17,712	17,380	16,720
Sundry debtors	83,896	94,276	7,102	8,360	4,699	7,437
Cash and bank balances	5,602	3,829	12,048	5,447	6,091	4,009
Other Current Assets	32,329	26,955	9,565	42,273	80,023	85,843
Loans and Advances	48,726	36,945	26,546	30,606	27,275	27,636
Sub-total (C)	190,780	180,361	75,437	104,398	135,468	141,645
Less: Liabilities & Provisions (D):						
Secured loans	24,278	19,655	16,455	41,226	45,844	45,564
Unsecured loans	76,495	78,393	99,357	90,931	108,684	108,702
Deferred Tax Liability	0	0	0	1	1	1
Deferred revenue on account of						
Advance against Depreciation	0	0	0	271	1,591	2238
Development Surcharge Fund	0	0	1,241	2,492	3,784	5487
Current Liabilities and Provisions	71,704	64,599	61,430	74,277	80,941	80,900
Sub-total (D)	172,477	162,647	178,483	209,198	240,845	242,892
NET WORTH (A+B+C-D)	243,295	270,021	302,636	327,790	355,512	366,042
Represented by:						
Share Capital (E)	78,125	78,125	78,125	78,125	78,125	78,125
Reserves and Surplus (Adjusted) (F)	165,229	191,987	224,583	249,752	277,387	287,917
Miscellaneous Expenditure (to the extent not written off or adjusted): (G)	59	91	72	87		Nil
NET WORTH (E+F-G)	243,295	270,021	302,636	327,790	355,512	366,042

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion of our financial condition and results of operations together with our restated unconsolidated financial statements for each of the fiscal years ended March 31, 2002, 2003 and 2004, including the notes thereto and the report thereon, which appear elsewhere in this Draft Red Herring Prospectus. These financial statements have been prepared in accordance with Indian GAAP, the Companies Act and the SEBI Guidelines and have been restated as described in the auditors' report attached therewith. Indian GAAP differs in certain significant respects from U.S. GAAP. For more information on these differences, see "Summary of Significant Differences between Indian GAAP and U.S. GAAP", which appears elsewhere in this Draft Red Herring Prospectus.

Our fiscal year ends on March 31 of each year, so all references to a particular fiscal year are to the twelve-month period ended March 31 of that year. The term "revenues" as used in this discussion refers to the item titled "income" in our financial statements. The quarters ended June30, 2004 and June 30, 2003 are referred to in this discussion as the "first quarter of fiscal 2005" and"first quarter of fiscal 2004", respectively.

OVERVIEW

We are the largest power generating company in India. As of March 31, 2004, our installed capacity represented 19.1% of India's total installed capacity, and we contributed 26.7% of the total power generation of India during fiscal 2004. We are owned by the Government of India and, following this Issue, the Government will own approximately 89.5% of our paid-up capital. Our total installed capacity as of March 31, 2004 was 21,435 MW through 13 coal-fired and seven gas-fired power stations. We also operate 314 MW of capacity through three joint venture projects and manage a 705 MW power station owned by the Government.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Revenues

Our revenues comprise sales of electricity, revenue from consultancy and other services, and other income.

We derive our revenues primarily from sales of electricity to the SEBs. Our sales of electricity are made pursuant to long term power purchase agreements, which run for 25 years in the case of most of our coal-fired plants and 15 years in the case of most of our gas-fired plants, which is the estimated average life of the plants. The agreements are typically renewed or extended after the initial term expires. All our existing facilities have power purchase agreements that cover 100% of their generating capacity. Although electricity generation capacity has increased significantly in recent years, the demand for electricity in India is still substantially higher than the available supply. As a result, we have not had difficulty entering into purchase agreements to cover our capacity and do not expect such difficulty in the near future.

We have historically had significant difficulty recovering our dues from the SEBs. In each of fiscal 2002, 2003 and 2004, for example, our sales to SEBs constituted over 99% of our total sales of power, and we recovered 76.7%, 92.3% and 100% of our billings from SEBs, respectively, in those years. The improvement in recovery in fiscal 2003 and 2004 was principally because of the One Time Settlement and the Tripartite Agreements, under which the SEBs were required to establish letters of credit ("LCs") to cover 105% of our billings to them.

LCs under the Tripartite Agreements began to be established in fiscal 2003, and covered most of the revenues due to us from the SEBs in fiscal 2004. Prior to the Tripartite Agreements, we obtained LCs from some of the SEBs securing their payments, but these LCs did not cover a significant proportion of our billings. Further, under the Tripartite Agreements, overdue amounts owed to us by the SEBs as of September 30, 2001 were securitised by the issue to us of tax free bonds. We account for the interest income from these bonds as "Other Income". The Tripartite Agreements are discussed in further detail below.

We also earn a small amount of revenue from consultancy services and other sources. We intend to expand our consultancy business and enter certain new businesses. Some of these activities may be conducted through subsidiaries and joint ventures.

Tariffs

Our charges for electricity are based on tariff rates set by the CERC. The tariff rates reflect a fixed charge based on plant availability, a variable charge based primarily on fuel costs and an unscheduled interchange charge which is a payment (or penalty) designed to create incentives for grid discipline. The CERC sets our tariff rates on a plant-by-plant basis on the basis of the tariff norms it has promulgated.

Fiscal 2002-2004

For fiscal 2002, 2003 and 2004, the tariff rates set by the CERC comprised the following elements:

- A fixed capacity charge for making plant capacity available. We are allowed to recover the fixed capacity charge in full if the availability level of the concerned plant is at least 80%. If the availability of a plant is lower than 80%, we recover the fixed capacity charge on a pro rata basis. The fixed capacity charge consists of a number of components, which include:

    - Return on equity of 16%, on a post-tax basis.

    - Depreciation, which is based on the useful lives of our assets. The tariff regulations provided for a 90% recovery of capital costs over a 25 year life for coal-fired plants and a 15 year life for gas-fired plants. Based on this, our depreciation rate was 3.6% for our coal-fired plants and 6% for our gas-fired plants.

    - An "advance against depreciation" to facilitate loan repayments, based on a 12 year repayment of debt. This advance is deducted from sales and is considered as deferred revenues, to be included in sales in subsequent years.

    - Interest on outstanding debt.

    - Operation and maintenance costs (i) for existing plants, based on the average operation and maintenance costs for the preceding five years and (ii) for new plants, 2.5% of capital costs. These costs are adjusted annually to account for inflation.

    - Interest on working capital (determined as per CERC norms).

There was no prescribed debt to equity ratio under this tariff structure, and we were allowed to recover return on equity and interest cost on debt based generally on the debt to equity ratio in our investment approval for the concerned plant.

There was also an incentive payment up to a maximum of Rs. 0.215 per unit if PLF was higher than 77%.

- A variable energy charge based on our fuel costs and normative operating parameters such as heat rate, auxiliary power consumption and specific oil consumption.

- An unscheduled interchange charge for the supply and consumption of energy at variance with the schedule given by the relevant load dispatch centre. The charge varies depending on system frequency. The unscheduled interchange charge became applicable upon implementation of availability based tariffs in a phased manner across regions, and became effective in respect of all our plants in fiscal 2004, some of our plants in fiscal 2003 and was not effective in respect of any of our plants in fiscal 2002.

  We have appealed to the Delhi High Court against some of the CERC's tariff orders for fiscal 2001-2004. Pending the outcome of this case, we have booked revenues in respect of these disputed tariff orders on the basis of the CERC's norms and regulations rather than on the basis of the amounts actually billed. Accordingly, pending the decision of the Delhi High Court, an amount of Rs. 30,393 million appears in our financial statements as a current liability, under the item titled "Advances from customers and others" and, if required to be paid, will not affect our profit and loss account. For further details on this dispute, see "Outstanding Litigation and Material Developments".

Fiscal 2005-2009

From April 1, 2004, our tariffs are determined pursuant to the CERC's new tariff regulations, that are applicable for fiscal 2005 to fiscal 2009. The following are the significant changes under the new tariff regulations:

- The return on equity has been reduced to 14%, on a post-tax basis.

- The advance against depreciation will be calculated assuming a 10 year repayment of debt rather than 12 years under the earlier regulations.

- The recovery of interest cost on debt and return on equity for all our stations will be based on a prescribed 70/30 debt to equity ratio. Where the equity employed is greater than 30%, the amount of equity for determination of the tariff will be limited to 30%. The return on the excess equity can be recovered on the same basis as the recovery on the debt component. Where the equity employed is less than 30%, the actual amounts of debt and equity will be used for purposes of determination of the tariff.

- The incentive benchmark for plant operation has been raised from a PLF of 77% to 80% with the rate of incentive changed to a flat rate of Rs. 0.25 per unit.

- Operation and maintenance costs determined normatively by the CERC based on class of unit, on a per megawatt basis.

- The unscheduled interchange charge has been increased from Rs. 4.20 per unit to Rs. 6 per unit corresponding to a frequency of 49 Hz.

We expect that the application of the new tariff regulations from April 1, 2004 will adversely affect our results of operations. The rate of return on equity has been reduced from 16% to 14%. Further, most of our existing plants have debt to equity ratios lower than 70/30. Therefore our recovery in respect of equity amounts in excess of 30% for these plants will be lower than under the earlier regulations. These factors have adversely impacted our results of operations for the first quarter of fiscal 2005, See, "Results of Operations- Comparision of First Quarter of Fiscal 2005 to the First Quarter of Fiscal 2004".

We have filed a review petition with the CERC relating the 2004-2009 tariff regulations. Our main contentions under the petition are that:

- the 70/30 debt to equity ratio should not apply to our stations which have a 50/50 debt to equity ratio;

- the tariff regulations should allow for recovery of depreciation as per the depreciation rates under the Companies Act;

- the tariff regulations should allow for recovery of interest on loans on an equitable and consistent basis; and

- the norms for operation and maintenance costs should allow for appropriate recovery of costs for our gas-fired stations.

Provisional Tariffs

In any fiscal year, there are a number of stations for which CERC tariffs are unavailable because the CERC has not yet fixed the final tariff. For these stations, the CERC fixes a provisional tariff on the basis of which we bill the customer. However, we book revenues based on the lower of our assessment of the likely final tariff based on the CERC regulations and the provisional tariff fixed by CERC. When the CERC fixes the final tariff for these stations, we make adjustments to our revenues on the basis of the final order to the extent of the difference between the provisionally booked revenues and the revenues based on the final tariffs.

The Tripartite Agreements

Pursuant to the One Time Settlement, the Government executed Tripartite Agreements with the RBI and the state governments to effectuate a settlement of overdue payments owed to us by the SEBs and to create incentives for future timely payment. Under these agreements, the overdue amounts were securitized by the issue of tax-free bonds amounting to Rs. 164,107 million against outstanding principal dues, late payment surcharge, conversion of bonds issued by the SEBs after March 1, 1998 and outstanding as of September 30, 2001, and other amounts recoverable. Tax-free interest on the bonds is payable to us at a rate of 8.5% per annum. The bonds mature in various stages, starting from October 1, 2006, until April 1, 2016. In addition, the settlement of our dues from the erstwhile Delhi Vidyut Board are covered by a bipartite agreement.

Although the Tripartite Agreements were executed in March 2003 and the bonds were issued thereafter, the deemed date of allotment of the bonds was October 1, 2001. We accounted for the interest on the bonds in fiscal 2004 for the period beginning from October 1, 2001.

The Tripartite Agreements require each SEB to establish a letter of credit in our favour with a commercial bank. The LCs are required to cover 105% of the average billed amount for the preceding twelve months and are required to be updated twice every year. If the LC for the required amount is not in place, we have the right to reduce the power supply to the concerned SEB by 2.5% of the average daily supply for the preceding 90 days.

The SEBs are required to make payment either through the LC or otherwise within 60 days after we raise the invoice. If payment is not made within 60 days, we have the right to reduce power supply by 5% and if payment is not made within 75 days, we have the right to reduce power supply by 10%. If payment is not made beyond 90 days, we can reduce power supply by 15% and the RBI is required to pay the outstanding amounts to us from the concerned state's account balance with the RBI. All SEBs have made full payment of their bills for fiscal 2004. We did not reduce power supply for any of the SEBs on account of late payment in fiscal 2004.

To encourage SEBs to make full and regular payment of current dues and to comply with the provisions under the Tripartite Agreements without any default, the Tripartite Agreements provide for a number of cash incentives based on the issued amount of the bonds. We book these incentives as rebates to customers under the expense category interest and finance charges. The incentives are as follows:

- 2% of the bond amount as incentive in case the required LC or other established payment security mechanism was in place by June 30, 2002 and remained in effect until December 31, 2002; and

- 3%, 2.5%, 2% and 2% of the bond amount as the semi-annual incentive for fiscal 2003, 2004, 2005 and 2006, respectively.

- In fiscal 2003 and 2004, most of the SEBs qualified for these incentives.

Expenditures

Fuel

Fuel constitutes approximately 70% of our total cost of generation. The primary fuels we use in power generation are coal and natural gas. We also use oil as a secondary fuel for our coal-fired plants and use naphtha as an alternate fuel in our gas-fired plants. Our coal-fired stations accounted for 84% of our total generation in fiscal 2004 while our gas-fired stations accounted for 16%. As discussed above, under the tariff norms set by the CERC, we are able to pass on our actual fuel charges through the tariff, provided we meet certain operating parameters.

We purchase coal pursuant to long term coal supply agreements with subsidiaries of Coal India Limited and with Singareni Collieries Limited. The agreements obligate us to buy a quantity of coal necessary to operate our plants at an 80% PLF. The price is determined by a formula comprising a base price with an agreed price adjustment mechanism. The price also depends on the heat value of the coal. Each coal supply agreement also includes an equitable treatment clause so that if the coal supplier is selling coal at a lower price to other customers, we have the right to purchase coal at that lower price. Coal India Limited has recently announced an increase in its coal prices. Any consequent increase in our fuel costs can be recovered through our tariffs under the tariff regulations.

We source gas domestically under an administered price and supply regime. Our main gas supplier is GAIL. See "Business - Fuel Supply - Natural Gas." Gas prices are fixed by the MoPNG, based on a formula linked to the price of a basket of fuel oils. Currently the linkage is fixed at 75% of the basket. The Government has announced that it proposes to dismantle the administered pricing mechanism for natural gas, and institute an independent regulatory board to regulate prices and supply. This may lead to an increase in the price of natural gas.

Employees' Remuneration and Benefits

Employees' remuneration and benefits expenses include salaries and wages, bonuses, allowances, benefits, contribution to provident and other funds and welfare expenses. Employee pay scales are determined by our Board based on the guidelines provided by the Department of Public Enterprises ("DPE"). For our unionised employees, pay scales are decided by our Board as part of a negotiated settlement based on the DPE guidelines. Approximately 53% of our employees are affiliated with worker unions and we have a 10 year agreement that fixes their wages and benefits which is valid until December 2006. For our non-unionised employees, pay scales are decided by our Board as per DPE guidelines after consulting with the relevant employee associations. These pay scales are valid until December 2006. Employees' remuneration and benefits expenses represent approximately 5% of our total expenditures.

Generation, Administration and Other Expenses

Generation, administration and other expenses consist primarily of repair and maintenance of buildings, plant and machinery, power and water charges, security, insurance, fees, training and recruitment expenses and expenses for travel and communication. These expenses represent approximately 7% of our total expenditures.

Depreciation

In fiscal 2002 and 2003, the Supply Act provided that our depreciation for accounting purposes was equivalent to what we were allowed to recover under the tariffs. In respect of assets for which the depreciation rates were not notified by the CERC, we booked depreciation on the straight line method at the rates prescribed under the Income Tax Act.

The Electricity Act does not prescribe the rates of depreciation that can be used for accounting purposes. Therefore, from April 1, 2003 we have followed the depreciation schedules set forth in the Companies Act. These rates on average are higher than the depreciation rates provided in the CERC tariff regulations. This increase in non-cash depreciation charged has had an adverse impact on our profits in fiscal 2004.

Provisions

We provide for doubtful debts arising out of billing disputes with our customers. In fiscal 2002 and 2003, we also had a provision related to interest that we had received or otherwise accounted for on bonds issued by SEBs to securitize outstanding dues prior to the coming into effect of the Tripartite Agreements. These bonds were later converted into bonds bearing the same terms and coupon (which is lower than the coupon on the old SEB bonds) as provided for under the Tripartite Agreements. The latter provision represents the differential interest that we accounted for in the respective years.

Interest and Finance Charges

Our interest charges consist primarily of interest expense on bonds and term loans. Our borrowings are denominated in Rupees and foreign currencies, consisting primarily of Japanese Yen, U.S. Dollars and Euros. Our finance charges include, among other things, the rebates to customers paid pursuant to the bonds issued under the Tripartite Agreement and otherwise. Borrowing costs related to construction are capitalized.

Income Taxes

We recover our actual tax payments in respect of our generation business through our tariffs. We bear the tax on the income from all our activities other than the generation business.

RESULTS OF OPERATIONS

The following table sets forth certain information with respect to our revenues, expenditures and profits, as a percentage of total revenues, for the periods indicated.

The financial information for fiscal 2002, 2003 and 2004 has been restated in compliance with SEBI Guidelines. In accordance with Indian GAAP, the effects of the restatement are shown as a cumulative effect on our adjusted profit after tax rather than as restatements of individual line items in our income statement. Consistent with this presentation, in the comparison of our results of operations from year to year that follows the table below, we have referred to the unadjusted amounts that appear in our financial statements when we discuss individual line items, and have provided a discussion of the effects of the restatement on our adjusted profit at the end of each year to year comparison. In addition, however, for the convenience of the reader, we have included a discussion of the effects of the restatement in the discussion of certain line items, such as revenues and expenditures. The financial information for the first quarter of fiscal 2005 has not been restated.

	Fiscal 2002	% of Total Revenues	Fiscal 2003	% of Total Revenues	Fiscal 2004	% of Total Revenues	First Quarter of Fiscal 2005	% of Total Revenues
Units of electricity sold (in millions)	**124,519**		**129,288**		**138,012**		**36,203**	
	(Rs. Million, except percentages)							
Revenues								
Sales	177,982	96.21%	190,288	95.86%	188,519	72.61%	51,867	**90.52%**
Energy Internally Consumed	171	0.09%	187	0.09%	193	0.07%	49	0.09%
Provisions written back	107	0.06%	3,988	2.01%	9,648	3.72%	1	-
Other income	6,725	3.64%	4,036	2.03%	61,282	23.60%	5,379	9.39
Total Revenues	184,985	100%	198,499	100%	259,642	100%	57,296	100%
Expenditures								
Fuel	103,991	56.22%	110,312	55.57%	122,150	47.05%	31,883	55.65%
Employees' remuneration and benefits	8,036	4.34%	8,213	4.14%	8,835	3.40%	2,380	4.15%
Generation, administration and other expenses	11,640	6.29%	10,869	5.48%	9,813	3.78%	2,624	4.58%
Depreciation	13,784	7.45%	15,291	7.70%	20,232	7.79%	4,785	8..35%
Provisions	1,836	0.99%	5,555	2.80%	5,835	2.25%	-	-
Interest and finance charges excluding finance charges on account of One Time Settlement	8,677	4.69%	9,916	5.00%	12,386	4.77%	2764	4.82%
Total Expenditures excluding finance charges on account of One Time Settlement	147,964	79.99%	160,156	80.68%	179,251	69.03%	44436	77.55%
Finance Charges on account of One Time Settlement	--	--	--	--	21,311	8.21%	1747	3.05%
Total Expenditures	147,964	79.99%	160,156	80.68%	200,562	77.25%	46,183	80.60%
Profit before Tax, Prior Period Adjustments and Extraordinary Items	37,021	20.01%	38,343	19.32%	59,080	22.75%	11,113	19.40%
Prior period income / expenditure (net)	1	--	803	0.40%	183	0.07%	5	0.01%
Extraordinary Item -- capital receipt	501	0.27%	--	--	--	--	-	-
Profit before Tax	37,521	20.28%	37,540	18.91%	58,897	22.68%	11,108	19.39%
Provision for current tax	10,299	5.57%	11,255	5.67%	8,682	3.34%	2,210	3.86%
Less: Income Tax Recoverable	8,174	4.42%	9,791	4.93%	2,393	0.92%	1,643	2.87%
	2,125	1.15%	1,464	0.74%	6,289	2.42%	567	0.99%
Profit after current tax	35,396	19.13%	36,076	18.17%	52,608	20.26%	10,541	18.40%
	Fiscal 2002	**% of Total Revenues**	**Fiscal 2003**	**% of Total Revenues**	**Fiscal 2004**	**% of Total Revenues**	**First Quarter of Fiscal 2005**	**% of Total Revenues**
Provision for deferred tax	--	--	3,545	1.79%	7,901	3.04%	1,107	1.93%
Less: deferred tax recoverable	--	--	3,544	1.79%	7,901	3.04%	1,107	1.93%
Profit After Tax as per audited statement of accounts	35,396	19.13%	36,075	18.17%	52,608	20.26%	10.541	18.40%
Adjustments on account of:								
Changes in accounting policies Impact of material adjustments Prior Period Items	5 4,572 (299)		16 (4,130) 681		(21) (12,901) 183		Nil	Nil
Total adjustments	4,278		(3,433)		(12,739)		Nil	Nil

Adjusted Profit	39,674		32,642		39,869		10,541	

Comparison of the First Quarter of Fiscal 2005 to the First Quarter of Fiscal 2004

Prospective investors should note that our financial results for the first quarter of fiscal 2005 are audited and our financial results for the first quarter of fiscal 2004 are unaudited. Furthermore, unlike the annual results discussed herein, both the fiscal 2005 and fiscal 2004 quarterly results have not been restated. In addition, our quarterly results do not reflect all adjustments consisting of normal recurring adjustments necessary for such results to be stated on the same basis as our annual results. Therefore, prospective investors are advised that their reliance on the comparisons between the quarters presented herein should accordingly be limited and that the quarterly results may not be comparable to the annual results.

In the first quarter of fiscal 2005, we sold 36,203 million units of electricity from commercial capacity of 21,497 MW and in the first quarter of fiscal 2004 we sold 32,452 million units of electricity from commercial capacity of 20,497 MW. This represents an increase of 11.6% in the number of units sold. Our average selling price was Rs. 1.43 per unit in the first quarter of fiscal 2005, compared to Rs. 1.47 per unit in the first quarter of fiscal 2004.

Revenues

Our total revenues in the first quarter of fiscal 2005 were Rs. 57,296 million, which represented an increase of 15.5% over our total revenues of Rs. 49,604 million in the first quarter of fiscal 2004. Our revenues increased mainly because of increased sales and a significant increase in other income.

Sales

Our total sales were Rs. 51,867 million in the first quarter of fiscal 2005, an increase of 8.3% over our total sales of Rs. 47,872 million in the first quarter of fiscal 2004. Our sales increased mainly because of the 11.6% increase in the number of units sold, largely as a result of increased capacity of 1,000 MW at Talcher and increase in fuel cost resulting in increased variable charges. However, our sales were adversely affected in the first quarter of fiscal 2005 primarily due to the reduction of the return on equity to 14% under the new tariff regulations from the 16% that was applicable in the first quarter of fiscal 2004.

Other Income

Our other income was Rs. 5,379 million in the first quarter of fiscal 2005, which was significantly higher than our other income of Rs. 1,694 million in the first quarter of fiscal 2004, and consisted mainly of tax-free interest on bonds that were issued to us pursuant to the One Time Settlement.

Expenditures

Our total expenditures were Rs. 46,183 million in the first quarter of fiscal 2005, an increase of 15.4% over our total expenditures of Rs. 40,031 million in the first quarter of fiscal 2004. Our total expenditures as a percentage of total revenues were 80.6% in the first quarter of fiscal 2005 compared to 80.7% in the first quarter of fiscal 2004. Our fuel expenses as a percentage of sales revenues were 61.5% in the first quarter of fiscal 2005 compared to 57.1% in the first quarter of fiscal 2004.

Our expenditure increased because of an increase in fuel expenses due to higher generation and an upward revision of coal prices by Coal India Limited. However, as discussed above, our variable expenses, including our fuel expenses, are passed to our customers as part of our tariffs. There was also a 75% increase in interest and finance charges mainly on account of rebates to customers for prompt payment pursuant to the provisions of the One Time Settlement.

Profit

Our profit before tax in the first quarter of fiscal 2005 was Rs. 11,108 million, an increase of 16% over our profit before tax of Rs. 9,573 million in the first quarter of fiscal 2004. Our profit after tax in the first quarter of fiscal 2005 was Rs. 10,541 million, an increase of 16.5% over our profit after tax of Rs. 9,046 million in the first quarter of fiscal 2004. The main reason for the increase in profit was the increase in other income as a result of the One Time Settlement.

Excluding the effect of the increase in other income, profit before tax and interest of our generation business declined by 21.6% to Rs. 8,497 million in the first quarter of fiscal 2005 from Rs. 10,334 million in the first quarter of fiscal 2004. This decrease was primarily due to the reduction in tariffs in the first quarter of fiscal 2005 compared to the first quarter of fiscal 2004. See, " Factors Affecting Our Results of Operations—Revenue—Tariffs".

Comparison of Fiscal 2004 to Fiscal 2003

In fiscal 2004, we sold 138,012 million units of electricity from commercial capacity of 21,435 MW and in fiscal 2003, we sold 129,288 million units from commercial capacity of 20,435 MW. This represents an increase of 6.7% in the number of units sold. Our average selling price was Rs. 1.47 per unit in fiscal 2004, compared to Rs. 1.43 per unit in fiscal 2003.

Our average availability in fiscal 2004 was 88.8% for coal-fired plants and 89.0% for gas-fired plants compared to 88.7% for coal-fired plants and 87.7% for gas-fired plants in fiscal 2003. Our average PLF in fiscal 2004 was 84.4% for coal-fired plants and 68.3% for gas-fired plants compared to 83.6% for coal-fired plants and 70.0% for gas-fired plants in fiscal 2003. The availability and PLF figures for coal-fired plants exclude two plants taken over from other generators, which are undergoing renovation and modernisation.

Revenues

Our total revenues increased by 30.8% to Rs. 259,642 million in fiscal 2004 from Rs. 198,499 million in fiscal 2003, mainly because of interest on bonds issued to us and the one-time surcharge on late payment, pursuant to the One Time Settlement.

Sales

Our total sales decreased by 1% to Rs. 188,519 million in fiscal 2004 from Rs. 190,288 million in fiscal 2003. However, as part of the restatement of our accounts, our sales were adjusted upwards by Rs. 13,963 million. This amount represents the difference between our sales for previous years booked on the basis of provisional tariffs and sales as determined on the basis of the principles of the final tariff orders issued by the CERC. After giving effect to this adjustment, our sales (as adjusted) were Rs. 202,482 million in fiscal 2004, or 9.2% higher than our sales (as adjusted) of Rs. 185,422 million in fiscal 2003, primarily because of:

- A 6.7% increase in units sold, as a result of increased capacity of 1,000 MW at Talcher and a full year of operations at Simhadri, as well as a higher PLF at our coal-fired plants; and

- higher fuel costs and unscheduled interchange charges.

As a result of these factors, our fixed and variable charges increased, as did the incentives we earned for the higher PLFs at our coal-fired plants.

In addition, our sales (as adjusted) increased because our revenues from consultancy, project management and supervision activities increased to Rs. 341 million in fiscal 2004 from Rs. 269 million in fiscal 2003.

Provisions Written Back

Provisions written back in fiscal 2004 were Rs. 9,648 million, which consisted primarily of Rs. 5,957 million of doubtful debts, which had been provided for in prior years and were written back primarily as a result of the arrangements under the One Time Settlement. The provisions written back also included Rs. 3,640 million in tariff adjustments related to stations for which revenues were booked on a provisional basis in prior years, and for which tariff orders were issued by the CERC.

The provisions written back in fiscal 2003 were Rs. 3,988 million, which consisted primarily of write-backs of Rs. 2,524 million in tariff adjustments related to stations for which revenues were booked on a provisional basis in prior years, and for which tariff orders were issued by the CERC in fiscal 2003. The provisions written back also included Rs. 926 million for doubtful debts and Rs. 490 million of the interest differential between the coupon on bonds that had been issued to us by SEBs and the coupon rate of the bonds to be issued under the One Time Settlement.

Other Income

Our other income in fiscal 2004 was Rs. 61,282 million, which consisted primarily of Rs. 34,854 million in tax-free interest on bonds that were issued to us pursuant to the One Time Settlement. Although the Tripartite Agreements were executed in March 2003 and the bonds were issued thereafter, the deemed date of allotment of the bonds was October 1, 2001. Therefore, in fiscal 2004 we accounted for the interest on the bonds for the period beginning from October 1, 2001. Interest on these bonds for fiscal 2004 only was Rs. 13,949 million, which was received in cash. A portion of the total interest accounted for in fiscal 2004, which was attributable to fiscal 2002 and 2003, has not been received in cash and is due from the SEBs by September 30, 2004.

Our other income in fiscal 2004 also includes a recovery of Rs. 22,641 million in surcharge on late payment from the SEBs relating to dues from them. This was a one-time recovery primarily on account of the One Time Settlement, and most of this surcharge was non-cash income as it was included in the principal amount of the bonds received by us from the SEBs.

With respect to our past dues from Delhi Vidyut Board, the Government and the Delhi government entered into an agreement converting these dues into a long term advance from us to the Delhi government. In fiscal 2004, we booked interest of Rs. 2,253 million on this advance for the period beginning from October 1, 2001.

In fiscal 2004, we also earned interest of Rs. 2,751 million from our public deposit account with the Government of India. This was partly offset by an adjustment of Rs. 3,817 million for interest on previously issued bonds returned to the SEBs following the One Time Settlement.

Our other income in fiscal 2003 was Rs. 4,036 million, which consisted primarily of interest of Rs. 3,460 million on bonds issued to us by SEBs and interest on our public deposit account with the Government of Rs. 1,087 million. This was partly offset by an adjustment for surcharge on late payment from customers of Rs. 2,176 million.

Since we accounted for the interest on the bonds issued under the Tripartite Agreements that was attributable to fiscal 2003 and six months of fiscal 2002 in fiscal 2004, and because of the one-time nature of the surcharge on late payment, our other income in fiscal years after March 31, 2004 will be significantly lower than our other income in fiscal 2004.

Expenditures

Our total expenditures increased by 25.2% to Rs. 200,562 million in fiscal 2004 from Rs. 160,156 million in fiscal 2003. Our total expenditures as a percentage of our total revenues was 77.2% in fiscal 2004 compared to 80.7% in fiscal 2003. The decrease was in significant part due to the increase in other income and the consequent increase in total revenues in fiscal 2004.

Fuel

Expenditure on fuel increased by 10.7% to Rs. 122,150 million in fiscal 2004 from Rs. 110,312 million in fiscal 2003 due to an increase in fuel prices and higher generation. Our expenditure on fuel per unit sold increased to Rs. 0.89 in fiscal 2004 from Rs. 0.85 in fiscal 2003.

Employees' Remuneration and Other Benefits

We had 20,971 employees on our payroll as of March 31, 2004, compared to 21,408 employees as of March 31, 2003. Employees' remuneration and other benefits increased by 7.6% to Rs. 8,835 million in fiscal 2004 from Rs. 8,213 million in fiscal 2003. This increase was primarily due to our regular pay increments, which are generally 4% from year-to-year, as well as increases in dearness and other allowances.

Generation, Administration and Other Expenses

Before adjustment for a one-time settlement of water charges, generation, administration and other expenses increased by 3.2% to Rs. 11,221 million in fiscal 2004 from Rs. 10,869 million in fiscal 2003. A settlement for water charges of Rs. 1,408 million in fiscal 2004 reduced our generation, administration and other expenses for that year to Rs. 9,813 million.

Depreciation

Our depreciation increased by 32.3% to Rs. 20,232 million (or 7.8% of our total revenues) in fiscal 2003 from Rs. 15,291 million (or 7.7% of our total revenues) in fiscal 2003.

In fiscal 2003, we charged depreciation as per the Supply Act, which provided depreciation rates that were used for book purposes as well as for recovery under our tariffs. However, the Electricity Act, which came into effect following repeal of the Supply Act, is silent as to the depreciation rates to be charged. Therefore, from April 1, 2003 we have followed the depreciation schedules set forth in the Companies Act for book purposes, which on average are higher than the depreciation rates charged in fiscal 2003. This increase in depreciation charges resulted in an increase in our depreciation expenses by Rs. 4,653 million in fiscal 2004.

Provisions

Provisions increased by 5.0% to Rs. 5,835 million (or 2.3% of our total revenues) in fiscal 2004 from Rs. 5,555 million (or 2.8% of our total revenues) in fiscal 2003. The primary reason for the increase was the increase in provision for doubtful debts to Rs. 5,686 million in fiscal 2004 from Rs. 4,140 million in fiscal 2003 on account of dues from certain states that have not yet been settled.

Interest and Finance Charges Excluding Finance Charges on account of the One Time Settlement

Interest and finance charges excluding finance charges on account of the One Time Settlement increased by 24.9% to Rs. 12,386 million (or 4.8% of our total revenues) in fiscal 2004 from Rs. 9,916 million (or 5.0% of our total revenues) in fiscal 2003.

Interest payments, net of capitalized interest, increased by 11.0% to Rs. 6,636 million in fiscal 2004 from Rs. 5,973 million in fiscal 2003. This increase was mainly due to the commissioning of new capacity, the interest cost relating to which was being capitalized in prior years because the concerned plant was under construction. Our weighted average cost of debt financing declined from 7.06% in fiscal 2003 to 6.95% in fiscal 2004.

Finance charges, net of capitalized charges, increased to Rs. 5,750 million in fiscal 2004 from Rs. 3,943 million in fiscal 2003. These consisted mainly of rebates to customers for prompt payment, which increased by 38.9% to Rs. 4,941 million in fiscal 2004 from Rs. 3,557 million in fiscal 2003.

Finance Charges on Account of the One Time Settlement

We provided for rebates of Rs. 21,311 million to SEBs for full and prompt payment of dues pursuant to the terms of the One Time Settlement. The rebates are determined semi-annually and calculated as a percentage of the bond amounts, and in fiscal 2004, we provided for the rebates in respect of fiscal 2003 and 2004 because the bond allotment date was deemed to be October 1, 2001 even though the bonds were not actually issued until fiscal 2004. The rebates attributable to fiscal 2004 only amounted to Rs. 8,736 million.

Profit Before Tax

Our profit before tax increased by 56.9% to Rs. 58,897 million (or 22.7% of our total revenues) in fiscal 2004 from Rs. 37,540 million (or 18.9% of our total revenues) in fiscal 2003.

Provision for Tax

The tax provision is net of tax on our generation business, which is recoverable from customers. In fiscal 2004, we provided for Rs. 6,289 million for tax compared to Rs. 1,464 million in fiscal 2003. The increase was primarily due to tax on other income including surcharge accounted for pursuant to the One Time Settlement. Interest on the bonds issued pursuant to the One Time Settlement is not taxable.

Profit After Tax as per Audited Statement of Accounts

Our profit after tax increased by 45.8% to Rs. 52,608 million (or 20.3% of our total revenues) in fiscal 2004 from Rs. 36,075 million (or 18.2% of our total revenues) in fiscal 2003.

Adjusted Profit

Our profit after tax has been adjusted on account of, among other things, changes in accounting policies, final tariff orders issued by the CERC, certain effects of the One Time Settlement, as well as for the impact of certain items attributable to prior periods. As a result of these adjustments, our adjusted profit for fiscal 2004 was Rs. 39,869 million, which was Rs. 12,739 million, or 24.2%, lower than the profit after tax for the same year. Adjusted profit for fiscal 2004 increased by 22.1% over our adjusted profit of Rs. 32,642 million in fiscal 2003.

The main adjustments for fiscal 2004 are described below:

- We have adjusted our profits for fiscal 2004 to present the net effect of reallocations between periods related to differences between our sales in prior periods that were booked on the basis of provisional tariffs and the sales for such periods as determined on the basis of the principles of the final tariff orders issued by the CERC. On account of the foregoing, we have restated our profit for fiscal 2004 upwards by Rs. 13,963 million.

- We have adjusted our profits for fiscal 2004 to present the net effect of (i) reallocation to the relevant prior years of interest from October 1, 2001 on the bonds issued pursuant to the One Time Settlement, as well as surcharge on late payment of dues attributable to periods prior to October 1, 2001, which we accounted for in fiscal 2004 and (ii) reallocation to fiscal 2003 of rebates payable to the SEBs for prompt payment and for establishing LCs, pursuant to the One Time Settlement. On account of the foregoing, we have restated our profit for fiscal 2004 downwards by Rs. 26,532 million.

- We have adjusted our profits for fiscal 2004 to present the net effect of (i) changes to our provisions written back that related to adjustments to revenues arising from differences between sales booked on the basis of provisional tariffs, and sales as determined byfinal tariff orders and (ii) a settlement in fiscal 2004 for water charges relating to prior years. On account of the foregoing as well as certain other adjustments, we have restated our profit for fiscal 2004 downwards by Rs. 4,952 million.

- Since surcharges and taxable interest on bonds returned to the SEBs have been reallocated to the respective prior periods in our restated accounts, the taxes attributable to these surcharges have also been reallocated to the respective prior periods. These taxes have been added back to our profits for fiscal 2004 and our profits for fiscal 2004 have been restated upwards by Rs. 4,611 million.

Comparison of Fiscal 2003 to Fiscal 2002

In fiscal 2003, we sold 129,288 million units from commercial capacity of 20,435 MW and in fiscal 2002, we sold 124,519 million units from commercial capacity of 19,435 MW. Our average selling price was Rs.1.43 per unit in fiscal 2003 compared to Rs.1.40 per unit in fiscal 2002.

Our average availability in fiscal 2003 was 88.7% for coal-fired plants and 87.7% for gas-fired plants compared to 89.1% for coal-fired plants and 87.7% for gas-fired plants in fiscal 2002. Our average PLF in fiscal 2003 was 83.6% for coal-fired plants and 70.0% for gas-fired plants compared to 81.1% for coal-fired plants and 71.1% for gas-fired plants in fiscal 2002. The availabilty and PLF figures for coal-fired plants exclude two plants taken over from other generators, which are undergoing renovation and modernisation.

Revenues

Our total revenues increased by 7.3% to Rs. 198,499 million in fiscal 2003 from Rs. 184,985 million in fiscal 2002.

Sales

Our total sales increased by 6.9% to Rs. 190,288 million in fiscal 2003 from Rs. 177,982 million in fiscal 2002. However, as part of the restatement of our accounts, our sales were adjusted downwards by Rs. 4,866 million. This amount represents the net effect of (i) the reallocation of sales from fiscal 2004 to fiscal 2003 and (ii) the difference between our sales for previous years booked on the basis of provisional tariffs and sales as determined on the basis of the principles of the final tariff orders issued by the CERC. After giving effect to this adjustment, our sales (as adjusted) were Rs. 185,422 million in fiscal 2003, or 6.2% higher than our sales (as adjusted) of Rs. 174,577 million in fiscal 2002, primarily because of the following factors, as a result of which our fixed and variable charges increased:

- A 3.8% increase in units sold, as a result of increased capacity owing to the commissioning of our 1,000 MW Simhadri station; and

Higher generation and fuel costs and unscheduled interchange charges in regions where availability based tariffs were introduced during the year.

Our revenues from consultancy, project management and supervision activities decreased to Rs. 269 million in fiscal 2003 from Rs. 285 million in fiscal 2003.

Provisions Written Back

Provisions written back in fiscal 2003 were Rs. 3,988 million, which consisted primarily of write-backs of Rs. 2,524 million in tariff adjustments related to provisional tariffs, Rs. 926 million for doubtful debts and Rs. 490 million of the interest difference on bonds. The provisions written back in fiscal 2002 amounted to Rs. 107 million, consisting primarily of a write-back for doubtful debts of Rs. 62 million.

Other Income

Our other income in fiscal 2003 was Rs. 4,036 million, which consisted primarily of interest on bonds (issued by SEBs prior to the One Time Settlement) of Rs. 3,460 million and interest on our public deposit account with the Government of Rs. 1,087 million. In addition, we returned by mutual agreement certain bonds issued earlier by SEBs towards settlement of dues and surcharge, and in fiscal 2003, reversed Rs. 2,176 million of surcharge that we had earlier accounted for as other income.

Our other income in fiscal 2002 was Rs. 6,725 million, which consisted primarily of interest income on bonds (issued by SEBs prior to the One Time Settlement) of Rs. 4,841 million and interest on our public deposit account with the Government of Rs. 601 million.

Expenditures

Our total expenditures increased by 8.2% to Rs. 160,156 million in fiscal 2003 from Rs. 147,964 million in fiscal 2002. Our total expenditures as a percentage of our total revenues increased to 80.7% in fiscal 2003 from 80.0% in fiscal 2002.

Fuel

Expenditure on fuel increased by 6.1% to Rs. 110,312 million in fiscal 2003 from Rs. 103,991 million in fiscal 2002, primarily on account of higher generation. Our expenditure on fuel per unit sold increased to Rs. 0.85 in fiscal 2003 from Rs. 0.84 in fiscal 2002.

Employees' Remuneration and Other Benefits

Our total employees were 21,408 at March 31, 2003 and 21,383 at March 31, 2002. Employees' remuneration and other benefits increased by 2.2% to Rs. 8,213 million (or 4.1% of our total revenues) in fiscal 2003 from Rs. 8,036 million (or 4.3% of our total revenues) in fiscal 2002. Salaries, wages, bonus, allowances and benefits increased by 4.0% to Rs. 6,410 million in fiscal 2003 from Rs. 6,161 million in fiscal 2002. This increase was primarily due to our regular pay increments, which are generally 4% from year-to-year.

Generation, Administration and Other Expenses

Generation, administration and other expenses declined by 6.6% to Rs. 10,869 million (or 5.5% of our total revenues) in fiscal 2003 from Rs. 11,640 million (or 6.3% of our total revenues) in fiscal 2002. The decline was partly due to a 3.1% decrease in repair and maintenance expenses for our power stations to Rs. 5,358 million in fiscal 2003 from Rs. 5,529 million in fiscal 2002 and a decrease in our water charges to Rs. 747 million in fiscal 2003 from Rs. 1,568 million in fiscal 2002.

Depreciation

Our depreciation increased by 10.9% to Rs. 15,291 million (or 7.7% of our total revenues) in fiscal 2003 from Rs. 13,784 million (or 7.5% of our total revenues) in fiscal 2002. This was partly due to the commissioning of 1,000 MW of additional capacity and the capitalization of, and depreciation on, certain spare parts.

Provisions

Provisions increased by 202% to Rs. 5,555 million (or 2.8% of our total revenues) in fiscal 2003 from Rs. 1,836 million (or 1% of our total revenues) in fiscal 2002. The primary reason for the increase was an increase in doubtful debts to Rs. 4,140 million in fiscal 2003 from Rs. 699 million in fiscal 2002, mainly because of dues from one of our customers that had been outstanding for a long time. In fiscal 2003, we had a provision of Rs. 1,143 million compared to

Rs. 1,048 million in fiscal 2002, for the interest rate differential between the bonds issued to us by SEBs prior to the One Time Settlement and the subsequent bonds issued to us under the One Time Settlement, which replaced the earlier bonds.

Interest and Finance Charges

Interest and finance charges increased by 14.3% to Rs. 9,916 million (or 5.0% of our total revenues) in fiscal 2003 from Rs. 8,677 million (or 4.7% of our total revenues) in fiscal 2002. Interest payments, net of capitalized interest, decreased by 16.3% to Rs. 5,973 million in fiscal 2003 from Rs. 7,136 million in fiscal 2002. This decrease was mainly due the substitution of high interest Government debt with lower cost bonds. Our weighted average cost of debt financing declined from 8.49% in fiscal 2002 to 7.06% in fiscal 2003.

Finance charges, net of capitalized charges, increased to Rs. 3,943 million in fiscal 2003 from Rs. 1,541 million in fiscal 2002, primarily because of higher rebates to customers on account of prompt payment. Further, a Rs. 1,498 million waiver of guarantee commissions by the Government resulted in lower finance charges in fiscal 2002 to that extent.

Profit Before Tax

Our profit before tax increased by 0.05% to Rs. 37,540 million (or 18.9% of our total revenues) to fiscal 2003 from Rs. 37,521 million (or 20.3% of our total revenues) in fiscal 2002.

Provision for Taxes

The tax provision is net of tax on our generation business, which is recoverable from customers. In fiscal 2003, we provided for Rs. 1,464 million compared to Rs. 2,125 million in fiscal 2002. The decrease was primarily due to the decline in other income.

Profit After Tax as per Audited Statement of Accounts

Our profit after tax increased by 1.9% to Rs. 36,075 million (or 18.2% of our total revenues) in fiscal 2003 from Rs. 35,396 million (or 19.1% of our total revenues) in fiscal 2002.

Adjusted Profit

Our profit after tax has been adjusted on account of, among other things, changes in accounting policies, receipt of final tariff orders, certain effects of the One Time Settlement, as well as for the impact of certain items attributable to prior periods. As a result of these adjustments, our adjusted profit for fiscal 2003 was Rs. 32,642 million, which was Rs. 3,433 million, or 9.5%, lower than our adjusted profit after tax for the same year. Adjusted profit for fiscal 2003 declined by 17.7% from our adjusted profit of Rs. 39,674 million in fiscal 2002.

The main adjustments for fiscal 2003 are described below:

- We have adjusted our profits for fiscal 2003 to present the net effect of reallocations between periods related to differences between our sales booked on the basis of provisional tariffs and sales as determined on the basis of the principles of the final tariff orders issued by the CERC. On account of the foregoing, we have restated our profit for fiscal 2003 downwards by Rs. 4,866 million.

- We have adjusted our profits for fiscal 2003 to present the net effect of (i) interest on the bonds issued pursuant to the One Time Settlement attributable to fiscal 2003 that was included in our other income in fiscal 2004, (ii) rebates attributable to fiscal 2003 that were included in finance charges for fiscal 2004 and (iii) return of certain bonds issued prior to the One Time Settlement by SEBs towards settlement of dues and surcharge and the reversal of amounts accounted for in earlier years as other income. On account of the foregoing, we have restated our profit for fiscal 2003 upwards by Rs. 2,666 million.

- We have adjusted our profits for fiscal 2003 to present the net effect of (i) changes to our provisions written back that related to adjustments to revenues arising from differences between sales booked on the basis of provisional tariffs and sales determined by tariff orders and (ii) settlement of claims for coal charges. On account of the foregoing as well as certain other adjustments, we have restated our profit for fiscal 2003 downwards by Rs. 3,035 million.

- The taxes we provided for on interest on bonds returned to SEBs have been added back to our profits for fiscal 2003 and our profits for fiscal 2003 have been restated upwards by Rs. 903 million.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

We depend on both internal and external sources of liquidity to provide working capital and to fund capital requirements. We have traditionally funded our capital expenditures with internally generated funds, equity contributions by the Government and debt financing. We generally enter into long term borrowings in the form of bank loans or bonds, which may be in Rupees or foreign currencies. As of March 31, 2004, we had cash and cash equivalents of Rs. 66,351 million, which represented an increase of Rs. 42,457 million in fiscal 2004. As of March 31, 2004, we also had committed and undrawn credit facilities of approximately Rs. 61,800 million and committed and undrawn working capital facilities of approximately Rs. 5,000 million.

Dividends

The dividends declared by us for the last three fiscal years are presented below:

	Fiscal 2004	**Fiscal 2003**	**Fiscal 2002**
Face value of Equity Shares (Rs. per share)	10	10	1,000
Dividend (Rs. million)	10,823	7,080	7,079
Dividend Tax	1,387	395	0
Dividend per Equity Share(Rs.)	1.39	0.91	90.61
Dividend Rate Approx. (%)	13.9	9.1	9.1

Dividends are approved at the annual general meeting of our shareholders based on the recommendation of our Board. Our Board may also declare interim dividends. Our Board considers a number of factors in making a recommendation to pay dividends, including but not limited to, profits earned during the fiscal year, future capital expenditure plans, cash flow situation and financing needs. The amounts paid as dividends in the past are not necessarily indicative of our dividend policy or dividend amounts, if any, in the future.

A stock split was approved at an annual general meeting of our shareholders held on September 23, 2002, resulting in each equity share of Rs. 1,000 being sub-divided into 100 Equity Shares of Rs. 10 each.

Net Cash from Operations

Our net cash from operating activities was Rs. 58,118 million in fiscal 2004. We had net profit before tax and prior period adjustments of Rs. 41,547 million. Our net cash from operating activities reflects non-cash items of depreciation of Rs. 20,246 million as well as a total of Rs. 5,835 million for provisions and Rs. 1,320 million in deferred revenue on account of advance against depreciation. Our net cash from operating activities excludes interest income of Rs. 18,769 million on bonds issued under the One Time Settlement. Changes in assets and liabilities that had a current period cash flow impact comprised mainly of an increase in working capital of Rs. 643 million, consisting primarily of an increase in trade and other receivables, offset in part by an increase in trade payables. Our net cash from operating activities also reflects a net amount of Rs. 2,722 million for direct taxes paid less income tax recoverable.

Our net cash from operating activities was Rs. 47,402 million in fiscal 2003. We had net profit before tax and prior period adjustments of Rs. 33,326 million. Our net cash from operating activities reflects non-cash items of depreciation of Rs 15,473 million as well as a total of Rs. 5,555 million for provisions and Rs. 271 million in deferred revenue on account of advance against depreciation. Our net cash from operating activities excludes interest income of Rs. 15,771 million on bonds issued under the One Time Settlement. Changes in assets and liabilities that had a current period cash flow impact comprised mainly of a decrease in working capital of Rs. 3,010 million, consisting primarily of an increase in trade payables, offset in part by an increase in trade and other receivables, increase in loans and advances and other current assets. Our net cash from operating activities also reflects a net amount of Rs. 4,558 million for direct taxes paid less income tax recoverable.

Investing Activities

Our net cash used in investing activities was Rs 24,597 million in fiscal 2004. This reflected expenditures on fixed assets of Rs 46,654 million, and receipt of interest income from the bonds issued under the Tripartite Agreements of Rs. 22,984 million. As discussed above, the allotment date of the bonds was deemed to be in fiscal 2002 though they were issued later. As a result, the interest received in fiscal 2004 consisted of interest for fiscal 2002, 2003 and 2004.

Our net cash used in investing activities was Rs. 31,881 million in fiscal 2003. This reflected expenditures on fixed assets of Rs. 32,906 million, and receipt of interest income of Rs. 935 million in fiscal 2003. The interest income was from bonds issued by certain states prior to the One Time Settlement.

Financing Activities

In fiscal 2004, our net cash flow from financing activities was Rs. 8,873 million. We raised Rs. 37,949 million of new borrowings. These borrowings included Rs. 8,862 million of 5.50% Bonds due 2011, which were denominated in U.S. dollars and were the first bonds we have sold in the Eurobond market. Our new domestic borrowings included Rs. 7,000 million of Rupee denominated bonds and Rs. 17,344 million in term loans. In fiscal 2004, we repaid Rs. 15,578 million of borrowings and paid interest of Rs. 10,023 million. In fiscal 2004, we paid final dividends of Rs. 3,080 million for fiscal 2003.

In fiscal 2003, our net cash flow used in financing activities was Rs. 5,271 million. We raised Rs. 45,421 million of new borrowings, consisting principally of domestic borrowings of Rupee denominated bonds and term loans. We repaid indebtedness of Rs. 30,439 million and paid interest of Rs. 9,174 million. In fiscal 2003, we paid final dividends of Rs. 7,079 million for fiscal 2002, as well as an interim dividend of Rs. 4,000 million for fiscal 2003.

Indebtedness

We rely on both Rupee and foreign currency denominated borrowings. Traditionally, a significant part of our external funding has been foreign currency loans from multilateral agencies such as the World Bank and the Asian Development Bank, which loans are guaranteed by the Government. In recent years, we have increased our reliance on Rupee and foreign currency denominated commercial borrowings. These have included export credits for imported equipment, syndicated loans and domestic borrowings in Rupees in the form of loans and bonds. We have both secured and unsecured borrowings, with our secured borrowings being generally Rupee denominated bonds.

The following table presents our secured debt as of March 31, 2004:

(Rs. in millions)

	Amount	**% of total secured debt**
Bonds[1]	32,110	70%
Loans and Advances from Banks[2]	13,730	30%
Other Loans and Advances[3]	4	-
Total debt...	45,844	100%

(1) Domestic bonds are secured, usually over the assets of a particular power station.
(2) Guaranteed by the Government.
(3) Assets taken on lease.

The following table presents our unsecured debt as of March 31, 2004:

(Rs. in millions)

	Amount	**% of total unsecured debt**
Fixed Deposits	5,113	5%
Bonds denominated in foreign currency............	8,862	8%
Other Loans and Advances From Banks and Financial Institutions Denominated in foreign currency[1]	36,050	33%
Denominated in Rupees	57,675	53%
Loan from the Government of India	984	1%
Total	**10,8684**	**100%**

(1) Loans guaranteed by the Government were Rs. 26,675 million.

The following table presents details of our outstanding debt, together with the applicable currencies, that matures or in respect of which payment is due in the fiscal years indicated:

Currency	Fiscal 2005	Fiscal 2006	Fiscal 2007	Fiscal 2008-2011	Fiscal 2012 Onwards	Total
Rupees	7,859.5	11480.0	12065.7	41511.7	22969.5	95886.4
Euro	30.1	8.0	8.0	8.2	0.0	54.2
Japanese Yen	3987.6	4053.6	4600.4	9761.2	59826.8	82229.4
US$	25.5	26.8	28.1	302.7	87.5	470.6

For further detail on our indebtedness, see the section titled "Financial Indebtedness" in this Draft Red Herring Prospectus.

Capital Expenditures

Our capital expenditures are primarily for installation of new capacity and expansion of existing capacity. Our capital expenditures in fiscal 2002, 2003 and 2004 were Rs. 31,366 million, Rs. 32,906 million and Rs. 46,654 million, respectively. In March 2004, our Board adopted a budget estimate of Rs. 47,550 million for fiscal 2005. We expect that this capital expenditure will be used mainly for our ongoing projects at Talcher, Ramagundam, Rihand, Koldam, Vindhyachal, Kahalgaon, Sipat and Unchahar, as well as for new projects, primarily at Barh. We also expect that some of this capital expenditure will be used for renovation and modernisation schemes at many of our stations. We also intend to invest some of our budgeted expenditure in our subsidiaries and joint ventures in connection with their expansion plans. Although our capital expenditure budgets for fiscal 2006 and 2007 are not yet determined, they may be significantly higher than for fiscal 2005 in connection with our planned expansion.

For further discussion of our planned additions to our installed capacity, see "Our Business - Operations - Capacity Expansion Plans". Our capital expenditure budgets are subject to modification as a result of a variety of factors, including availability of internal and external resources, changes to expansion plans and other factors.

Quantitative and Qualitative Disclosures about Market Risk

Currency Exchange Rates

While our principal revenues are in Rupees, we have borrowed funds from outside India in foreign currencies, primarily Japanese Yen, Euros and U.S. Dollars, as indicated in the table above. Principal and interest payments on these borrowings are denominated in the respective foreign currencies. As of March 31, 2004, we had Rs. 58,642 million equivalent of foreign currency borrowings outstanding.

Under the tariff regulations for fiscal 2005-2009, fluctuations in exchange rates for offshore borrowings are recoverable through our tariffs. Since the current tariff regulations allow us to recover foreign exchange fluctuations through our tariffs, we do not currently hedge our foreign currency exposure. However, we cannot assure you that future changes to the tariff regulations or to the Government's tariff policy will allow us to recover such fluctuations through our tariffs. If as a result of future changes in tariff regulations we cannot recover foreign exchange fluctuations through our tariffs, we may be required to use hedging arrangements, which may not fully protect us from foreign exchange exposure.

Interest Rates

Under the current tariff regulations, interest costs are recoverable through our tariffs. We are subject to risks arising from changes in interest on working capital. Recovery of interest on working capital is based on norms fixed by the CERC. If interest rates on working capital loans were to rise, we may be unable to recover a portion of the interest through our tariffs. The majority of our long term borrowings are fixed interest rate borrowings and therefore we do not hedge against interest rate fluctuations.

New Accounting Standards

Accounting for Impairment of Assets

The Institute of Chartered Accountants of India (the "ICAI") issued Accounting Standard 28 on Impairment of Assets ("AS 28") which prescribes the procedures that an enterprise should apply to ensure that its assets, other than inventories, assets arising from construction contracts, financial assets and deferred tax assets, which are dealt in separate accounting standards, are carried at no more than their recoverable amount. An asset is carried at more than its recoverable amount if its carrying amount exceeds the amount to be recovered through use or sale of the asset. If this is the case, the asset is described as impaired and AS 28 requires the enterprise to recognise an impairment loss. AS 28 also specifies when an enterprise should reverse an impairment loss. AS 28 comes into effect for various different categories of enterprises on a staggered basis effective from the fiscal year beginning from April 1, 2004 through to April 1, 2008 and is mandatory in nature from the effective date. AS 28 is effective for us from the fiscal year beginning April 1, 2004. Based on our assets as of March 31, 2004, we do not believe that this accounting standard will have a material impact on our financial statements.

Accounting for Provisions, Contingent Liabilities and Contingent Assets

The ICAI issued Accounting Standard 29 on Provisions, Contingent Liabilities and Contingent Assets ("AS 29"), which prescribes appropriate recognition criteria and measurement bases to be applied for provisions and contingent liabilities. AS 29 requires that an enterprise should disclose sufficient information to enable users to understand their nature, timing and amount. AS 29 comes into effect from the fiscal year beginning from April 1, 2004 and is mandatory for us from that date.

OUR MANAGEMENT

Board of Directors

Under our Articles of Association we cannot have fewer than 4 directors or more than 15 directors. We currently have 10 Directors.

The following table sets forth current details regarding our Board of Directors:

Name, Designation, Occupation and Term	Age & Father's Name	Address	Other Directorships
Mr. Chandra Prakash Jain Chairman & Managing Director. Whole-time Director Tenure ends on August 31, 2005	58 years Late Mr. Nemi Chand Jain	396-C, Sheikh Sarai, Phase-I, New Delhi- 110 017	• NTPC Electric Supply Company Limited • NTPC Hydro Limited • NTPC Vidyut Vyapar Nigam Limited • NTPC Tamil Nadu Energy Company Limited
Mr. Kishore Kumar Sinha Director (Human Resources), Whole-time Director Tenure ends October 31, 2007.	56 years Late Mr. A.P. Sinha	342, Abhinav, CGHS, B-12, Vasundhara Enclave, New Delhi-110 096	• NTPC Electric Supply Company Limited • NTPC Vidyut Vyapar Nigam Limited • NTPC Hydro Limited • Utility Powertech Limited
Mr. Pantam Narasimharamulu Director (Finance) Whole-time Director Tenure ends July 31, 2005.	59 years Late Mr. P. Bhikshapati	169, Madan Lal Block, Asian Games Village, New Delhi- 110 049	• NTPC-Electric Supply Company Limited • NTPC Vidyut Vyapar Nigam Limited • NTPC Hydro Limited • NTPC Tamil Nadu Energy Company Limited
Mr. Thiagarajan Sankaralingam Director (Projects) Whole-time Director Tenure ends August 9, 2006.	56 years Late Mr. S. Thiagarajan	170, Madan Lal Block, Asian Games Village, New Delhi- 110 049	• NTPC Hydro Limited • Pipavav Power Development Company Limited • Utility Powertech Limited
Mr. Shivdarshan Lal Kapur Director (Technical) Whole-time Director Tenure ends August 31, 2004.	59 years Late Mr. Dalpat Rai Kapur	C-1,Sector-19 Noida-201 301, (U.P)	• NTPC Alstom Power Services Private Limited • Pipavav Power Development Company Limited • NTPC-Electric Supply Company Limited • NTPC Tamil Nadu Energy Company Limited • Bhilai Electric Supply Company Private Limited • NTPC- SAIL Power

Name, Designation, Occupation and Term	Age & Father's Name	Address	Other Directorships
			Company Private Limited • Uttar Pradesh Rajya Vidyut Utapadan Nigam Limited
Mr. Chandan Roy Director (Operations) Whole-time Director Tenure ends December 31, 2008.	54 years Late Mr. A. K. Roy	158, Madan Lal Block, Asian Games Village, New Delhi- 110 049	NTPC Vidyut Vyapar Nigam Limited
Prof. Ashok Misra Part-time non official Director Director, IIT, Powai Mumbai Liable to retire by rotation at the third annual general meeting from his appointment.	57 years Mr. Rama Shankar Misra	A-1, IIT Campus, Powai, Mumbai – 400 076	• Mewar Polytex Limited • Anjani Technoplast Limited • Rashtriya Chemicals & Fertilizers Limited
Mr. Mrutunjay Sahoo Part-time Director Government Service. He shall retire on his ceasing to be an official of MoP.	50 years Late Mr. Damodar Sahoo	F-43, Nivedita Kunj, Sector-IX, R.K.Puram, New Delhi - 110 066	• Satluj Jal Vidyut Nigam Limited • Rural Electrification Corporation Limited • National Hydroelectric Power Corporation Limited • PowerGrid Corporation of India Limited • Tehri Hydro Development Corporation Limited
Dr. Rajendra Kumar Pachauri Part-time non official Director Director General, The Energy & Resources Institute Liable to retire by rotation at the third annual general meeting from his appointment.	64 years Late Mr. Atma Ram Pachauri	160, Golf Links, New Delhi - 110 003	GAIL (India) Limited
Mr. Arvind Jadhav Part-time Director Government Service. He shall retire on his ceasing to be an official of MoP.	49 years Late Mr. M.N.Jadhav	D-I/159 Satya Marg, New Delhi- 110 021	• Rural Electrification Corporation Limited • Power Finance Corporation Limited • Nuclear Power Corporation India Limited • Damodar Valley Corporation

Name, Designation, Occupation and Term	Age & Father's Name	Address	Other Directorships
			• Maithon Power Limited

Details of Directors

Shri C.P.Jain (58 yrs)**,** the Chairman & Managing Director of the Company, has a career spanning over 37 years of contribution in the fields of financial management, general management, strategic management and business leadership. He is a fellow member of the Institute of Chartered Accountants of India, holds a degree in law and an advanced diploma in Management. He joined the Board of our Company in 1993 as Director (Finance) and was elevated as the Chairman & Managing Director of our Company with effect from September 2000.

Shri K.K.Sinha (56 yrs)**,** Director (Human Resources) of the Company since November 1997, did his honours graduation in Economics and a post-graduate degree in Personnel Management/ Labour & Social Welfare securing gold medals. Prior to joining our Company, he had varied work experience of about 15 years in Steel Authority of India Ltd. and Hindustan Steelworks Construction Ltd. He joined the Board in November, 1997.

Shri P. Narasimharamulu (59 yrs), Director (Finance) is a post graduate in Commerce, a Chartered Accountant, a graduate in Law, a member of the Indian Council of Arbitration, a member of the International Center for Alternate Dispute Resolution and a member of the Institute of Internal Auditors. He has experience in the areas of financial management including resource mobilization and investor servicing and corporate governance. He was appointed as Director (Finance) in May 2001. He has worked for our Company for more than two decades holding different positions. Prior to joining us he had been initially in practice as a chartered accountant followed by diverse experience in the Agro and Light Engineering Industry for approximately nine years.

Shri T.Sankaralingam (56 yrs), is a Graduate in Electrical Engineering. A Power Engineer of repute with rich and varied work experience of about 26 years in NTPC in different capabilities prior to his assuming charge of the Director (Projects) with effect from August 2001. He has worked in Bharat Heavy Electric Limited and Tamil Nadu Electricity Board also.

Shri S.L.Kapur (59 yrs), has a career spanning over 35 years in power sector in various responsible positions in India and Bhutan. He holds a Bachelor Degree in Electrical Engineering. Shri Kapur has held various positions in Engineering and Corporate Planning Departments of the Company, till his elevation as Director (Technical) with effect from June 2002.

Shri Chandan Roy (54 yrs)**,** is Director (Operations) and is graduate in Mechanical Engineering. He has been with our Company since 1977 and has held various positions in the Operation Services and Engineering Division. Prior to joining us, he worked for ACC Vickers Babcock Ltd. and Babcock & Wilcox, London. He joined the Board in January, 2004.

Prof. Ashok Misra (57 yrs), a Bachelor of Technology in Chemical Engineering from Indian Institute of Technology and a Master of Science in Chemical Engineering from Tufts University, USA. He also did his Master of Science and Ph.D. in Polymer Science & Engineering from University of Massachusetts, USA. Prof. Ashok Misra also successfully completed his EDP from Kellogs School of Management, Northwestern University, USA. Currently he is a Director, Indian Institute of Technology, Mumbai. He is on the Board of the Company with effect from February 2002 as a non-official part-time director.

Shri M.Sahoo (50 yrs), is an Indian Administrative Services officer from Andhra Pradesh State cadre. Prior to joining MoP, with effect from July 1, 2002 he has held the positions of Secretary, Finance and Secretary, Urban Development, Government of Andhra Pradesh. He is on the Board of the Company as a part-time Director nominated by the GoI with effect from July 2002.

Dr.R.K.Pachauri (64 yrs)**,** a Padma Bhushan awardee, joined the Board of the Company in August 2002 as a non-official part-time Director. He obtained a Master of Science in Industrial Engineering in 1972, a Ph.D in Industrial Engineering and a Ph.D in Economics from North Carolina State University, Raleigh, North Carolina, USA. He assumed his current responsibilities as the head of Tata Energy Research Institute, New Delhi (now known as The Energy and Resources Institute) in 1981, first as Director and since April 2001, as Director-General.

Shri Arvind Jadhav (49 yrs), is an Indian Administrative Services officer of Karnataka cadre and holds a Master of Arts from Kanpur, a Post Graduate Diploma in International Trade from IIFT, New Delhi, a certificate of Export Promotion from the Italian Institute of Foreign Trade, Italy and Master of Business Administration from the Curtin University, Australia. He has worked in various fields that include local government, development sectors like rural development, irrigation, command area development, industrial promotion and development, public finance, sericulture, horticulture, education, silk marketing and exports, mining, housing board and energy. As Joint Secretary of the MoP, he is on the Board as GoI nominee with effect from October 2003.

Shareholding of our Directors in our Company

Our Articles of Association do not require our Directors to hold any Equity Shares. The following table details the shareholding of our Directors:

Name of Directors	Number of Equity Shares (Pre-Issue)
Mr. C P Jain as nominee of President of India	100
Mr. K K Sinha as nominee of President of India	100
Mr. P Narasimharamulu as nominee of President of India	100
Mr. T Sankaralingam as nominee of President of India	100
Mr. M Sahoo as nominee of President of India	100
Mr. Arvind Jadhav as nominee of President of India	100

Term of Office

The following table has term of office of our Directors:

Name of Director	Term
Mr. Chandra Prakash Jain Chairman & Managing Director.	Tenure ends on August 31, 2005.

Mr. Kishore Kumar Sinha Director (Human Resources),	Tenure ends October 31, 2007.
Mr. Pantam Narasimharamulu Director (Finance)	Tenure ends July 31, 2005.
Mr. Thiagarajan Sankaralingam Director (Projects)	Tenure ends August 9, 2006.
Mr. Shivdarshan Lal Kapur Director (Technical)	Tenure ends August 31, 2004.
Mr. Chandan Roy Director (Operations)	Tenure ends December 31, 2008.
Prof. Ashok Misra Part-time non official Director	Liable to retire by rotation at the third annual general meeting from his appointment.
Mr. Mrutunjay Sahoo Part-time Director	He shall retire on his ceasing to be an official of MoP.
Dr. Rajendra Kumar Pachauri Part-time non official Director	Liable to retire by rotation at the third annual general meeting from his appointment.
Mr. Arvind Jadhav Part-time Director.	He shall retire on his ceasing to be an official of MoP.

For details of the terms of appointment of our whole time directors, please refer to the section titled "Statutory and Other Information" on page [●] of this Draft Red Herring Prospectus.

Changes in our Board of Directors during the last three years

The changes in our Board of Directors during the last three years are as follows:

Name	Date of Appointment	Date of Cessation	Reason
Mr. B.N.Ojha	13.11.1996	31.12.2003	Completed his tenure as a director of the Company as he was superannuated.
Dr.A.Palit	12.11.1997	31.05.2002	Completed his tenure as a director of the Company as he was superannuated.
Mr. H.L.Bajaj	16.09.1998	01.07.2002	Resigned.
Mr. B. Rai	29.06.1999	15.05.2001	Ceased to be a Director pursuant to intimation from MoP.

Mr. R.Ramanujam	13.03.2000	11.07.2002	Ceased to be a Director pursuant to intimation from MoP.
Mr. V.Lulla	22.03.2001	28.02.2002	Ceased to be a Director pursuant to intimation from MoP.
Mr. P. Narasimharamulu	14.05.2001	-	Appointed as a Director.
Mr. J.Vasudevan	18.05.2001	23.07.2001	Ceased to be a Director pursuant to intimation from MoP.
Mr. Arvind Jadhav	23.07.2001	23.05.2002	Ceased to be a Director pursuant to intimation from MoP.
Mr. T.Sankaralingam	10.08.2001	-	Appointed as a Director.
Mr. R.V.Shahi	08.02.2002	15.04.2002	Resigned.
Prof. Ashok Misra	08.02.2002	-	Appointed as a Director.
Mr. Ajay Shankar	23.05.2002	16.09.2002	Ceased to be a Director as per directive of the MOP.
Mr. D.S.Parekh	23.05.2002	05.08.2003	Resigned.
Mr. S.L.Kapur	01.06.2002	-	Appointed as a Director.
Mr. M. Sahoo	11.07.2002	-	Appointed as a Director.
Dr. R.K.Pachauri	27.08.2002	-	Appointed as a Director.
Mr. N.S.Sisodia	16.09.2002	08.10.2002	Ceased to be a Director pursuant to intimation from MoP.
Mr. Ajay Shankar	17.12.2002	15.10.2003	Ceased to be a Director pursuant to intimation from MoP.
Mr. R.D.Gupta	29.04.2003	30.06.2004	Resigned.
Mr. Arvind Jadhav	15.10.2003	-	Appointed as a Director.
Mr. Chandan Roy	01.01.2004	-	Appointed as a Director.

Corporate Governance

Some of the bonds issued by us, through private placement, between September 2001 and September 2003, are listed with NSE. We are in compliance with the provisions of listing agreement with the NSE including those relating to corporate governance, except for the constitution of the remuneration committee and the composition of our Board of Directors.

As regards the remuneration committee, being a Government company, the GoI fixes the remuneration of our Directors. The sitting fees for our independent directors are paid by us at the rates approved by GoI.

We are a Government company and the GoI appoints our Directors. We have approached GoI, vide letter dated May 3, 2004 for reconstitution of the Board to ensure compliance of listing agreement with NSE.

We have constituted an Audit Committee and Shareholder & Investor Grievance Committee.

Audit Committee

The terms of the committee comply with the requirements of the listing agreement for listing and trading of our bonds, with NSE. This committee comprises three non-executive Directors, namely Prof. Ashok Misra, Dr. R.K. Pachauri and Mr. M. Sahoo. The chairman of the Audit Committee is an independent Director. The Audit Committee provides direction to the audit and risk management function and monitors the quality of internal and statutory audit. The responsibilities of the Audit Committee *inter alia* include monitoring the Company's financial reporting system to ensure that the financial statements are correct, sufficient and credible, reviewing the annual financial statements with the management before submission to the Board, reviewing the Company's financial and risk management policies and adequacy of internal control systems and internal audit functions.

Shareholders &Investors Grievances Committee

This committee has been constituted to look into redressal of shareholder and investor complaints like non transfer of Equity Shares, non-receipt of balance-sheet, non-receipt of declared dividend etc. Currently, this committee comprises of 3 Directors namely, Mr. P. Narasimharamulu, Mr. K. K. Sinha and Mr. M. Sahoo. A non-executive Director is the chairman of the committee.

Other Committees and Sub Committees

In addition, the Board has delegated some of its powers to various committees and sub committees including, Committee on Management Controls, Sub Committee for Contracts, Projects Sub-Committee, Investment/Contribution Sub Committee, Sub Committee for Allotment and Post Allotment Activities of NTPC's securities and Committee for Initial Public Offering of Equity Shares.

Key Managerial Personnel

Mr. Dipak Jain, aged 51 years, joined our Company on April 16, 1999 and is currently, the Chief Vigilance Officer in our Company. He has a degree of Masters in Economics and is an officer of the Indian Administrative Service, which he joined in 1979. He has 25 years of work experience.

Mr. G. S. Sohal, aged 59 years, joined our Company on July 11, 1977 and is currently the Executive Director (Accelerated Power Development & Reform Programme). He has a B.E. degree from Punjab University. He has 37 years of work experience and was working in Bharat Heavy Electricals Limited before joining our Company.

Mr. Siddheswar Sen, aged 59 years, joined our Company on April 7, 1977 and is currently the Executive Director (Corporate Contracts and Materials) in our Company. He has a degree in electrical engineering from Calcutta University. He has 39 years of work experience and has worked in the West Bengal State Electricity Board, Hooghly Institute of Technology, Hooghly and Bharat Heavy Electricals Limited before joining our Company.

Mr. S.D. Tyagi, aged 59 years, joined our Company on August 3, 1979 and is currently the Executive Director (Total Quality Management). He has a B.E. degree from Vikram University and a holder of P.G Diploma in Industrial Engineering from National Productivity Council. He has 38 years of work experience and has worked in the Pure Drinks Private Limited, National

Productivity Council, Delhi Productivity Council, Administrative Staff College and Engineers India Limited before joining our Company.

Mr. Balmiki Prasad, aged 59 years, joined our Company on November 26, 1980 and is currently the Executive Director (Eastern Region - Headquarters). He has a B.Sc. degree from Patna University. He has 38 years of work experience and was working in Madhya Pradesh Electricity Board before joining our Company.

Mr. R.S. Sharma, aged 54 years, joined our Company on February 26, 1980 and is currently the Executive Director (Commercial). He has a degree in mechanical engineering from the Government Engineering College, Madhya Pradesh. He has 33 years of work experience and was working with the Madhya Pradesh Electricity Board before joining our Company.

Mr. A.K. Singhal, aged 50 years, joined our Company on October 4, 2001 and is currently the Executive Director (Finance). He has a B.Com. degree from Delhi University and is a Chartered Accountant. He has 28 years of work experience and has worked in P.N. Khanna & Co., Engineering Projects (I) Ltd., Krishak Bharti Co-operatives Limited and National Fertilisers Limited before joining our Company.

Mr. R.C. Shrivastava, aged 54 years, joined our Company on April 16, 1981 and is currently an Executive Director of our Company and has been deputed as the Chief Executive Officer in NTPC Electric Supply Company Limited. He has a degree in electrical engineering from Jiwaji University. He has 32 years of work experience and was working with Steel Authority of India Limited before joining our Company.

Mr. R.K. Jain, aged 55 years, joined our Company on May 1, 1977 and is currently the Executive Director (National Capital Region – Headquarters). He has a B.E. degree from Roorkee University. He has 33 years of work experience and has worked in Swadeshi Polytex Limited, Ghaziabad and the Central Electricity Authority before joining our Company.

Mr. L.V. Rao, aged 57 years, joined our Company on May 27, 1977 and is currently the Executive Director (Western Region – Headquarters). He has a B.E. degree from Osmania University. He has 35 years of work experience and has worked in the Andhra Pradesh State Electricity Board and the Central Electricity Authority before joining our Company.

Mr. N.S. Choudhary, aged 59 years, joined our Company on June 2, 1979 and is currently an Executive Director (Consultancy) in our Company. He has a B.Sc. degree from Agra University and a B.E. degree from Roorkee University. He has 36 years of work experience and was working with Punjab Electricity Board before joining our Company.

Mr. S.B. Aggarwal, aged 54 years, joined our Company on December 23, 1981 and is currently the Executive Director (Northern Region - Headquarters). He has a degree in mechanical engineering from G.C.E.T., Raipur and a postgraduate degree in Public Administration from Ravi Shankar University and a degree in Industrial Engineering from the Institute of Industrial Engineers. He has 33 years of work experience and was working in Bhilai Steel Plant before joining our Company.

Mr. K.B. Dubey, aged 55 years, joined our Company on April 2, 1981 and is currently the Executive Director (Hydro region). He has a mechanical engineering degree from G.B.Pant University of Agriculture and Technology. He has 30 years of work experience and was working in Bharat Heavy Electricals Limited before joining our Company.

Mr. S.V. Moorthy, aged 59 years, joined our Company on January 19, 1981 and is currently an Executive Director (Southern Region – Headquarters) in our Company. He has a B.E. degree from Madras University. He has 35 years of work experience and was working with Neyveli Lignite Corporation Limited, Tata Electricity Company Limited, Tata Consulting Engineers (now known as Tata Consultancy Services) and Engineers India Limited before joining our Company.

Mr. Subrato Trivedi, aged 54 years, joined our Company on February 13, 1981 and is currently the Executive Director (Corporate Planning). He has a degree in Mechanical Engineering from Ravi Shankar University, Raipur. He has 33 years of work experience and was working in Rourkela Steel Plant and Bharat Heavy Electricals Limited before joining our Company.

Mr. G.K. Agarwal, ageed 56 years, joined our Company on September 9, 2003 and is currently the Executive Director (Power Management Institute). He has a B.Tech degree from Indian Institute of Technology, Kanpur and a Master of Science In Industrial and Management Engineering from Montana State University, United States of America and holder of a P.G.Diploma in personnel management from National Institute of Personnel Management. He has 32 years of work experience and has worked in Electronic Corporation of India Limited, Hindustan Machine Tools Limited and Bharti Telecom Limited before joining our Company.

Dr. R.R. Sonde, aged 47 years, joined our Company on June 1, 2004 and is currently an Executive Director (Power Technology and Research Centre) in our Company. He has a B.Tech degree from University of Mysore, a degree in nuclear engineering from Bhabha Atomic Research Centre and a Ph. D., Chemical Engineering from Indian Institute of Technology, Powai. He has 24 years of work experience and was working in the Department of Atomic Energy before joining our Company.

Mr. B.P. Singh, aged 51 years, joined our Company on October 12, 1981 and is currently an Executive Director (coal mining and coal washery group) in our Company. He has a degree in Mining Engineering and a postgraduate diploma in Industrial Engineering from Indian School of Mines, Dhanbad. He has 30 years of work experience and was working in Indian Iron and Steel Company and Bharat Coking Coal Limited before joining our Company.

Mr. K.P. Rao, aged 55 years, joined our Company on December 30, 1981 and is currently an Executive Director (Engineering) in our Company. He has a degree in mechanical engineering from REC, Warangal. He has 30 years of work experience and was previously working in Desein New Delhi (Private) Limited before joining our Company.

Mr. B.C. Ghosh, aged 56 years, joined our Company on November 1, 1977 and is an Executive Director of our Company and is currently deputed as the Chief Executive Officer of NTPC Hydro Limited in addition to responsibility of monitoring of all thermal and hydro projects of NTPC and other areas. He has a degree in mechanical engineering from IT Benaras Hindu University. He has 35 years of work experience and was previously working in Sindhu Engineering Works and Hindustan Steelworks Construction Limited before joining our Company.

Mr. S.R. Yadav, aged 55 years, joined our Company on December 29, 1980 and is an Executive Director (Operational Services) in our Company. He has a degree in electrical engineering from Ranchi University. He has 32 years of work experience and was previously working in the Bokaro Steel Plant and the Patratu Thermal Power Station before joining our Company.

Mr. A.K. Dhar, aged 58 years, joined our Company on November 13, 1978 and is an Executive Director in our Company and has been currently deputed as the Chief Executive Officer of NTPC Vidyut Vyapar Nigam Limited. He has a M.Com degree from Calcutta University and is a Chartered Accountant. He has 32 years of work experience and was previously working in K.N. Cutcutia and Company, UCO Bank, New India Assurance Company Limited and MAMC Limited before joining our Company.

Mr. J. Jha, aged 54 years, joined our Company on June 9, 1982 and is currently an Executive Director in our Company. He has a degree in electrical engineering from R.I.T., Jamshedpur. He has 32 years of work experience and was working with the Steel Authority of India Limited before joining our Company.

None of the key managerial personnel are related to each other and are permanent employees of our Company.

Changes in our Key Managerial Employees during the last three years

The changes in our Key Managerial Employees during the last three years are as follows:

Name	Date of Appointment as Key Managerial Personnel	Whether Continuing, if not, date of Cessation	Reason
Mr. Shyam Wadhera	16.05.2001	31.07.2003	Resignation
Mr. S.C. Sharma	15.05.2002	05.09.2003	Resignation
Mr. Balmiki Prasad	16.05.2001	Continuing	Promotion
Mr.R.S. Sharma	16.05.2001	Continuing	Promotion
Mr.A.K. Singhal	04.10.2001	Continuing	Appointment
Mr.R.C. Shrivastava	03.08.2002	Continuing	Promotion
Mr.R.K. Jain	03.08.2002	Continuing	Promotion
Mr.L.V. Rao	03.08.2002	Continuing	Promotion
Mr.N.S. Choudhary	03.08.2002	Continuing	Promotion
Mr.S.B. Aggarwal	19.04.2003	Continuing	Promotion
Mr. K.B. Dubey	19.04.2003	Continuing	Promotion

Mr.S.V. Moorthy	19.04.2003	Continuing	Promotion
Mr.S.Trivedi	09.07.2003	Continuing	Promotion
Mr.G.K. Agarwal	09.09.2003	Continuing	Appointment
Dr.R.R. Sonde	01.06.2004	Continuing	Appointment
Mr.B.P. Singh	12.06.2004	Continuing	Promotion
Mr. K.Prakasa Rao	12.06.2004	Continuing	Promotion
Mr.B.C. Ghosh	12.06.2004	Continuing	Promotion
Mr.S.R. Yadav	12.06.2004	Continuing	Promotion
Mr.A.K. Dhar	12.06.2004	Continuing	Promotion
Mr.J.Jha	12.06.2004	Continuing	Promotion

Promoter

Our promoter is the President of India acting through the MoP, and holds 100% of the pre-Issue paid up equity share capital of our Company and will hold at least 89.5 % of the fully diluted post-Issue paid up equity share capital of our Company.

Subsidiaries

We have four subsidiaries, namely NTPC Vidyut Vyapar Nigam Limited, NTPC Hydro Limited, NTPC Electric Supply Company Limited and Pipavav Power Development Company Limited.

The financial information of our subsidiaries presented below is based on audited and restated accounts, which have been presented in pages [●] to [●] of this Draft Red Herring Prospectus and the financial information of our joint ventures is based on audited but not restated accounts.

NTPC Vidyut Vyapar Nigam Limited ("NVVN")

NVVN, a wholly owned subsidiary of our Company, was incorporated on November 1, 2002. NVVN was set up to carry out, *inter alia*, power trading by purchasing all forms of electrical power from all or any source including import from abroad and to sell such power to various customers including state electricity boards and bulk consumers in India and abroad. NVVN traded 963 MU to various constituents during the fiscal 2004.

Shareholding Pattern

NVVN is a wholly owned subsidiary of our Company, and thus, the entire share capital of NVVN is held by us.

Board of Directors

The Board of Directors of NVVN consists of Shri C. P. Jain (Chairman), Shri K. K. Sinha, Shri P. Narasimharamulu, Shri R.S.Sharma, Shri Chandan Roy and Shri Shyam Wadhera.

Financial Performance

Rs. in million

	For the period ended March 31, 2003	**Fiscal 2004**
Total Income	40.5	2,291.4
Profit (Loss) after Tax	(0.1)	21.3
Equity Share Capital*	0.8	200.0
Reserves (excluding revaluation reserves)	(0.1)	14.0
Earnings per share (Rs.) **	(1.6)	1.1
Book Value per share	0.9	10.7

(Rs.) **		

*including share application money of Rs 0.3 million.
** Profit after tax is not annualised and is for the period ending March 31, 2003. For the calculation of Earnings per Share and Book Value per Share, number of equity shares outstanding at the end of the year has been considered.

NTPC Hydro Limited ("NHL")

NHL, a wholly owned subsidiary of our Company, was incorporated on December 12, 2002 with the objective to develop small and medium hydroelectric power projects upto 250 MW capacity.

Shareholding Pattern

NHL is a wholly owned subsidiary of our Company, and thus, the entire share capital of NHL is held by us.

Board of Directors

The Board of Directors of NHL consists of Shri C.P. Jain (Chairman), Shri K.K. Sinha, Shri P. Narasimharamulu and Shri T. Sankaralingam.

Financial Performance

Rs. in million

	For the period ended March 31, 2003	**Fiscal 2004**
Total Income	Nil	Nil
Profit (Loss) after Tax	(0.02)	(17.2)
Equity Share Capital	0.5	16.5
Reserves (excluding revaluation reserves)	Nil	(17.2)
Earnings per share (Rs.)**	(0.3)	(10.4)
Book Value per share (Rs.)**	(5.8)	(0.4)

** Profit after tax is not annualised and is for the period ending March 31, 2003. For the calculation of Earnings per Share and Book Value per Share, number of equity shares outstanding at the end of the year has been considered.

NTPC Electric Supply Company Limited ("NESCL")

NESCL, a wholly owned subsidiary of our Company was incorporated on August 21, 2002with an objective to enter into the business of distribution and supply of electrical energy as a result of reforms initiated in the power sector.

Shareholding Pattern

NESCL is a wholly owned subsidiary of our Company, and thus the entire capital is held by us.

Board of Directors

The Board of Directors of NESCL consists of Shri C.P. Jain (Chairman), Shri K.K. Sinha, Shri P. Narasimharamulu, Shri S.L. Kapur and Shri R.S.Sharma.

Financial Performance

Rs. in million

	For the period ended March 31, 2003	Fiscal 2004
Total Income	Nil	17.7
Profit (Loss) after Tax	(0.03)	(0.03)
Equity Share Capital	0.8*	0.8
Reserves (excluding revaluation reserves)	Nil	Nil
Earnings per share (Rs.)**	(0.4)	(0.4)
Book Value per share (Rs.)**	0.1	1.6

* Including share application money of Rs 0.3 million.

** Profit after tax is not annualised and is for the period ending March 31, 2003. For the calculation of Earnings per Share and Book Value per Share, number of equity shares outstanding at the end of the year has been considered.

Pipavav Power Development Company Limited ("PPDCL")

PPDCL, a wholly owned subsidiary of our Company was incorporated on December 20, 2001 pursuant to a Presidential directive from Government of India to establish a company for acquisition of land and development of infrastructure for setting up of power project in Amreli District of Gujarat. The main objects of PPDCL is, *inter alia*, to promote and take up development work for power projects for generation of electricity by use of any type of fuel in any manner on build, operate and transfer or any other basis.

We now propose to convert PPDCL into a joint venture company and have recently entered into a memorandum of understanding with the Gujarat Power Corporation Limited and Gujarat Electricity Board for the same.

Shareholding Pattern

PPDCL is a wholly owned subsidiary of our Company, and thus the entire capital is held by us.

Board of Directors

The Board of Directors of PPDCL consists of Shri T. Sankaralingam (Chairman), Shri S.L. Kapur and Shri S. Trivedi.

Financial Performance

Rs. in million

	For the period ended March 31, 2002	FISCAL 2003	Fiscal 2004
Total Income	Nil	Nil	Nil
Profit (Loss) after Tax	Nil	Nil	(3.6)

Equity Share Capital	0.5	3.6	3.7
Reserves (excluding revaluation reserves)	Nil	(0.03)	(3.6)
Earnings per share (Rs.)**	Nil	Nil	(9.9)
Book Value per share (Rs.)**	(61.7)	Nil	0.1

** Proft after tax is not annualised and is for the period ending March 31, 2003. For the calculation of Earnings per Share and Book Value per Share, number of equity shares outstanding at the end of the year has been considered.

Joint Ventures

We have entered into agreements with various parties whereby we have shares in Utility Powertech Limited, NTPC ALSTOM Power Services Private Limited, Power Trading Corporation of India Limited, NTPC-SAIL Power Company Private Limited, Bhilai Electric Supply Company Private Limited and NTPC Tamil Nadu Energy Company Limited.

Utility Powertech Limited ("UPL")

UPL was incorporated on November 23, 1995 with the primary objective to, *inter alia*, undertake construction, erection and project management in power and related sectors in India and abroad.

A promoters' agreement was entered into between BSES Limited (now Reliance Energy Limited) and us on March 28, 1996. Both parties have a right to nominate equal number of directors on the Board of Directors of UPL and so long as each of their holding is above 20%, the Board of Directors of UPL shall consist of at least one nominee each of Reliance Energy Limited and us. The Chairman of UPL is a nominee of our Company and Reliance Energy Limited alternately and he is appointed for two years on a rotational basis.

UPL is engaged in providing operations and maintenance services for power stations, undertaking construction activities on turnkey basis, providing specialized services such as residual life assessment, energy audit, vibration diagnosis etc. It is also undertaking projects in the area of non-conventional energy sources such as windmill operated power plants, micro hydel units, solar power plants etc.

No party under the promoters' agreement has the right to encumber or alienate its shareholding in UPL, for a period of 5 years from the date of allotment of the shares to them. No transfer of shares between a party and its affiliates shall be permissible during this lock in period and after expiry of the said period, any transfer shall require prior consent in writing of the other parties and intimated within 30 days of transfer/sale. Neither, Reliance Energy Limited, our Company nor their affiliates have the right to acquire additional shares on the open market without the prior written consent of the other parties.

Shareholding Pattern

The shareholding is split 50:50 between our Company and Reliance Energy Limited and its affiliates.

Board of Directors

The Board of Directors of UPL consists of Shri S.C. Gupta (Chairman), ShriG.K.Agarwal, Shri T. Sankaralingam, Shri A.K. Singhal, Shri Rakesh K. Aggarwal, and Shri S.C. Manocha.

Financial Performance

Rs. in million

	Fiscal 2002	Fiscal 2003	Fiscal 2004
Total Income	682.4	790.5	866.7
Profit (Loss) after Tax	35.0	46.3	34.5
Equity Share Capital	20.0	20.0	20.0
Reserves (excluding revaluation reserves)	40.3	52.8	64.7
Earnings per share (Rs.)	17.5	23.1	17.2
Book Value per share (Rs.)	30.1	36.3	42.3

NTPC ALSTOM Power Services Private Limited ("NASL")

NASL was set up as a joint venture company between ALSTOM Power Generation AG, Germany (formerly known as ABB Kraftwerke AG) and us pursuant to a promoters' agreement dated August 24, 1999.

NASL was incorporated on September 27, 1999 as NTPC-ABB ALSTOM Power Services Private Limited. Thereafter, NASL became a deemed public company under Section 43A of the Companies Act. Subsequently, it changed its name from NTPC-ABB ALSTOM Power Services Limited to NTPC-ALSTOM Power Services Limited and a fresh certificate of incorporation consequent upon this change of name was issued on May 11, 2001. NASL is no longer a deemed public company pursuant to amendments to the Companies Act and therefore, its name was changed from NTPC ALSTOM Power Services Limited to NTPC ALSTOM Power Services Private Limited on January 25, 2002.

The main object of NASL is to, inter alia, undertake renovation and modernisation of old under-performing power stations both in India and in other South Asian Association for Regional Co-operation (SAARC) countries and on project-to-project basis elsewhere abroad. Its current business and operations extends to a wide range of services of power plants, covering rehabilitation, renovation and modernization of power stations.

Under the said promoters' agreement, both ALSTOM Power Generation AG, Germany and we have a right to nominate an equal number of directors on the board of NASL. For the first five years from incorporation of NASL, we have the right to appoint the Chairman and one whole time director of NASL and ALSTOM Power Generation AG, Germany has the right to appoint the Managing Director of NASL. This arrangement shall be reversed for the next five years. After the completion of ten years from the date of incorporation, the decision regarding appointment of the said directors shall be taken by the board of directors of NASL, subject to affirmative votes of at least two directors nominated by each party. Under the said agreement, neither party shall have the right to encumber or alienate its shareholding in NASL for a period of 5 years from the date of allotment of such shares.

Shareholding Pattern

Each of ALSTOM Power Generation AG, Germany and our Company holds 3,000,000 equity shares in NASL.

Board of Directors

The Board of Directors of NASL consists of Shri S.L. Kapur (Chairman), Shri Rakesh Chandra, Shri D.K. Jain, Dr. K.S. Pillai, Shri A.K. Singhal and Shri Antonius Klokkaris.

Financial Performance

Rs. in million

	Fiscal 2002	**Fiscal 2003**	**Fiscal 2004**
Total Income	97.0	352.7	1078.4
Profit (Loss) after Tax	(16.5)	4.4	23.3
Equity Share Capital	60.0	60.0	60.0
Reserves (excluding revaluation reserves)	Nil	Nil	1.2
Earnings per share (Rs.)	-	0.7	3.9
Book Value per share (Rs.)	3.8	6.8	10.2

Power Trading Corporation of India Limited ("PTC")

PTC was incorporated as a joint venture company on April 16, 1999 under the Companies Act and received certificate of commencement of business on July 15, 1999. Initially, PTC was promoted by Power Grid Corporation of India Limited, Power Finance Corporation Limited, and our Company, pursuant to a promoters agreement dated April 8, 1999. Subsequently, National Hydro Electric Power Corporation Limited agreed to be recognised as a promoter in PTC and the earlier agreement was amended vide a supplementary agreement dated November 29, 2002. As per the said agreements, we have the right to nominate one part-time director in PTC and our consent is necessary for the appointment of the chairman/managing director/wholetime director in PTC. Under the provisions of the said agreement, no party has the right to encumber or alienate its shareholding in PTC for a period of 12 years from the date of incorporation of PTC.

The activities of PTC include the purchase of power from power generating companies/entities and trade in electric power in an optimum manner. PTC is engaged in the business of purchasing, procuring, selling, importing, exporting, trading all forms of electric power and ancillary services.

Shareholding Pattern

Name of the Shareholder as on May 31, 2004	**Number of Shares (face value Rs. 10/-)**	**Percentage Shareholding (%)**
NTPC	12,000,000	8.00
Power Finance Corporation Limited	12,000,000	8.00
National Hydro Electric Power Corporation	12,000,000	8.00
Power Grid Corporation of	12,000,000	8.00

India Limited		
Others including public	102,000,000	68.00

Share Quotation

Highest and Lowest Price in the last 6 months

Month	High (Rupees)	Low (Rupees)
April, 2004	61.00	27.75
May, 2004	53.75	38.80

Promise v. Performance – Last Issue of Group Company

PTC made an initial public offer in March 2004. The objects of the issue where to augment long term capital base for their business, as mentioned in the PTC prospectus. The issue proceeds are being utilised for the said purpose.

Board of Directors

The Board of Directors of PTC consists of Shri T. N. Thakur, (Chairman and Managing Director), Shri S. K. Dube, Shri P.Abraham, Shri Gireesh B. Pradhan, Shri Ranjit Rae, Shri R.S.Sharma, Shri R. Krishnamoorthy, Shri J. Haque, Shri S. S. Jamwal, Shri F. A. Vandrevala, Shri V. K. Saxena, Shri G. P. Gupta, Shri D. P. Bagchi and Shri M. S. Verma.

Financial Performance

Rs. In million

	Fiscal 2002	Fiscal 2003	Fiscal 2004
Total Income	3664.0	9269.4	23780.0
Profit (Loss) after Tax	73.5	98.4	324.8
Equity Share Capital	240.0	725.0	1500.0
Reserves(excluding revaluation reserves)	57.0	133.1	644.5
Earnings per share (Rs.)**	3.5	3.9	4.2
Book Value per share (Rs.)	10.0	10.5	13.8

** as per audited financial statements

NTPC-SAIL Power Company Private Limited ("NSPCL")

NSPCL was incorporated on February 8, 1999 as SAIL Power Supply Company Private Limited, a subsidiary of Steel Authority of India Limited ("SAIL"). Thereafter, NSPCL became a deemed public company under Section 43A of the Companies Act. NSPCL is no longer a deemed public company pursuant to amendments to the Companies Act. In addition, a fresh certificate of incorporation has been issued on June 4, 2002 wherein the name has been changed from SAIL Power Supply Company Private Limited to NTPC-SAIL Power Company Private Limited.

NSPCL was converted into a joint venture company pursuant to a share acquisition and shareholders agreement dated March 16, 2001 entered into between SAIL and our Company. It has taken over the management of the captive power plant (CPP)-II at Durgapur Steel Plant (West

Bengal) and Rourkela Steel Plant (Orissa), both with a capacity of 120 MW for supplying power to the steel plants of SAIL on captive basis. Under the provisions of the said agreements, neither party has the right to encumber or alienate its shareholding in NSPCL for a period of 3 years from the date of acquisition of the shares. The Company has the right to nominate the chairman and the chief executive officer of NSPCL.

Shareholding Pattern

The shareholding of NSPCL is split in the ratio of 50:50 between SAIL and our Company.

Board of Directors

The Board of Directors of NSPCL consists of Shri B.N. Ojha (Chairman), Shri S.L Kapur, Shri A.K.Singhal, Shri A.K. Shahi, Shri Nilotpal Roy and Shri N.M. Verma

Financial Performance

Rs. in million

	Fiscal 2002	**Fiscal 2003**	**Fiscal 2004**
Total Income	1433.1	1606.4	1549.5
Profit (Loss) after Tax	262.9	219.1	240.0.
Equity Share Capital	1173.0	1173.0	1173.0
Reserves (excluding revaluation reserves)	99.5	129.0	188.4
Earnings per share (Rs.)	2.2	1.9	2.0
Book Value per share (Rs.)	10.5	10.9	11.4

Bhilai Electric Supply Company Private Limited ("BESCL")

BESCL was originally incorporated as Bhilai Electric Supply Company Limited on September 20, 2001 as a subsidiary of SAIL. A fresh certificate of incorporation has been issued to BESCL on October 11, 2002 wherein the name has been changed from Bhilai Electric Supply Company Limited to Bhilai Electric Supply Company Private Limited.

BESCL was converted into a joint venture company between SAIL and ourselves pursuant to share acquisition and shareholders agreement dated March 22, 2002 with the main objective of taking over the captive power plant situated at Bhilai Steel Plant for supplying power and saturated steam to Bhilai Steel Plant. Under the provisions of the said agreement, neither party has the right to encumber or alienate its shareholding in BESCL for a period of 3 years from the date of acquisition of shares. The Company has the right to nominate the chairman and the chief executive officer of BESCL.

Shareholding Pattern

The shareholding of BESCL is split in the ratio of 50:50 between the Steel Authority of India Limited and our Company.

Board of Directors

The Board of Directors of BESCL consists of Shri B.N. Ojha (Chairman), Shri S.L Kapur, Shri A.K.Singhal, Shri A.K. Shahi, Shri Ashis Das and Shri S.B. Singh.

Financial Performance

Rs. in million

	Fiscal 2002	**Fiscal 2003**	**Fiscal 2004**
Total Income	24.8	583.7	609.8
Profit (Loss) after Tax	2.1	63.2	66.3
Equity Share Capital	332.0	332.0	332.0
Reserves (excluding revaluation reserves)	2.1	65.3	109.0
Earnings per share (Rs.)	0.1	1.9	2.0
Book Value per share (Rs.)	10.1	12.0	13.3

NTPC Tamil Nadu Energy Company Limited ("NTECL")

We had tied up with the Tamil Nadu Electricity Board for the formation of NTECL as a joint venture company for identifying and setting up of power plant in Tamil Nadu. NTECL has been incorporated on May 25, 2003. It was set up to establish power projects, undertake planning and construction and all other activities in relation to the same.

We intend to set up a power plant of 1000 MW capacity at Ennore near Chennai through NTECL. Various site specific studies required for preparation of the feasibility report for setting up of the project are being currently undertaken by NTECL.

Shareholding Pattern

The shareholding of NTECL is split in the ratio of 50:50 between the Tamil Nadu Electricity Board and our Company.

Board of Directors

The Board of Directors of NTECL currently consists of Shri C. P. Jain (Chairman), Shri K. Skandan, Shri P. Narsimharamulu, Shri S.L. Kapur, Shri S. Nagalsamy and Shri A.A. Sadagopan.

Financial Performance

NTECL has been incorporated on May 25, 2003. Financial information for fiscal 2004 is presented below.

In Rs. in million

	Fiscal 2004
Total Income	Nil
Profit (Loss) after Tax	(4.8)
Equity Share Capital	10.0
Reserves (excluding revaluation reserves)	(4.8)
Earnings per share (Rs.)	(4.8)

Book Value per share (Rs.)	5.2

Liquidated Associate Company

Management &Technology Applications (I) Ltd.

As per the directions of Department of Public Enterprises, GoI, Management and Technology Applications (I) Ltd. ("MTAI") was formed as a joint venture company between Management & Technologies International Inc., an U.S. based company holding 51% and 6 PSUs including our Company holding the balance 49% of the equity equally.

The shareholders of MTAI, in the general meeting held on February 11, 2002, approved the voluntarily winding up of MTAI, in view of no possibility of reviving the business.

Pursuant to liquidation, we have since received an amount of Rs. 11,106/- from MTAI and the balance Rs. 152,224/- has been treated as diminution in value and fully provided for in the accounts.

REGULATIONS AND POLICIES

BRIEF BACKGROUND

The electricity/power sector falls in the Concurrent List under Entry 38, List III of the Seventh Schedule read with Article 246(2) of the Constitution of India, 1950 and thus, both the Union of India and the States of India have jurisdiction over this sector. Hence, the State legislature has full power to legislate regarding the power sector, subject to the provision that the State enactment does not conflict with any Central enactment in this sector.

ELECTRICITY ACT, 2003 AND THE ELECTRICITY (AMENDMENT) ACT, 2003

The Central government has enacted the Electricity Act, 2003 ("**Act**") as a comprehensive legislation governing various aspects of the power sector, repealing the Indian Electricity Act, 1910 (which governed the transmission, supply and use of electricity), the Electricity (Supply) Act, 1948 (which set up statutory bodies at the Central, regional and State levels to govern generation, transmission and distribution of electricity) and also the Electricity Regulatory Commissions Act, 1998 (to enable setting up of the Central and State electricity regulatory commissions), which is applicable to us. Further, an Electricity (Amendment) Act was enacted on December 30, 2003 amending certain provisions of the Act.

The Central Government, vide notification dated June 10, 2003 issued by the Ministry of Power, notified that all the provisions of the Act (other than Section 121 of the Act) shall come into force on June 10, 2003. However, the rules made under the old laws continue till such time as the new relevant rules are notified under the Act and any directions issued by a State Government under the old laws will continue for the time specified in such directions. In addition, the State enactments shall apply to the respective States to the extent they are not inconsistent with the provisions of the Act.

The Act regulates the following activities in the power sector applicable to us:

Generation of Electricity:

The Act states that any generating company may establish, operate and maintain a generating station without obtaining a license under the Act so long as it complies with the technical standards relating to connectivity with the grid. However, a generating company intending to establish hydro generating station must submit a scheme estimated to involve a capital expenditure exceeding such sum as specified by the Central Government from time to time to the CEA for concurrence. The CEA shall before concurring in any scheme, opine on whether the scheme would prejudice the prospects for the best ultimate development of the river or its tributaries for various purposes and also whether the scheme meets the norms on dam design and safety.

The duties of a generating company shall be to establish, operate and maintain generating stations, tielines, sub-stations and dedicated transmission lines connected therewith in accordance with the provisions of the Act or the rules or regulations made thereunder. A generating company may supply electricity to any licensee or even directly to consumers, subject to certain requirements prescribed in the Act and the rules and regulations made thereunder. In addition, every generating company must submit technical details to the Appropriate Central/State Electricity Regulatory Commission ("Appropriate Commission") and the Central Electricity

Authority ("CEA") and co-ordinate with the Central Transmission Utility or the State Transmission Utility for transmission of electricity generated by it.

The Act empowers the Central/State Government ("Appropriate Government") to give directions for operation and maintenance of the generating stations, in the event of any security threat to the State or lack of public order or a natural calamity or any other extraordinary circumstances.

A captive power plant may be set up by any Person to generate electricity primarily for his own use and includes a power plant set up by any co-operative society or association of Persons for generating electricity primarily for use of members of such co-operative society or association. The Act permits any Person to construct, maintain or operate a captive generating plant and dedicated transmission lines provided that the supply of electricity from the captive generating plant through the grid shall be regulated in the same manner as the generating station of a generating company. In addition, every Person who constructs, maintains or operates a captive generating plant shall have the right to open access for carrying electricity from his captive generating plant to the destination of his use, provided that such open access shall be subject to availability of adequate transmission facility as determined by the Central Transmission Utility or the State Transmission Utility as the case may be.

License for transmission, distribution and trading in Electricity:

The Act mandates that a license must be issued in favour of the person before the person undertakes any transmission, distribution or trading in electricity in any area, unless the said person is exempt by the Appropriate Government in accordance with section 13 of the Act. However, Persons engaged in the business of transmission or supply of electricity under the provisions of the laws repealed by the Act shall be deemed to be licensees under the Act for such period as stipulated in the license and the provisions of the repealed laws shall apply for a period of one year from the date of commencement of the Act or such period as maybe specified, at the request of the licensee, by the Appropriate Government and thereafter, the Act shall apply to such business.

Every person seeking a license must apply in the prescribed form and manner alongwith the requisite statutory fee and publish a notice of his application with specified particulars. The Appropriate Commission shall consider any objections or suggestions received with respect to the grant of a license to the said person, ascertain that there are no objections to the grant of license on the part of the Central Government and either issue or reject a license, as far as possible, within 90 days of the receipt of such application.

The Appropriate Commission may specify any general or specific conditions that may apply to a particular licensee or a class of licenses. In addition, the Act prohibits a licensee to:

(a) (i) undertake any transaction to acquire by purchase or takeover or otherwise, the utility of any other licensee; or (ii) merge his utility with the utility of any other licensee, without prior approval of the Appropriate Commission. Such approval is not required if the utility of the licensee is situate in a State other than the State in which the utility referred to in (i) or (ii) is situate.
(b) to assign his licence or transfer his utility or any part thereof, by sale, lease, exchange or otherwise without the prior approval of the Appropriate Commission.

Any agreement relating to a transaction for (a) or (b) above shall be void, unless with prior approval of the Appropriate Commission.

A license shall continue to be in force for a period of 25 years unless such license is revoked. The Appropriate Commission may at any time alter the terms and conditions of the licence or revoke the license as it thinks fit in accordance with the procedure prescribed in the Act. The Act also prescribes a detailed procedure on the sale of the utilities of the licensee in the event the Appropriate Commission revokes the license. Further, the Act empowers the Appropriate Commission to issue directions to licensees if necessary or expedient to maintain an efficient supply, secure equitable distribution of electricity and promote competition.

Transmission of Electricity:

The Act has permitted private participation in transmission by granting transmission licenses as explained above. However, the CEA is required to prescribe certain Grid Standards under the Act and every transmission licensee must comply with such technical standards of operation and maintenance of transmission lines.

Inter-State, Regional and Inter-regional Transmission: The Act vests the responsibility of efficient, economical and integrated transmission and supply of electricity and in particular to facilitate voluntary inter-connections and co-ordination of facilities for the inter-State, regional and inter-regional generation and transmission of electricity with the Central Government and empowers the Central Government to make region wise demarcations of the country for the same.

The Act states that the Central Government may establish National and Regional Load Dispatch Centres ("RLDCs") for optimum scheduling and dispatch of electricity among the RLDCs. The National Load Dispatch Centre is prohibited from trading in electricity and the RLDCs are prohibited from engaging in the business of generation or trading of electricity.

Intra-state Transmission: The Act mandates the State Electricity Regulatory Commissions to facilitate and promote transmission, wheeling and inter-connection arrangements within its territorial jurisdiction for efficient and economical transmission and supply of electricity. The State Government shall establish a State Load Dispatch Centre for the same and it shall comply with the directions of the Regional Load Dispatch Centres.

The Act also prescribes that the Central Government may notify any Government company as the Central Transmission Utility and the State Government may notify the State Electricity Boards or any Government company as the State Transmission Utility. Both the Central and the State Transmission Utilities shall not engage in the business of trading in electricity. The Central Transmission and State Transmission utilities shall be responsible for undertaking transmission of electricity and co-ordination.

The Central and the State Transmission Utilities shall also provide non-discriminatory open access to its transmission system for use by any licensee or generating company on payment of transmission charges and to any consumer on payment of transmission charges and a surcharge thereon in accordance with the Act.

Distribution and Supply of Electricity:

A distribution licensee is required to develop and maintain an efficient, coordinated and economical distribution system in his area of supply and to supply electricity in accordance with the provisions of the Act.

The Act states that the State Electricity Regulatory Commissions shall introduce the concept of open access within the prescribed timeframe and lays down certain conditions relating to open access. The 'open access' system essentially mandates a non-discriminatory provision or use of transmission or distribution system or associated facilities with such lines or system by any licensee or consumer or person engaged in generation in accordance with the rules and regulations. The Electricity (Amendment) Act, 2003 mandates the State Electricity Regulatory Commission to issue regulations within 5 years from the date of commencement of the Electricity (Amendment) Act, 2003, providing open access to all consumers who require a supply of electricity where the maximum power to be made available at any time exceeds one megawatt.

In addition, a distribution licensee is mandated to supply electricity to the premises within one month of receipt of an application made by an owner or occupier of any premises requesting for the same, so long as the distribution licensee is not prevented from doing the same by cyclones, floods or any circumstances beyond his control. The Act states that a distribution licensee is not required to obtain a license to undertake trading in electricity.

The charges for the electricity supplied by distribution licensees shall be fixed in accordance with the methods and the principles specified by the concerned State Electricity Regulatory Commissions and in accordance with the provisions of the Act.

The distribution licensee is entitled to receive expenses incurred in providing its system and associated facilities for use to another person for conveyance of electricity.

Electricity Trading:

No person shall undertake trading in electricity unless he is granted a license by the Appropriate Commission. Further, the Act prohibits the following entities from trading in electricity:

i. The National Load Dispatch Centre (NLDC);
ii. The Regional Load Dispatch Centre (RLDC};
iii. The State Load Dispatch Centre (SLDC);
iv. The Central Transmission Utility (CTU);
v. The State Transmission Utility (STU); and
vi. A transmission licensee.

The Act enables the Central Electricity Regulatory Commission, on the recommendation of the Central Government, to direct by notification (subject to such conditions and restrictions, if any, and for such period as may be specified) that no trading license is required for any local authority, Panchayat Institution, users' association, co-operative societies, NGOs, or franchisees.

The Appropriate Commission may specify the technical requirement, capital adequacy requirement, credit worthiness for being an electricity trader and the duties to be discharged by every electricity trader. The Central Electricity Regulatory Commission in exercise of powers conferred under section 178 of the Act has issued the Central Electricity Regulatory Commission (Procedure, Terms and Conditions for grant of Trading License and other related matters) Regulations, 2004. These regulations have come into force on February 6, 2004 on publication of notification in the Official Gazette.

Tariffs:
Under the Act, the Central Electricity Regulatory Commission is vested with the authority to determine the tariffs applicable to us, as we are a generating company owned by the Central

Government. In accordance with the provisions of the Act, tariffs are fixed by the Central Electricity Regulatory Commission for the supply of electricity by generating companies like us to a distribution licensee.

For more details on the prevalent tariff regulations, please refer to the 'The Power Industry in India' section on page [●] of this Draft Red Herring Prospectus.

DRAFT NATIONAL ELECTRICITY POLICY

Under the Act, the Central Government is required to prepare the National Electricity Policy in consultation with the CEA and the State Governments. The Central Government has circulated a draft National Electricity Policy ("**NEP**") in February 2004.

The key objectives of the NEP are laying guidelines for accelerated development of the power sector, providing supply of electricity to all areas and protecting interests of consumers. The NEP aims at providing access to electricity to all households by 2012 and electrification of all villages by 2007. In addition, the NEP seeks to ensure that the entire demand for availability of power is met by 2012 and also, per capita consumption of electricity is increased to over 1000 units by 2012.

In order to achieve the aforesaid objectives, the NEP addresses various issues of generation, transmission, distribution etc. The NEP recommends easier procedures for setting up of power plants near the location of resources, both hydro and thermal and considers alternative and long-term sources of fuel such as liquid fuel, nuclear power. In addition, the NEP focuses on renovation and modernisation to achieve higher efficiency levels. Captive generation has also been encouraged under the Act and the NEP recommends usage of spare energy in captive generation plants for plants having larger requirements.

DRAFT TARIFF POLICY

Under the Act, the Central Government is required to prepare a tariff policy in consultation with the CEA and the State Governments. The Government has constituted a task force for the formulation of a Draft National Tariff Policy, which has circulated a draft tariff policy that has not yet been accepted by the Government.

The overall objectives of the Draft Tariff Policy are to ensure financial viability of the power sector and attract investments, promote consistency, transparency and efficiency in operations and governance, promote competition and protect consumer interests.

With regard to generation companies such as us, a requirement has been identified for the rapid increase in generation capacity to a level, which is more than double of the current installed capacity. The Draft Tariff Policy prescribes a number of guidelines to ensure that this is achieved including *inter alia*, guidelines relating to sale of power and determination of tariffs through a transparent competitive bidding mechanism. The Draft Tariff Policy details a tariff based bid mechanism required to be followed by generating companies such as us. Further the Draft Tariff Policy specifies that the fuels to be used for a particular project should be specified for a tariff bid. In all cases that envisage pass through of unit cost of fuel, the Draft Tariff Policy contemplates procurement of fuel on a least cost basis. For the capital cost based projects, the existing norm of debt: equity ratio of 70:30 should be adopted.

It recommends modification of the some terms of the Power Purchase Agreements so as to align them with emerging market structures. For a new generating station a significant part of the capacity should be made available to be sold through trading market and the remaining capacity should be contracted through Power Purchase Agreements.

The Draft Tariff Policy has identified tariff structuring and associated issues and stated that a two- part tariff structure should be adopted for long terms contracts to facilitate Merit Order Dispatch. All generating stations would be treated as "continuous process plant" for the purposes of determination of depreciation rate under the Companies Act, 1956. The Appropriate Commission, as established under the Act, may conduct lead lag studies for determination of working capital requirements for various types of generating stations. The Draft Tariff Policy recommends various miscellaneous provisions relating to tariff structuring for the raising of debt and benefits relating thereto for generating companies such as us.

The Draft Tariff Policy indicates certain operating norms that require to be followed by us. In addition the Draft Tariff Policy has required a review of existing norms in light of technological advancements. The CEA has the power to re examine such norms.

The Electricity Regulatory Commission (ERC) is required to promote use of co-generation and generation from renewable sources. For this purpose, the ERC may fix a minimum percentage for the purchase of energy from such sources taking into account availability and impact on retail tariffs, from April 1, 2005.

The development surcharge currently allowed to Central public sector units is recommended to be removed. Appropriate modernisation plans for old plants have been mandated to be undertaken.

GOVERNMENT APPROVALS

In view of the approvals listed below, we can undertake this Issue and our current business activities and no further major approvals from any Government authority/ RBI are required to continue those activities.

We have received the following Government approval relating to the Issue:

1. We have received a letter numbered 3/7/2003-Th.1 dated February 11, 2004 from the Ministry of Power, Government of India granting approval to us for the Issue.

2. We have received a letter no. 4(28)/2002-MODI dated July 13, 2004 from the Department of Disinvestment, Ministry of Finance to the Company and letter no.3/3/2004-Th.1 dated July 26, 2004from the MoP to the Company wherein the Government of India has approved the Offer for Sale by the Selling Shareholder.

3. SEBI vide its letter CFD/DIL/YG/11140/2004 dated May 28, 2004 has granted its approval for exemption of the requirements of Rule 19(2)(b) of the Securities Contract Regulation Rules, 1957 as regards the requirements of size of the issue of minimum public offerings of 10% of the post issue capital and also the percentage allocation to QIBs.

4. Approval from the FIPB pursuant to its letter no [] dated [], for the transfer of Equity Shares in this Issue to eligible NRIs, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions.

5. Approval from the RBI stating that the RBI has no objection for non-resident Bidders to acquire Equity Shares in the Offer for Sale, pursuant to its letter no. [] dated [].

We have received the following major Government and other approvals pertaining to our business:

A. APPROVALS/LICENSES FOR PROJECTS UNDER CONSTRUCTION

1. Feroze Gandhi Unchahar Thermal Power Project - III

Sl. No.	Description	Reference/Licence No.	Issue Date	Expiry Date
1.	No objection letter from the Government of Uttar Pradesh for acquisition of land for construction of ash dyke.	2184/ST-DM/2000	7.8.2000	Not Applicable
2.	Environmental clearances from Ministry of Environment & Forests, Government of India.	J-13011/13/ 2002.IA-II(T)	15.3.2004	5 years for construction or operation.
3.	No objection certificate from Uttar Pradesh State Pollution Control Board for expansion and modernisation.	7210/C-6/NOC-3-RBL/2001-02	20.8.2002	Not Applicable
4.	Consent for taking 125 cusec of water from Sharda Sahayak stream.	C-316/MAS	19.6.2000	Not Applicable
5.	No objection certificate from the	AAI/20012/	8.12.2001	Construction

	Airports Authority of India.	287/2000-ABI		of Chimney to be completed by 7.12.2005

2. Rihand Super Thermal Power Project-II, Uttar Pradesh

Sl. No.	Description	Reference/Licence No.	Issue Date	Expiry Date
1.	Techno-economic clearance by the Central Electricity Authority ("**CEA**") under Electricity (Supply) Act, 1948	2/NTPC/4/87-PAC/9799-9821	1.10.1999	Not Applicable
2.	Revalidation of environmental clearances from Ministry of Environment & Forests.	J-13011/30/ 87.IA-II(T)	22.2.1999	Not Applicable
3.	No objection certificate from U P Water Pollution Prevention & Control Board for setting up 3000 MW super thermal power station.	1175/NOC-NTPC-82/2	22.4.1982	Not Applicable
4.	Allocation of 0.03 MAF water by the Government of Uttar Pradesh.	28/GI/9727	6.1.1998	Not Applicable

3. Lohari Nagpala Hydroelectric Power Project ("LNHPP") and Tapoban-Vishnugad Hydroelectric Power Project ("TVHPP")

Sl. No.	Description	Reference/ Licence No.	Issue Date	Expiry Date
1.	No objection issued by the Ministry of Defence for LNHPP and TVHPP	D.O. No. 21(1)/2003/D(Coord)	22.4.2003	Not Applicable
2.	Site Clearance issued by Ministry of Environment and Forests for TVHPP- Stage I	J.12011/4/2003-IA-1	5.3.2003	Not Applicable
3.	Site Clearance issued by Ministry of Environment and Forests for TVHPP- Stage II	J.12011/4/2003-IA-1	13.2.2004	Not Applicable
4.	Site Clearance issued by Ministry of Environment and Forests for LNHPP- Stage I	J.12011/5/2003-IA-1	24.3.2003	Not Applicable
5.	Site Clearance issued by Ministry of Environment and Forests for LNHPP- Stage II	J.12011/5/2003-IA-1	12.1.2004	Not Applicable

4. Koldam Hydroelectric Power Project

Sl. No.	Description	Reference/ Licence No.	Issue Date	Expiry Date
1.	Techno Economic Clearance from Central Electricity Authority under	2/HP/17/95-PAC/6144-72 &	30.6.2002 & 9.9.2002	Not Applicable

	Electricity Supply Act for setting up 4 X 200 MW (800 MW) Hydroelectric Project	2/HP/17/95-PAC/8786-8814		
2.	Consent from Central Electricity Authority, transferring the technoeconomic clearance for Kol Dam Hydroelectric Project from HPSEB to NTPC	2/HP/17/00-PAC/3898-3918	16.5.2000	Not Applicable
3.	Consent from Ministry of Environment and Forests to transfer environmental clearance to NTPC	3/84/79-HCT/Env.IA-I	10.5.2000	Not Applicable
4.	Consent from Ministry of Environment transferring approval for forestry clearance to NTPC	8-227/87-FC(pt)	23.11.2000	Not Applicable
5.	Certificate of registration under Inter State Migrant Workmen (Regulation of Employment and Conditions of Service) Act, 1979	LO/MZ/ISM/PE/35/2003	26.8.2003	Not Applicable
6.	Certificate issued by the Registering Officer for registration under Contract Labour (Regulation and Abolition) Act, 1970 ("Contract Labour Act")	LO/MZ/cont/2002	2.2.2002	Not Applicable
7.	Consent from Himachal Pradesh State Environment Protection and Pollution Control Board granted to establish project and operate for mining under Air (Prevention and Control of Pollution) Act, 1981 ("**Air Act**"), Water (Prevention and Control of Pollution) Act, 1974 ("**Water Act**").	EP&PCB/Koldam-HEP-Barmana/2003-5104-6	15.6.2004	31.3.2005 or the commissioning of the project, whichever is earlier.
8.	Authorisation issued by Himachal Pradesh State Environment Protection and Pollution Control Board under Hazardous Waste (Management and Handling) Rules, 1989 ("**Hazardous Waste Rules**")	Blp-007/04	21.6.2004	31.3.2006

5. Sipat Super Thermal Power Project - Stage I

Sl. No.	Description	Reference /Licence No.	Issue Date	Expiry Date
1.	Consent issued by Collector, Bilaspur sanctioning land for setting-up 3000 MW super thermal power plant in Bilaspur.	J/B-PATAN/97	1.8.1997	Not Applicable
2.	Technoeconomic Clearance issued by Central Electricity Authority for 3 X 660 MW Sipat Super Thermal	F.No.2/NTPC/41/96-PAC/527-51	17.1.2000	Not Applicable

	Power Project			
3.	Technoeconomic Clearance issued by the Central Electricity Authority for including Switchyard in Sipat STPP Stage- I	F.No.2/NTPC/41/ 96-PAC/ 6773-95	19.7.2002	Not Applicable
4.	Approval from Ministry of Environment and Forests for site clearance for Sipat Stage I.	J.13011/10/96-IA.II(T)	13.1.1998	Not Applicable
5.	Consent from M.P. Pollution Control Board for setting up of 4X 500 MW project.	3574/TS/MPPCB/ 97	5.3.1997	Not Applicable

6. Sipat Super Thermal Power Project- Stage II

Sl. No.	Description	Reference /Licence No.	Issue Date	Expiry Date
1.	Consent from the Department of Water Resources, Government of Chattisgarh for sanction of water of 120 MCM per annum.	4195/7/WR/Tech/IWS/2000/D-4	26.11.2001	Not Applicable

7. Vindhyachal Super Thermal Power Project - Stage III

Sl. No.	Description	Reference /Licence No.	Issue Date	Expiry Date
1.	Technoeconomic clearance issued by Central Electricity Authority Electricity Supply Act for setting up 2 X 500 MW	F.No.2/NTPC/50/ 99-PAC/8354-76	27.8.2002	Not Applicable
2.	Licence issued by Department of Water Resources, Government of Madhya Pradesh for allocation of 80 cusecs of water	29/11/97/Medium/ 31	12.1.1999	Not Applicable
3.	Approval issued by Airports Authority of India for construction of chimney	AAI /20012/557/97-ARI	10.5.2002	Valid until cancelled

8. Talcher Super Thermal Power Project Stage-II

Sl. No.	Description	Reference /Licence No.	Issue Date	Expiry Date
1.	Techno economic clearance issued by Central Electricity Authority under the Electricity Supply Act	Fl.No.2/NTPC/33 /92-PAC/2308-30(SECY)	23.10.1997	Valid until cancelled
2.	Consent issued by Department of Irrigation, Government of Orissa for drawal of water from Hirakud Reservoir	Irr-III-HKDW-6/90.40945/Bhubaneshwar	26.11.1990	Valid until cancelled
3.	No objection issued by Ministry of Environment and Forests,	No.J.13011/14/94 -IA.II(T)	23.2.1998	Valid until cancelled

	Government of India for using raw coal			
4.	Environmental Clearance from Ministry of Environment & Forests	No.J-13011/ 14/94-IA.II	17.5.1996	Valid until cancelled

9. Kahalgaon Super Thermal Power Project Stage II, Phase I

Sl. No.	Description	Reference /Licence No.	Issue Date	Expiry
1.	Technoeconomic Clearance issued by Central Electricity Authority under the Electricity Supply Act for setting up 2 X 500 MW	No.2/NTPC/46/98-PAC/678-701	13.6.2003	Not Applicable
2.	Environmental Clearance issued by Ministry of Environment and Forests	No.J.13011/10/2000-IA.II(T)	15.6.2001	Not Applicable.
3.	No objection certificate issued by Bihar State Pollution Control Board in favour of the site and project.	T-4921	11.10.2003	Not Applicable
4.	Approval issued by Ministry of Water Resources, Government of India for drawing water within specified limits	No.5/2/2000-ER/01	5.1.2001	Not Applicable
5.	No objection Certificate issued by Airport Authority of India granting for height clearance for chimney	AAI/20012/314/2003-ARI	23.5.2003	22.5.2007

10. Ramagundum Super Thermal Power Project - Stage III

S.No.	Description	Reference /Licence No.	Issue Date	Expiry Date
1.	Consent issued by Collector, Karimnagar to acquire land	Lr.No.CC/330/98	17.11.1998	Valid until cancelled
2.	Consent issued by Central Water Commission that total water requirement of 180 cusecs	CWC U.O.No. 7/156/85-PA(S)/893	24.9.1998	Valid until cancelled
3.	In principle consent issued by Ministry of Coal, Government of India for linkage of 2.50 mtpa of coal from Western Coalfield	-	22.9.1998	Valid until cancelled
4.	Consent issued by Ministry of Coal, Government of India approving linkage of coal of 2.5mtpa.	47011/14/99-CPAM	2.9.1999	Valid until cancelled
5.	Consent issued by Ministry of Environment and Forests, Government of India granting approval for use of raw coal.	No.J.13011/20/94-IA.II(T)	14.12.1998	Valid until cancelled

Consents/Licence which have expired:

The environmental clearances for the project given by the Ministry of Environment and Forests on 25.9.1995 and by the energy department on 18.10.1998 was valid for a period of five years for commencement of construction of the project. The construction of the project started within the period of said five years.

11. Barh Super Thermal Power Project

S.No.	Description	Reference/ Licence No.	Issue Date	Expiry Date
1.	Techno Economic Clearance by Central Electricity Authority	2/NTPC/49/99-PAC/8801-23	28.9.2001	Valid until cancelled
2.	Environment Clearance by Ministry of Environment and Forests.	J.13012/23/98-IA.II(T)	11.9.2001	Valid until cancelled
3.	Certificate of Registration under Contract Labour Act	PT-5	08.1.2003	Not Applicable

B. APPROVALS/LICENSES FOR COMPLETED PROJECTS

1. Talcher Thermal Power Station

Sl. No.	Description	Reference/License No.	Issue Date	Expiry Date
1.	License under the Factories Act, 1948	AN-31	21.6.2004	31.12.2004
2.	License issued by Inspector of Boilers for the use of boiler number OR-215 under Indian Boilers Act, 1923 (“Indian Boilers Act”).	193	2.7.2004	12.9.2004
3.	License issued by Inspector of Boilers for the use of boiler number OR-220 under Indian Boilers Act.	257	2.8.2004	25.5.2005
4.	License issued by Inspector of Boilers for the use of boiler number OR-221 under Indian Boilers Act	181	21.6.2004	21.12.2004
5.	License issued by Inspector of Boilers for the use of boiler number OR-222 under Indian Boilers Act	228	16.7.2004	8.6.2005
6.	Provisional order issued by Inspector of Boilers for the use of boiler number OR-332 under Indian Boilers Act	13/2004	8.7.2004	7.1.2005
7.	License issued by Inspector of Boilers for the use of boiler number OR-373 under Indian Boilers Act	50	21.1.2004	25.9.2004
8.	License issued by Controller of Explosives to store 15 K.L. of petroleum under Petroleum Act, 1934	OR-727/A	13.2.2003	31.12.2004
9.	License issued by Controller of Explosives to import and store 90 K.L. petroleum under Petroleum Act, 1934	P-12(14)367/OR-1202/A	13.2.2003	31.12.2004

Sl. No.	Description	Reference/License No.	Issue Date	Expiry Date
10.	License issued by Controller of Explosives to Import and Store 4510 KL of petroleum under the Petroleum Act, 1934	P-12(14)315/OR-1355	13.2.2003	31.12.2004
11.	License issued by Controller of Explosives to fill compressed gas in cylinders under Indian Explosives Act, 1884	GC(EC)F-8/OR/A/GC(OG) F-25/OR/A	2.5.2003	31.3.2006
12.	License issued by Controller of Explosives to store compressed gas in cylinders under Indian Explosives Act	GC(EC)S-37/OR/A/GC(OG)S-136/OR/A	2.5.2003	31.3.2006
13.	Consent issued by Orissa State Pollution Control Board to establish	16518/Ind-II-NOC-2822	12.5.2004	12.5.2009
14.	Authorisation issued by Orissa State Pollution Control Board under Hazardous Waste Rules	Ind/IV/HW-287(123)4088	1.3.2001	1.3.2006
15.	Certificate issued by the Registering Office for registration under the Contract Labour Act	84/2002	26.3.2002	Not Applicable
16.	Registration under Central Sales Tax	DLC 1243	31.8.1995	Not Applicable
17.	Registration under Orissa Sales Tax, 1947	DL-2969/ET	3/2004	31.3.2005

Consents/Licenses for which renewals have been applied:

a) Consent number 057 APC/10557 dated 17.3.2004 issued by Orissa State Pollution Control Board under Air Act had expired on 31.3.2004, for which the renewal application has been filed on 22.4.2004.
b) Consent number 057 WPC/10555 dated 17.3.2004 issued by Orissa State Pollution Control Board under Water Act had expired on 31.3.2004, for which the renewal application has been filed.
c) Authorisation issued by the State Pollution Control Board, Orissa on 7.8.2002 granting authorisation under Biomedical Waste (Management & Handling) Rules, 1998 for operating facility for collection, transportation, reception, storage, treatment and disposal expired on 11.4.2004. We have filed renewal application on 17.3.2004.

2. Faridabad Gas Power Station

S.No.	Description	Ref. No./ License No.	Issue Date	Expiry Date
1.	License under the Factories Act, 1948	FBP/N-85/7510	20.7.2004	31.12.2004
2.	Approval issued by Central Electricity Authority to energise electrical equipments	NRIO/FGUTPP/11/99/408	18.5.1999	Not Applicable
3.	Approval issued by Central Electricity Authority to energise	NRIO/FGPP/11/99/1001	4.11.1999	Not Applicable

S.No.	Description	Ref. No./ License No.	Issue Date	Expiry Date
	electrical equipments			
4.	Approval issued by Central Electricity Authority to energise electrical equipments	NRIO/FGPP/11/99/942	13.10.1999	Not Applicable
5.	Approval issued by Central Electricity Authority to energise 220KV bay	NRIO/FGPP/11/2000/564	14.6.2000	Not Applicable
6.	Approval issued by Central Electricity Authority to energise electrical equipments	NRIO/FGPP/11/99/634	12.7.1999	Not Applicable
7.	License issued by Chief Controller of Explosives to Import and Store 2.5 KL Petroleum in Installation under Petroleum Act, 1934	P-12(11)1203/HN-1673	21.9.1999	31.12.2006
8.	Environmental clearance issued by Ministry of Environment and Forests, Government of India	J-13011/6/89-IA-II	25.6.1990 & 6.8.1996	Not Applicable
9.	Consent issued by Ministry of Environment and Forests, Government of India to use Naptha as alternate fuel	J-13011/6/89-IA.II	6.8.1996	Not Applicable
10.	Consent under Haryana State Pollution Control Board, extending validity of consent under Bio-Medical Waste (Management and Handling) Rules, 1998	HSPCB/BMW/2003/1109	1.9.2003	31.3.2006
11.	Certificate of Registration from the Registering Officer under the Contract Labour Act.	CLA/RCD-3/FBD/CID-131/RSN-117	18.3.2003	Not Applicable
12.	Registration under Central Sales Tax	FBD/CST/1212015	10.2.1997	Not Applicable
13.	Certificate of Registration under the Haryana General Sales Tax Act, 1973	TIN No.0680-1212015	11.7.2003	Not Applicable

Consents/Licenses for which renewals have been applied:

Consent number HSPCB/Consent/2003/762 dated 22.8.2003 issued by Haryana State Pollution Control Board under Water Act, Air Act and Hazardous Waste Rules had expired on 31.3.2004, for which the renewal application has been filed on 23.2.2004.

3. **National Capital Power Station, Dadri and Dadri Gas Based Combined Cycle Power Station**

Sl. No.	Description	Reference Number	Issue Date	Expiry Date
1.	License under Factories Act, 1948	GZB-3073	29.8.2003	31.12.2004
2.	Licence for operation of boiler under Indian Boiler Act, 1923	UP-4874	25.3.2004	24.3.2005
3.	Licence for operation of boiler under Indian Boiler Act, 1923	UP-4941	18.8.2003	17.8.2004
4.	License for operarion of boiler under Indian Boiler Act, 1923	UP-5077	14.5.2004	15.4.2005
5.	Licence for operation of boiler under Indian Boiler Act, 1923	UP-5210	19.9.2003	18.9.2004
6.	Licence for operation of boiler WHRB-I(HP) under Indian Boiler Act, 1923	UP-5101	1.3.2004	28.2.2005
7.	Licence for operation of boiler WHRB-I(LP) under Indian Boiler Act, 1923	UP-5102	1.3.2004	28.2.2005
8.	Licence for operation of boiler WHRB-II(HP) under Indian Boiler Act, 1923	UP-5103	25.3.2004	24.3.2005
9.	Licence for operation of boiler WHRB-II(LP) under Indian Boiler Act, 1923	UP-5104	25.3.2004	24.3.2005
10.	Licence for operation of boiler WHRB-IV(HP) under Indian Boiler Act, 1923	UP-5135	15.4.2004	14.4.2005
11.	Licence for operation of boiler WHRB-IV(LP) under Indian Boiler Act, 1923	UP-5136	15.4.2004	14.4.2005
12.	Licence for operation of boiler WHRB-IV(LP) under Indian Boiler Act, 1923	UP-5105	27.5.2004	26.5.2005
13.	Licence for operation of boiler WHRB-IV(LP) under Indian Boiler Act, 1923	UP-5106	27.5.2004	26.5.2005
14.	Licence for storage of chlorine under Indian Explosive Act, 1884	UP-822/CGS	12.1.1995	31.3.2006
15.	Licence for storage of gases under Indian Explosive Act, 1884	UP-680/CGS	26.4.2004	31.3.2007
16.	Consent for storage of 7 KL of petroleum for emergency diesel generator set under Petroleum Act, 1934	P-12(17)2354/ UP-2393	29.4.1992	31.12.2006
17.	Consent for storage of 3520 KL of class ‘B’ petroleum for fuel oil pump house under Petroleum Act, 1934	P-12(17)2327/ UP-3330	10.2.2004	31.12.2006
18.	Licence for storage of petroleum under Petroleum Act, 1934	P 12/17/2250/ UP-3030	26.12.1997	31.12.2006
19.	Licence for storage of petroleum for the purpose of petrol pump under Petroleum	UP-2950	15.1.2002	31.12.2004

Sl. No.	Description	Reference Number	Issue Date	Expiry Date
	Act, 1934			
20.	Licence for storage of petroleum for the purpose of diesel pump under Petroleum Act, 1934	UP-6579	3.5.2002	31.12.2004
21.	Consent issued by UP Pollution Control Board under the Air Act	289/Sahmati (Vayu) Aadesh /1946(10)/04	27.5.2004	31.12.2004
22.	Consent issued by UP Pollution Control Board under the Water Act	346/Sahmati/Ja l Aadesh/474/04	25.5.2004	31.12.2004
23.	Licence for storage of petroleum for the purpose of diesel pump under Petroleum Act, 1934	UP-6547	5.4.2002	31.12.2004
24.	Registration under the Contract Labour Act	254/2002	30.9.2002	Not Applicable
25.	Registration under Uttar Pradesh Sales Tax Act	GD-3697R	9.11.1994	Not Applicable
26.	Registration under Central Sales Tax Act	GD-15443	22.2.1984	Not Applicable

Consents/Licenses for which renewal has been applied:

Authorization under Hazardous Waste Rules bearing number 87/H92/Order/28/2002 dated 11.6.2002 has expired on 10.6.2004, for which renewal application has been filed on 18.6.2004.

4. Vindhyachal Super Thermal Power Station

Sl. No.	Description	Licence/ Reference No.	Issue Date	Expiry Date
1.	License under the Factories Act, 1948	2/10252/SDH/2m (i)	14.7.2004	31.12.2004
2.	Boiler certificate from the Inspector of Boilers, Madhya Pradesh for boiler number MP/3936	No. PD/C/5/17/2003	29.9.2003	28.9.2004
3.	Boiler certificate from the Inspector of Boilers, Madhya Pradesh for boiler number MP/3891	No. PD/C/5/20/2003	24.12.2003	23.12.2004
4.	Boiler certificate from the Inspector of Boilers, Madhya Pradesh for boiler number MP/3867	1908/04	30.6.2004	3.10.2004
5.	Boiler certificate from the Inspector of Boilers, Madhya Pradesh for boiler number MP/3830	No. PD/11/2003	14.10.2003	14.10.2004

6.	Boiler certificate from the Inspector of Boilers, Madhya Pradesh for boiler number MP/3781	No. PD/C/5/22/2003	19.12.2003	18.12.2004
7.	Boiler certificate from the Inspector of Boilers, Madhya Pradesh for boiler number MP/4525	1910/04	30.6.2004	14.8.2004
8.	Boiler certificate from the Inspector of Boilers, Madhya Pradesh for boiler number MP/3818	No. PD/9/2004	22.7.2004	4.7.2005
9.	Boiler certificate from the Inspector of Boilers, Madhya Pradesh for boiler number MP/4476	No. PD/C/5/3/2004	21.6.2004	16.6.2005
10.	License to store compressed gas in pressure vessel under Indian Explosives Act, 1884	PV(NC) S-27/MP-42/PVS	8.9.1989	31.3.2005
11.	License to fill compressed gas in cylinders under Indian Explosives Act, 1884	GC (CC) F_26/MP-120/CGF	27.9.2000	31.3.2007
12.	License to store compressed gas in cylinder under Indian Explosives Act, 1884	GC (CC) S_26/MP-998/CGS	27.9.2000	31.3.2007
13.	License to import and store petroleum and installations from Chief Controller of Explosives, under Indian Explosives Act, 1884	P/HQ/MP/15/2533 (P13227)	13.9.2003	31.12.2005
14.	License to store compressed gas in cylinders under Indian Explosives Act, 1884	GC (CC) S_/MP-4010/CGS	13.12.2002	31.3.2005
15.	Authorization from Madhya Pradesh Pollution Control Board under Air Act for Vindhyachal Super Thermal Power Project, Stage I.	840/IS/MPPCB/2004	13.1.2004	31.8.2004
16.	Authorization from Madhya Pradesh Pollution Control Board under Hazardous Wastes Rules.	866/HSMD/MPPCB/2001	11.1.2002	10.1.2007
17.	Certificate of registration under the Contract Labour Act.	905/53/SDI/83	27.6.1983	Not Applicable
18.	Sales tax registration certificate from collector of sales tax under Madhya Pradesh Sales Tax Act	23077300826	1.7.2003	Not Applicable
19.	Sales tax registration certificate under Central Sales Tax Act.	CST 103/86-87	20.2.1987	Not Applicable

Consents/Licenses for which renewal has been applied:

a) Boiler certificate dated 26.7.2003 bearing number No. PD/C/5/13/2003 from the Inspector of Boilers, Madhya Pradesh for boiler number MP/3743 had expired on 25.7.2004, for which renewal application has been filed.
b) Authorization dated 14.11.2003 bearing number 19535/TS/MPPCB/2003 from Madhya Pradesh Pollution Control Board under Water Act for Stage II had expired on 30.6.2004, for which renewal application has been filed on 18.2.2004.

5. Kawas Gas Power Station

Sl. No	**Description**	**License/ Reference No.**	**Issue Date**	**Expiry date**
1.	License under Factories Act, 1948	83395	29.3.2002	31.12.2004
2.	Licence for use of boiler under Indian Boiler Act	GJ/3069	15.4.2004	7.4.2005
3.	Licence for use of boiler under Indian Boiler Act	GJ/3070	15.4.2004	7.4.2005
4.	Licence for use of boiler under Indian Boiler Act	GJ/3071	9.6.2004	8.6.2005
5.	Licence for use of boiler under Indian Boiler Act	GJ/3072	9.6.2004	8.6.2005
6.	Licence for use of boiler under Indian Boiler Act	GT-3094 (HP)	15.3.2004	27.2.2005
7.	Licence for use of boiler under Indian Boiler Act	GT-3095 (LP)	15.3.2004	27.2.2005
8.	Licence for use of boiler under Indian Boiler Act	GT-3104	18.5.2004	11.5.2005
9.	Licence for use of boiler under Indian Boiler Act	GT-3103	18.5.2004	11.5.2005
10.	Licence for storage of carbon dioxide under Indian Explosives Act, 1884	PV/(WC) S-312GJ/ SUR/PVC-35	8.11.1994	31.3.2006
11.	Licence for storage of naptha under Indian Explosives Act, 1884	W/7/2000	30.10.2000	29.10.2005
12.	License for storage of chlorine under Indian Explosives Act, 1884	G/WC/GJ/06/818 (G13942)	20.5.2004	31.3.2007
13.	License to store petroleum in a tank or tanks in connection with pump outfit for fueling motor conveyances from the Chief Controller of Explosives	GJ/SUR 393	12.1.2003	31.12.2006
14.	Licence for storage of diesel/naptha under Petroleum Act, 1934	P-12 (25) 2999/GJ/SUR-512	10.9.1996	31.12.2005
15.	Licence for storage of diesel in black start under Petroleum Act, 1934	P-12 (25) 3383/GJ/SUR-556	26.2.1998	31.12.2004
16.	Licence for running of the elevator under Gujarat Lifts and Escalators Act, 2000.	G/22/95/ 733/01	28.11.2001	27.11.2004
17.	Consent from the Gujarat Pollution Control Board ("GPCB") under Air Act.	21732	26.6.2003	31.3.2005

18.	Authorization from GPCB under Hazardous Waste Rules.	3268	14.10.2002	19.8.2005
19.	Consent from the GPCB under Water Act.	3969	13.8.2004	21.4.2005
20.	Certificate of registration bearing under the Contract Labour Act	Cl/8(2)/CLR	22.12.1986	Not Applicable
21.	Central Sales Tax Act, 1957	Guj 16 N-7	20.6.1986	Not Applicable
22.	Certificate under the Gujarat Sales Tax Act, 1969.	2224001091	1.7.2002	Not Applicable
23.	Certificate of Registration under Section 69 of the Finance Act, 1994 for Service Tax on consulting engineering.	C.Ex/SRT-I/R-IV/Div-IV/C.E/116/02-03	21.3.2003	Not Applicable

6. Feroze Gandhi Unchahar Thermal Power Station

Sl. No.	Description	Reference/Licence Number	Issue Date	Expiry Date
1.	Licence under the Factories Act, 1948	RBY-103	7.2.2004	31.12.2004
2.	Licence for the use of boiler under Indian Boiler Act	UP 5529	11.10.2003	15.8.2004
3.	Licence for the use of boiler under Indian Boiler Act	UP 5560	29.5.2004	28.5.2005
4.	Licence for the use of boiler under Indian Boiler Act	UP 4347	18.10.2003	10.10.2004
5.	Licence for the use of boiler under Indian Boiler Act	UP 4466	22.11.2003	7.11.2004
6.	Licence for filling of cylinders with hydrogen gas under Indian Explosives Act, 1884	GC(NC)F-86/UP/ 4651/CGF	13.12.1990	31.3.2005
7.	Licence for storage of hydrogen gas in cylinders under Indian Explosives Act, 1884	GC(NC)S-230/UP/ 4605/CGF	13.12.1990	31.3.2005
8.	Licence for storage of gas under Indian Explosives Act, 1884	UP-1302/CGS	11.12.2001	31.3.2005
9.	Licence for storage of fuel oil under Petroleum Act, 1934	P12(17)1773/ UP-2469	20.4.1988	31.12.2004
10.	Licence for storage of petroleum under Petroleum Act, 1934	UP-2450	22.8.2001	31.12.2005
11.	Licence for importation and storage of petroleum under Petroleum Act, 1934	P12(33)632	30.1.2002	31.12.2004
12.	Consent from Uttar Pradesh Pollution Control Board ("**UPPCB**") under Air Act for Stage-I	F-28326/C-6/19Air Pollution/RBL	1.3.2004	31.12.2004
13.	Consent from UPPCB under Air Act for Stage-II	F-28327/C-35/Air Pollution/RBL	19.2.2004	31.12.2004
14.	Consent from UPPCB under Water Act for Stage-I	F-28324/C-6/19/	19.2.2004	31.12.2004

		Water/RBL		
15.	Consent from UPPCB under Water Act for Stage-II	F-28325/C-6/35/ Water/RBL	19.2.2004	31.12.2004
16.	Certificate of registration under Contract Labour Act	126	25.2.2003	Not Applicable
17.	Certificate for Service Tax Code Number	AAACN0255 DST003	2.12.2003	Not Applicable
18.	Registration under Uttar Pradesh Trade Tax Act, 1948	RB 0054353	7.10.1994	Not Applicable
19.	Certificate of allotment for tax collection account number by the Income Tax Department	N-0658-A(CD)/RBL	8.1.2004	Not Applicable

7. Ramagundam Super Thermal Power Station

Sl. No.	Description	Reference/Licence No(s).	Issue Date	Expiry Date
1.	Licence under the Factories Act, 1948	44022/33457	29.10.1983	31.12.2004
2.	Licence for use of boiler number AP/1680 under Indian Boiler Act	47/2003-04	27.3.2004	1.12.2004
3.	Licence for use of boiler number AP/1747 under Indian Boiler Act	48/2003-04	27.3.2004	1.9.2004
4.	Licence for use of boiler number AP/2117 under Indian Boiler Act	8	3.6.2004	2.12.2004
5.	Licence for use of boiler number AP/2118 under Indian Boiler Act	47	03.1.2004	1.11.2004
6.	Licence for use of boiler number AP/2115 under Indian Boiler Act	33	4.8.2004	1.8.2005
7.	Licence for storage of gas in cylinders under Indian Explosives Act, 1884	AP311/Cys	8.5.2003	31.3.2005
8.	Licence for fill gas in cylinders under Indian Explosives Act, 1884	GC(SC)F-64/AP866/Ry/F	17.2.1988	31.3.2005
9.	Licence to import and store petroleum under Petroleum Act, 1934	P-12(4)1077/AP 2982	28.5.1983	31.12.2004
10.	Licence to import and store petroleum under Petroleum Act, 1934	P-12(4)1097/AP 3093	28.4.1984	31.12.2004
11.	Licence to import and store petroleum under Petroleum Act, 1934	P-12(4)1455/AP 3607	3.3.1988	31.12.2005
12.	Licence to import and store petroleum under Petroleum Act, 1934	P/HQ/AP/50/3 259(P60887)	7.4.2004	31.12.2004
13.	Authorization from APPCB under the Hazardous Waste Rules.	APPCB/HYD/ RGM/78/HW M	5.10.2001	4.10.2006
14.	Authorization issued by APPCB under Bio-Medical Waste (Management &	APPCB/BMW M/44028/HYD	16.7.2004	31.3.2005

	Handling) Rules, 1998	/2004		
15.	Certificate for registration under the Central Sales Tax Act, 1956	WKRP/616/78-79	20.7.1978	Not Applicable
16.	Certificate for registration under the State Sales Tax Act, 1954	WKRP/3407/1978-79	20.7.1978	Not Applicable

(a) **Consents/Licenses for which renewal has been applied:** License dated 20.1.2004 for the use of boiler number AP-2116 under Indian Boiler Act, 1923 had expired on 1.7.2004, for which renewal application has been filed on 23.6.2004.

(b) Consent numbered APPCB/VJA/KTM/65/HO/W/2003/101 dated 25.8.2003 from the Andhra Pradesh Pollution Control Board ("**APPCB**") under the Water Act had expired on 30.6.2004, for which renewal application has been filed on 31.5.2004.

(c) Consent numbered APPCB/VJA/KTM/65/HO/2003/A/101/557 dated 25.8.2003 from the APPCB under the Air Act had expired on 30.6.2004, for which renewal application has been filed on 31.5.2004.

8. Anta Gas Power Station

Sl. No.	Description	Reference/Licence No (s).	Issue Date	Expiry Date
1.	Licence under the Factories Act, 1948	RJ 15966	3.10.2002	31.3.2008
2.	Licence for use of boiler under Indian Boiler Act	RJ 662, RJ 663, RJ 664, RJ 665, RJ 666 and RJ 667.	4.8.2004	25.7.2005
3.	Licence for use of naptha under Indian Explosives Act, 1884	1/2000	25.11.2000	31.3.2005
4.	Licence to store petroleum under Petroleum Act, 1934	P-12(20)731/RA 1754	30.5.1990	31.12.2005
5.	Licence to store petroleum under Petroleum Act, 1934	P-12(20)711/RA 1753	11.1.1989	31.12.2004
6.	Authorisation under Bio Medical Waste (Management & Handling) Rules, 1998	F16(120)/RPCB/BMW/Gr./2814	19.7.2004	31.12.2004
7.	Registration from the Registering Officer under the Contract Labour Act.	02/98	4.3.1998	Not Applicable
8.	Certificate for registration under the Central Sales Tax Act, 1956	CST/2846/00363 Spl II	16.8.1986	Not Applicable
9.	Certificate for registration under the Rajasthan Sales Tax Act, 1954	RST/2846/00363 Spl I	17.8.1995	Not Applicable

Consents/Licenses for which renewal has been applied:

a) Consent bearing number F 12(24 - 2)RPCB/ Gr.I/1993 dated 1.3.2004 from the Rajasthan State Pollution Control Board ("**RSPCB**") under the Water Act had expired on 30.6.2004, for which renewal application has been filed on 9.4.2004.

b) Consent bearing number F 12(24 -2) RPCB/ Gr.I/1990dated 1.3.2004 from RSPCB under the Air Act had expired on 30.6.2004, for which renewal application has been filed on 9.4.2004.

9. Korba Super Thermal Power Station

Sl. No.	Description	Reference Number	Issue Date	Expiry Date
1.	License under the Factories Act, 1948	163/10253/BSP/2m(i)	22.7.2004	31.12.2004
2.	Licence for the use of boiler under Indian Boilers Act	MP/3748	23.8.2003	21.8.2004
3.	Licence for the use of boiler under Indian Boilers Act	MP/3825	23.10.2003	19.10.2004
5.	Licence for storage of gas under Indian Explosives Act, 1884	MP/1159/CGS	26.11.2002	31.3.2005
6.	Registration issued by the Registering Officer under the Contract Labour Act.	27/BSP/78	5.12.1984	Not Applicable
7.	Registration under the Central Sales Tax Act	BIL/II/KTGO/444	26.2.1977	Not Applicable
8.	Registration under the State Sales Tax Act	BIL/II/KTGO/1295	3.10.1983	Not Applicable
9.	Certificate of registration under the Service Tax Rules, 1994.	376/RKB/SEC-C/ST/TT&MR/ NTPC/2003	5.8.2003	Not Applicable

Consents/Licenses for which renewal has been applied:

a) Licence dated 30.4.2003 bearing number MP/3569 for the use of boiler under Indian Boilers Act had expired on 30.6.2004, for which renewal application has been filed.
b) Licence dated 30.6.2003 bearing number MP/3542 for the use of boiler under Indian Boilers Act had expired on 23.6.2004, for which renewal application has been filed.
c) Licence dated 29.7.2003 bearing number MP/3799 for the use of boiler under Indian Boilers Act had expired on 24.7.2004, for which renewal application has been filed on 9.7.2004.
d) Licence dated 7.5.2004 bearing number MP/3522 for the use of boiler under Indian Boilers Act had expired on 31.7.2004, for which renewal application has been filed.
e) Consent dated 21.10.2002 bearing number 3863/B71/TS/ CECB/2002 from the Chhattisgarh Environment Conservation Board ("**CECB**") under Air Act has expired on 31.10.2002, for which renewal application has been filed.
f) Consent dated 21.10.2002 bearing number 3861/B71/TS/ CECB/2002 from the CECB under Water Act had expired on 31.10.2002, for which renewal application has been filed.

10. Talcher Super Thermal Power Station, Kaniha

Sl. No.	Description	Reference/Licence No.	Issue Date	Expiry Date
1.	Licence issued by Chief Inspector of Factories to work the factory under the Factories Act, 1948	AN-62	12.2.2004	31.12.2004
2.	Licence issued by the Orissa Boiler Inspection Department for the use of boiler number MP 3523 under Indian Boilers Act	350	18.8.2003	17.8.2004
3.	Licence issued by the Orissa Boiler Inspection Department for the use of boiler number OR 697 under Indian Boilers Act	0616	23.8.2003	22.8.2004
4.	Provisional order issued by Inspector of Boilers for the use of boiler number OR-514 under Indian Boilers Act	5/2004	2.4.2004	1.10.2004
5.	Provisional order issued by Inspector of Boilers for the use of boiler number 0618 under Indian Boilers Act	31/2003	28.11.2003	27.11.2004
6.	Provisional order issued by Inspector of Boilers for the use of boiler number 0617 under Indian Boilers Act	0617	16.7.2004	15.9.2004
7.	Licence issued by Chief Controller of Explosives to store compressed gas in cylinders under Indian Explosives Act.	GC(EC)S-68/OR/Ge/09/S-145/OR	4.4.1995	31.3.2005
8.	Licence issued by Chief Controller of Explosives to store compressed gas in cylinders under Indian Explosives Act.	GC(EC)F-38/OR/Ge/09/F-29/OR	4.4.1995	31.3.2005
9.	Licence issued by Chief Controller of Explosives to store compressed gas in cylinders under Indian Explosives Act.	GC(OG)S-141/OR	20.5.1997	31.3.2006
10.	Licence issued by Chief Controller of Explosives to import and store petroleum under Petroleum Act, 1934	P-12(14)401/OR-1553	5.11.1993	31.12.2006
11.	Licence issued by Chief Controller of Explosives to import and store petroleum under Petroleum Act, 1934	P-12(14)457/OR-1669	13.8.1997	31.12.2006
12.	Consent issued by the State Pollution Control Board, Orissa under Air Act	APC/480	27.3.2004	31.3.2005
13.	Consent issued by the State Pollution Control Board, Orissa under Water Act	480/WPC	27.3.2004	31.3.2005
14.	Authorization issued by the State Pollution Control Board, Orissa under the Hazardous Waste Rules.	IND-IV-HW-149(68)/13595	31.7.2001	30.7.2006
15.	Certificate issued by the Registering Officer for registration under the Contract Labour Act.	82/2002	16.10.2003	Not Applicable
16.	Registrations under the Central Sales	DLE-899	27.12.1988	Not

	Tax Act.			Applicable
17.	Registrations under the Orissa Sales Tax Act, 1947.	DL-2182	27.12.1988	31.3.2005

Consents/Licenses for which renewal has been applied:

(a) Provisional order bearing number 1/2004 dated 3.1.2004 issued by Inspector of Boilers for the use of boiler number OR-505 under Indian Boilers Act had expired on 2.7.2004 and the final order for the same is awaited.

11. Farakka Super Thermal Power Station

Sl. No.	Description	Reference/Licence No.	Issue Date	Expiry Date
1.	License under the Factories Act, 1948	11709	14.5.2003	31.12.2004
2.	Licence issued by the West Bengal Boiler Inspection Department for the use of boiler number WBL/11230 under Indian Boilers Act	59376	14.1.2004	18.9.2004
3.	Provisional order issued by the West Bengal Boiler Inspection Department for the use of boiler number WBL/11006 under Indian Boilers Act	742	2.6.2004	1.12.2004
4.	Provisional order issued by the West Bengal Boiler Inspection Department for the use of boiler number WBL/11067 under Indian Boilers Act	748	9.7.2004	8.1.2005
5.	Exemption order issued by Labour Department for the use of boiler number WBL/11078 under Indian Boilers Act	372-LW/6B/2004	9.7.2004	26.12.2004
6.	Exemption order issued by Labour Department for the use of boiler number WBL/11190 under Indian Boilers Act	295-LW/6B-13/2004	13.5.2004	7.11.2004
7.	Licence issued by Chief Controller of Explosives to store petroleum under Petroleum Act, 1934	P12(5)1524/Ben-6623	14.1.1993	31.12.2004
8.	Licence issued by Chief Controller of Explosives to store petroleum under Petroleum Act, 1934	P12(5)1228/Ben-6137	21.4.2004	31.12.2006
9.	Licence issued by Chief Controller of Explosives to store petroleum under Petroleum Act, 1934	Ben 6258	29.4.2004	31.12.2004
10.	Licence issued by Chief Controller of Explosives to store oxygen and hydrogen gases under Gas Cylinder Rules, 1981	GC(OG)S-314/Ben	7.5.2004	31.3.2007
11.	Licence issued by Chief Controller of Explosives to fill oxygen and hydrogen gas cylinders under Gas Cylinder Rules, 1981	GC(OG)F-41/Ben	7.5.2004	31.3.2007

12.	Consent issued by the West Bengal Pollution Control Board (“WBPCB”) under Water Act and Air Act	C-006948	16.2.2004	31.12.2004
13.	Authorization issued by the WBPCB under the Hazardous Waste Rules.	48/25(HW)-1144/2001	30.9.2003	18.9.2006
14.	Certificate issued by the Registering Officer for registration under the Contract Labour Act.	Not Applicable	28.1.2004	27.1.2005
15.	Registration under the Central Sales Tax Act, 1956	486A(BR)(Central)	2.1.1980	Not Applicable
16.	Registration under the Bengal Finance (Sales Tax) Act, 1941	BR/2396A	24.6.1986	Not Applicable

12. Singrauli Super Thermal Power Station

Sl. No.	Description	Reference /License no.	Issue Date	Expiry Date
1.	Licence issued by Director of Factories to work the factory under Factories Act, 1948.	SBR-116	9.12.2003	31.12.2004
2.	Certificate issued by Director of Boilers, Uttar Pradesh for the use of boiler number UP/3881 under Indian Boilers Act.	UP/3881	17.10.2003	16.10.2004
3.	Certificate issued by Director of Boilers, Uttar Pradesh for the use of boiler number UP/3930 under Indian Boilers Act.	UP/3930	10.3.2004	9.3.2005
4.	Certificate issued by Director of Boilers, Uttar Pradesh for the use of boiler number UP/4024 under Indian Boilers Act.	UP/4024	26.9.2003	25.9.2004
5.	Certificate issued by Director of Boilers, Uttar Pradesh for the use of boiler number UP/4312 under Indian Boilers Act.	UP/4312	6.11.2003	5.11.2004
6.	Certificate issued by Director of Boilers, Uttar Pradesh for the use of boiler number UP/4346 under Indian Boilers Act.	UP/4346	20.8.2003	19.8.2004
7.	Certificate issued by Director of Boilers, Uttar Pradesh for the use of boiler under Indian Boilers Act.	UP/3958	29.5.2003	27.8.2004
8.	License issued by Chief Controller of Explosives under Gas Cylinders Rules.	GC(NC)F21/UP-52/CGF & GC(NC)S126/UP-306/CGS	10.4.2003	31.3.2006
9.	License issued by Chief Controller of	UP-1782 P-	26.2.2003	31.12.2005

Sl. No.	Description	Reference /License no.	Issue Date	Expiry Date
	Explosives under Explosive Act, 1884.	22(17)1354		
10.	License issued by Chief Controller of Explosives under Explosive Act, 1884.	UP-1783 P-22(27)1335	26.2.2003	31.12.2005
11.	License issued by Chief Controller of Explosives under Explosive Act, 1884.	UP-1781 P-12(17)1265	1.2.2002	31.12.2004
12.	Consent issued by Uttar Pradesh Pollution Control Board under Air Act.	69/Sahmati/Aadesh/2004/35	1.1.2004	31.12.2004
13.	Consent issued by Uttar Pradesh Pollution Control Board under Water Act	95/Sahmati/Jal Aadesh/04/48	1.1.2004	31.12.2004
14.	Authorization issued by Uttar Pradesh Pollution Control Board under Hazardous Waste Rules	18/Pradhikar/NTPC/All-10	24.6.2003	23.6.2005
15.	Certificate bearing number issued by the Registering Office for registration under the Contract Labour Act.	55/2002	11.2.2002	Not Applicable
16.	Registration under Central Sales Tax Act	RG 500 2485	18.6.1980	Not Applicable
17.	Registration under Service Tax Rules	ST(MRS, TIC, FCER)/R-RKT-II/28/2003	4.12.2003	Not Applicable
18.	Registration under Uttar Pradesh Trade Tax Act, 1948	RG 0011527	22.2.1977	Not Applicable

Consents/Licenses for which renewal has been applied:

Certificate dated 24.4.2003 issued by Director of Boilers, Uttar Pradesh for the use of boiler number UP/4042 under Indian Boilers Act had expired on 15.7.2004, for which renewal application has been filed on 10.7.2004.

13. Kayamkulam Combined Cycle Power Station

S.No.	Description	Reference/Licence No.	Issue Date	Expiry Date
1.	License under the Factories Act, 1948	APY/01/346/98	19.11.1998	31.12.2004
2.	Certificate issued by Kerala Boiler Inspection Department, Office of the Inspector of Factories granting a certificate for use of boiler	APY/26/03	6.10.2003	5.7.2005
3.	Certificate issued by Kerala Boiler Inspection Department, Office of the Inspector of Factories, granting a Certificate for Use of a Boiler	APY/18/03	12.6.2003	11.6.2005
4.	Certificate issued by Kerala Boiler Inspection Department, Office of the Inspector of Factories, granting a Certificate for Use of a Boiler	APY/17/03	12.6.2003	11.6. 2005

S.No.	Description	Reference/Licence No.	Issue Date	Expiry Date
5.	Certificate issued by Kerala Boiler Inspection Department, Office of the Inspector of Factories granting a certificate for use of a Boiler	APY/25/03	6.10.2003	5.7.2005
6.	License granted by Department of Explosives, Government of India to import and store petroleum in installation	P-12(23)646/KL 2393	13.1.2004	31.12.2006
7.	License granted by Department of Explosives, Government of India to store compressed gas in cylinders	KL 679/CY/S	3.1.2003	31.3.2005
8.	License to Import and Store Petroleum installation under Petroleum Act, 1934 & Rules	P12(23)647/KL 2392	25.10.2002	31.12.2006
9.	Consent issued by the Kerala State Pollution Control Board under the Air Act	PCB/A/R2/735 /2003	8.1.2003	31.12.2005
10.	Consent issued by the Kerala State Pollution Control Board under the Water Act	W/04/309/2003	14.2.2003	31.12.2004
11.	Authorisation issued by Kerala State Pollution Control Board under the Hazardous Wastes Rules	PCB/H&R/ALZA/106/2000	25.5.2001	24.5.2006
12.	Certificate issued for registration under Contract Labour Act.	SCR/7 & CL/R-10/98	29.6.1991 & 24.9.1998	Not Applicable
13.	Registration under Central Sales Tax	13235205	20.7.1989	Not Applicable
14.	Sales Tax Officer, Haripad granting certificate of registration as a dealer under Kerala General Sales Tax Act, 1963	13191488	23.10.1989 but valid from 20.7.1989	Valid until cancelled

14. Auraiya Gas Power Station

Sl. No.	Description	Reference/Licence No.	Issue Date	Expiry
1.	License issued by Inspector of Factories under Factories Act	EWH-151, Serial No: 151	1.1.2004	31.12.2004
2.	Certificate issued by Deputy Director of Boilers for use of boiler under Indian Boilers Act	UP/4724	3.11.2003	30.10.2004
3.	License issued by Chief Controller of Explosives, Agra, for day oil tank under Indian Explosives Act	UP-898	21.2.2003	31.12.2005
4.	License issued by Chief Controller	UP-901	21.2.2003	31.12.2005

	of Explosives, Agra, for naptha under Indian Explosives Act			
5.	License issued by Chief Controller of Explosives Agra, for CO2 and H2 storage under Indian Explosives Act	UP-149/CGF	13.8.2002	31.3.2005
6.	Consent issued by Uttar Pradesh Pollution Control Board under the Water Act	20/water/424/04	23.2.2004 but valid from 1.1.2004	31.12.2004
7.	Consent issued by Uttar Pradesh Pollution Control Board under the Air Act	120/Approval (Air) Order/201/2004	16.7.2004	31.12.2004
8.	Authorsation issued by the UP Pollution Control Board under Hazardous Waste Rules	FI19981/C-4/Haz.Auth/2/2003	4.9.2003,	3.9.2008
9.	Certificate issued by Registering Officer for registration under Contract Labour Act	UPKR 101	12.9.1988	Not Applicable
10.	Registration under Central Sales Tax	A.U. 5002421	11.7.1986	Not Applicable
11.	Registration under U.P. Sales Tax Act	AU 68/13-6-94	13.6.1994	Not Applicable
12.	Certificate issued by Deputy Commissioner of Central Excise granting allotment of service tax code number AAANC0255DST007	C.N.1/ST/R-IV /AGRA/03	4.12.2003	Not Applicable

Consents/Licenses for which renewal has been applied:

Certificate dated 5.8.2003 issued by Director of Boilers, Uttar Pradesh for the use of boiler number UP/4803 under Indian Boilers Act had expired on 4.8.2004, for which renewal application has been filed on 15.7.2004.

15. Simhadri Super Thermal Power Station

Sl. No.	Description	Reference/ License No.	Issue Date	Expiry
1.	License issued by Joint Chief Inspector, Factories to work a factory	42453	3.3.2004	2.3.2005
2.	Certificate issued by Andhra Pradesh Boiler Inspection Department for use boiler number AP-3618	52/AP-3618	29.12.2003	1.12.2004
3.	Certificate issued by Andhra Pradesh Boiler Inspection Department for use boiler number AP-3619	10	5.6.2004	1.6.2005

4.	Licence issued by Department of Explosives, Government of India, for filling of cylinder with compressed gas	GC(SC)S272/AP 2824/cy/F	17.12.2003	31.3.2007
5.	Licence issued by Department of Explosives renewing fuel oil license for storage of petroleum	P/12(4)2613/AP-5974	1.3.2002	31.12.2004
6.	License for storage of chlorine under Indian Explosives Act, 1884.	AP-2694/Cy/S	9.1.2002	31.3.2007
7.	Certificate issued by the Registering Officer under the Contract labour Act	DCL/USP/CL-PE/02/2002	23.10.2002	Not Applicable
8.	Registration under Central Sales Tax Act	VSP/05/3/1591/97-98 VSP /06/2/1027	6.2.1998	Valid until cancelled
9.	Registration under Andhra Pradesh General Sales Tax Act, 1957	VSP/05/3/2912/97-98 VSP/06/02/1273	6.2.1998	Valid until cancelled

Consents/Licenses for which renewals have been applied:

a) The consent issued on 30.8.2003 by the Andhra Pradesh Pollution Control Board bearing reference number APCCB/VSP/VSP/198/HO/W/2003/116/623 under the Air Act had expired on 30.4.2004 and renewal application has been filed on 25.3.2004.

b) The consent issued on 30.8.2003 by the Andhra Pradesh Pollution Control Board bearing reference number APCCB/VSP/VSP/198/HO/W/2003/116/623 under the Water Act expired on 30.4.2004 and renewal application has been filed on 25.3.2004.

c) The authorization issued by the Andhra Pradesh Pollution Control Board under the Hazardous Waste Rules had expired and renewal application for the same has been filed on 25.3.2004.

16. Tanda Thermal Power Station

Sl. No.	Description	Reference /License no.	Issue Date	Expiry Date
1.	License issued by Dy.Director, Factory, U.P. Lucknow Division	599	5.6.2004	4.6.2005
2.	Certificate issued by Director of Boilers, Uttar Pradesh for the use of boiler number UP/4479 under Indian Boilers Act.	4479	30.8.2003	29.8.2004
3.	Certificate issued by Director of Boilers, Uttar Pradesh for the use of boiler number UP/4311 under Indian Boilers Act.	4311	28.1.2004	27.1.2005
4.	Certificate issued by Director of Boilers, Uttar Pradesh for the use of boiler number UP/4787 under Indian Boilers Act.	4787	7.6.2004	6.6.2005

5.	License issued by Chief Controller of Explosives for chlorine turners under Indian Explosives Act, 1884.	UP/1779/CGS	14.11.2003	2.3.2006
6.	License issued by Chief Controller of Explosives for storing petroleum in a tank or tanks in connection with pump outfit for fueling motor conveyances under the Indian Explosives Act, 1884.	UP/918	13.12.2002	31.12.2005
7.	License issued by Chief Controller of Explosives for hydrogen gas storage under Indian Explosives Act, 1884.	UP/1778/CGS	13.5.2003	31.3.2006
8.	License issued by Chief Controller of Explosives for storage of petroleum under Indian Explosives Act, 1884.	UP/921	24.3.2004	2.12.2006
9.	Consent issued by Uttar Pradesh Pollution Control Board under Water Act	F29862/C-6/18/Water/Faizabad	17.2.2004	31.12.2005
10.	Authorization issued by Uttar Pradesh Pollution Control Board under Hazardous Waste Rules	F 13259/C-6/H92-9-F-92/2003	4.3.2003	31.12.2004
11.	Authorization issued by Uttar Pradesh Pollution Control Board under Bio Medical Waste Rules	3508/2004	31.3.2004	31.3.2005
12.	Certificate issued by the Registering Office for registration under the Contract Labour Act	85	16.12.2002	Not Applicable
13.	Registration under Central Sales Tax Act	AK5013496	27.2.2000	Not Applicable
14.	Registration under Uttar Pradesh Sales Tax Act	UPTT.AK-0057099	14.1.2000	Not Applicable

Consents/Licenses for which renewals have been applied:

Certificate dated 9.7.2003 issued by Director of Boilers, Uttar Pradesh for the use of boiler number UP/4863 under Indian Boilers Act had expired on 8.7.2004, for which renewal application has been filed.

17. Kahalgaon Super Thermal Power Station

Sl. No.	Description	Reference /License no.	Issue Date	Expiry Date
1.	License under the Factories Act, 1948	62681/BLR	20.7.2004	31.12.2004
2.	Provisional order issued by Inspector of Boilers, Bihar for the use of boiler number BR/8754 under Indian Boilers Act	038/04	20.7.2004	19.1.2005
3.	Provisional order issued by Inspector of Boilers, Bihar for the use of boiler number BR/8755 under Indian Boilers Act	014/04	27.6.2004	26.12.2004

4.	Provisional order issued by Inspector of Boilers, Bihar for the use of boiler number BR/8756 under Indian Boilers Act	004/04	3.6.2004	2.12.2004
5.	Provisional order issued by Inspector of Boilers, Bihar for the use of boiler number BR/8757 under Indian Boilers Act	095/03	18.4.2003 & 20.4.2004	17.10.2004
6.	License issued by Chief Controller of Explosives for storage of compressed gas in pressure vessels under Indian Explosives Act, 1884.	PV(EC) S-47/B1/Bi (PV) S-52.	30.8.1995	31.3.2005
7.	License issued by Chief Controller of Explosives for storing petroleum under the Indian Explosives Act, 1884.	P-12 (6)-1054/Bi-3494	17.7.1991	31.12.2006
8.	License issued by Chief Controller of Explosives for storing petroleum in a tank or tanks in connection with pump outfit for fueling motor conveyances under the Indian Explosives Act, 1884.	BI –3656	15.4.2004	31.12.2006
9.	License issued by Chief Controller of Explosives for storing petroleum in a tank or tanks in connection with pump outfit for fueling motor conveyances under the Indian Explosives Act, 1884.	P-12 (6)-1049/Bi-3448	10.12.1991	31.12.2006
10.	15 KL Class-A and 35 KL Class-B under Indian Explosives Act, 1884	BI-3019	22.1.2004	31.3.2006
11.	Consent issued by Bihar Pollution Control Board under Air Act	T-5288	16.7.2004	31.3.2005
12.	Consent issued by Bihar Pollution Control Board under Water Act	T-5203	15.7.2004	31.3.2005
13.	Authorized issued by Bihar Pollution Control board under Hazardous Waste Rules	AQF-17/2001	9.1.2002	8.1.2007
14.	Certificate issued by the Registering Office for registration under the Contract Labour Act	15	2.6.1984	Not Applicable
15.	Registration for Bihar Commercial Tax under Bihar Finance Act, 1981	BH-2684 (R)	13.7.2004	31.5.2006
16.	Registration under Central Sales Tax Act	BH-2098 (Central)	28.5.1985	Not Applicable

18. Jhanor Gandhar Gas Power Station

Sl. No.	Description	Reference /License no.	Issue Date	Expiry Date
1.	Licence to work a factory under Factories Act.	084568	19.7.1994	31.12.2004

2.	Certificate issued by Inspector of Boilers, Gujarat for the use of boiler number GT 3435 under Indian Boilers Act.	126	25.5.2004	12.9.2004
3.	Certificate issued by Inspector of Boilers, Gujarat for the use of boiler number GT 3436 under Indian Boilers Act.	127	25.5.2004	12.9.2004
4.	License issued by Chief Controller of Explosives for storage of chlorine under Indian Explosives Act, 1884.	GJ/BRO/GC-S-32	11.11.1994	31.12.2006
5.	License issued by Chief Controller of Explosives for storing petroleum under the Indian Explosives Act, 1884.	Gj/BRO-283	27.5.2004	02.12.2006
6.	License issued by Chief Controller of Explosives for storing petroleum under the Petroleum Act, 1934.	Gj/BRO/274	17.1.1994	31.12.2006
7.	License issued by Chief Controller of Explosives for storing compressed gas in a cylinder under the Indian Explosives Act, 1884.	GJ/BRO/GC S-46	24.5.1995	31.3.2006
8.	Consent issued by Gujarat Pollution Control Board under Air Act	3250	26.7.2004	27.2.2009
9.	Consent issued by Gujarat Pollution Control Board under Water Act	3250	26.7.2004	27.2.2009
10.	Authorization issued by Gujarat Pollution Control Board under Hazardous Waste Rules	3250	26.7.2004	27.2.2009
11.	Certificate issued by the Registering Office for registration under the Contract Labour Act	9212002	24.6.2002	Not Applicable
12.	Registration under Central Sales Tax Act	GUJ16N7	20.6.1986	Not Applicable
13.	Registration under Gujarat Sales Tax Act	486/08906	20.6.1986	Not Applicable
14.	Registration under Central Excise and Customs Act	MRS/VAD-II (BRH)/09/NTP/2003	29.7.2003	Valid till holder carries on the activity.

Consents/Licenses for which renewals have been applied:

a) Certificate bearing number 95 dated 25.5.2003 issued by Inspector of Boilers, Gujarat for the use of boiler number GT 3438 under Indian Boilers Act had expired on 24.7.2004, for which renewal application has been filed on 9.7.2004.

b) Certificate bearing number 94 dated 25.5.2003 issued by Inspector of Boilers, Gujarat for the use of boiler number GT 3437 under Indian Boilers Act had expired on 24.7.2004, for which renewal application has been filed on 9.7.2004.

c) Certificate bearing number 108 dated 25.5.2003 issued by Inspector of Boilers, Gujarat for the use of boiler number GT 3433 under Indian Boilers Act had expired on 5.8.2004, for which renewal application has been filed on 29.7.2004.

d) Certificate bearing number 109 dated 25.5.2003 issued by Inspector of Boilers, Gujarat for the use of boiler number GT 3434 under Indian Boilers Act had expired on 5.8.2004, for which renewal application has been filed on 29.7.2004.

19. Rihand Super Thermal Power Station

Sl. No.	Description	Reference/Licence no.	Issue Date	Expiry Date
1.	Licence to work the factory under the Factories Act.	SBR-119	1.1.2004	31.12.2004
2.	Certificate for the use of boiler issued by Director of Boilers under Indian Boilers Act.	UP-4510	20.11.2003	30.10.2004
3.	Certificate for the use of boiler issued by Director of Boilers under Indian Boilers Act.	UP-4677	24.9.2003	23.9.2004
4.	Certificate for the use of boilers issued by Director of Boilers under Indian Boilers Act.	UP-4481 and UP-4482	24.9.2003	23.9.2004
5.	Certificate for the use of boilers issued by Director of Boilers under Indian Boilers Act.	UP-4483 and UP-4484	20.11.2003	13.9.2004
6.	License issued by Chief Controller of Explosives for storage of hydrogen gas under the Indian Explosives Act.	GC(NC)F-108/ UP-51/CGS/AND GC(NC)S-252/ UP-304/CGS	21.11.1988	31.3.2006
7.	License issued by Chief Controller of Explosives for storage of chlorine gas under the Indian Explosives Act.	UP/3722/CGS	10.11.1989	31.12.2006
8.	License issued by Chief Controller of Explosives under the Petroleum Act, 1934.	P-12(17)1743/ UP-1801	16.9.1988	31.12.2005
9.	License issued by Chief Controller of Explosives under the Petroleum Act, 1934.	P-12(17)1936/ UP-1806	10.1.1990	31.12.2005
10.	License issued by Chief Controller of Explosives under the Petroleum Act, 1934.	P-12(17)2172/ UP-1804	26.6.1989	31.12.2005
11.	License issued by Chief Controller of Explosives under the Petroleum Act, 1934.	P-12(17)1938/ UP-1807	1.12.1989	31.12.2005
12.	License issued by Chief Controller of Explosives under the Petroleum Act, 1934.	UP-4139	1.8.1996	31.12.2005
13.	License issued by Chief Controller of Explosives under the Petroleum Act,	UP-1756	6.3.2002	31.12.2004

	1934.			
14.	Consent issued by UP Pollution Control Board under the Air Act.	354/2004/180	9.2.2004	31.12.2004
15.	Consent issued by UP Pollution Control Board under the Water Act.	67/2004/174	9.2.2004	31.12.2004
16.	Authorization issued by UP Pollution Control Board under the Hazardous Waste Rules.	F/8062/C-2/47/2003	9.7.2003	8.7.2005
17.	Authorization issued by UP Pollution Control Board under Bio Medical Waste Rules	1929/Bio-Md-9/2003-2004	16.3.2004	31.12.2004
18.	Certificate issued by the Registering Office for registration under the Contract Labour Act	36	19.3.2002	Not Applicable
19.	Registration under Central Sales Tax Act	CST No.510	8.8.1985	Not Applicable
20.	Registration under State Sales Tax	REG.2101	2.12.1982	Not Applicable

OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

Except as described below, there is no outstanding litigation, suits or criminal or civil prosecutions, proceedings or tax liabilities against our Company, its Directors, our subsidiaries and joint ventures that would have a material adverse effect on our business and there are no defaults, non-payment or overdue of statutory dues, institutional/ bank dues and dues payable to holders of any debentures, bonds and fixed deposits that would have a material adverse effect on our business other than unclaimed liabilities against our Company or Directors, our subsidiaries and joint ventures.

I. Litigation against our Company

A. Contingent liabilities not provided for as of March 31, 2004

In Rs Million

Sl.no	Category	March 31, 2004	March 31, 2003
1.	Claims against the Company not acknowledged as debts in respect of:		
	Capital Works	5,455	5,163
	Land compensation cases	10,314	9,924
	Others	2,438	3,828
2.	Disputed Sales Tax demand	314	318
3.	Letters of credit other than for capital expenditure	965	1,205
4.	Guarantee in favour of bankers of Joint Venture	24	24
5.	Others	22	45
	Total	**19,532**	**20,507**

B. Pending Litigation Against Our Company

1. **Environmental Litigation**

There are 9 cases against our Company which are related to allegations of environmental pollution, use of forest-land, etc. 5 of these cases are public interest litigations, 3 are criminal cases and one show cause notice has been issued against us. The details of these cases are as follows:

(i) **Environmental Public Interest Litigation**

(a) Our Company is one of the respondents in M.C Mehta v. Union of India and others, W.P no. 3727 of 1985 in the Supreme Court of India. ("MC Mehta Case"), which is a public interest litigation against pollution caused by industries in India. The Vindhyachal Super Thermal Power Station, Rihand Super Thermal Power Station and Singrauli Super Thermal Power Station are located in Singrauli region in the state of Uttar Pradesh ("Singrauli Region Stations"). Some environmental studies by non-governmental organizations have claimed that there is acute pollution in the Singrauli region. Therefore, our Company was asked to file a reply on the status of the pollution control measures in the Singrauli Region Stations by the Supreme Court of India. We have filed a reply on December 6, 2000 detailing the pollution control measures taken in each of the Singrauli Region Stations.

(b) Mr. Sanjeev Dutta and others have filed a writ petition, WP no. 105 of 2001, against our Company and others in the High Court of Chhatisgarh at Bilaspur. The petitioners, have alleged that the Super Thermal Power Project being established by our Company at Sipat is being built on forest lands, irrigated agricultural lands and public utility lands of 8 villages allotted by the state government on the basis of old land records. Hence, the petitioners have prayed that the transfer of land should be quashed and construction of the Sipat Super Thermal Power Station should be stopped. The Company has filed a reply in the High Court of Chhatisgarh. The High Court of Chhatisgarh has passed an interim order dated February 27, 2001, whereby it has directed that there should be no fresh felling of trees by us. We filed an application in the High Court of Chhatisgarh, requesting for vacation of interim order so that the construction of project is not delayed. We proposed cutting of 256 trees out of 740 trees standing in the proposed construction site. The interim order has been vacated by the High Court of Chhatisgarh, vide order dated October 31, 2001.Our Company has deposited Rs.6.5 millon within one month to compensate the loss due to the proposed felling of the trees, as directed by the High Court The petitioners filed a special leave petition, No.4702 of 2002 in the Supreme Court of India against the order of the High Court of Chhatisgarh dated October 31, 2001 in WP No.105/01. The Supreme Court of India has dismissed the special leave petition.

The matter is pending in the High Court of Chattisgarh.

(c) Prakriti Kunda Pratapgarh a NGO has filed a writ petition, WP 1435 of 2002 (M/B) against the Feroze Gandhi Unchahar Thermal Power Project and Pollution Authorities and others, whereby the petitioner has alleged that the said project causes air pollution harming the local residents and discharges ash into the river Ganga. The petitioners have sought the check of air pollution caused by our Company. The Company is in the process of preparing a reply to the petition.

(d) The Mahamanab Nirved Satya Dhama, NGO has filed a public interest case, OJC No.3805 of 1996 against the State of Orissa, our Company and others, in the High Court of Orissa. The petitioners have alleged that the Talcher Thermal Power Station and Talcher Super Thermal Power Project, Kaniha have caused pollution in waters of the river Brahmani. Therefore, the petitioners have prayed that our Company may be directed to take steps to prevent and control such water pollution. The Company has filed a reply stating that our Company has taken all measures for the control of pollution in their units and that our Company is not causing any pollution. The matter is pending for hearing.

(e) A public interest litigation W.P. number 3707 of 1996 has been filed by Mr. D.N.Soni and Mr. Raj Kamal Singh against the Madhya Pradesh State Electricity Board, Madhya Pradesh Pollution Control Board and others including our Company for failure to adopt environment friendly measures thereby, causing of pollution. The petitioners have sought for directions to the respondents to provide medical facilities, adopt measures to prevent pollution and provide compensation to the general public. We have filed a reply on March 3, 1998 denying their allegations. The court has also directed the Madhya Pradesh Pollution Control Board to file their reply. The case is pending hearing and final adjudication.

(ii) In addition, there are 2 cases where pollution control authorities have filed criminal complaints against the Company. The details of these cases is as below:

The Orissa State Prevention and Control of Pollution Board ("OSPCB") has filed complaints, 2(c) CC 100 of 2000 and 2(c) CC 101 of 2000 in the court of Sub-Divisional Judicial Magistrate, Bhubaneshwar for non-compliance of consent conditions /directives in contravention of section 21 of the Air Act and under section 44 of the Water Act.

The Company has made an application to the court stating that the period to which the cases relate to is prior to the effective date from which the Talcher Thermal Power Station was taken over by the Company from the OSEB. Hence, the Company has no liability for actions relating to the period before the date of transfer of the Talcher Thermal Power Station to the Company.

The matters are pending for hearing.

A show cause notice has been issued to us by the Andhra Pradesh Pollution Control Board for inadequate compliance with the directions issued by the Andhra Pradesh Pollution Control Board in relation to air pollution problem due to an ash pond belonging to our Company. We have replied to the said notice detailing measures taken by us. A criminal case in relation to same has also been filed before the Judicial Magistrate (First Class) and is pending for hearing.

2. Other Public Interest Litigation

There are 17 public interest litigation matters involving our Company pending in various courts of India. Five of these cases are related to allegations of environmental pollution and have been detailed in the section on "Environmental Litigation" hereinabove. The details of the other material public interest litigation are as follows:

(a) Vikalpa a NGO has filed a writ petition, W.P (C) no.4162 of 2003 against the GoI, State of Orissa, RBI, GRIDCO and others, in the High Court of Orissa. The petitioner has challenged the signing of the tripartite agreement between the State of Orissa, the RBI and the Government of India on March 21, 2003. As per the terms of the tripartite agreement, the state government has agreed to assume the liability to discharge the payment obligations of GRIDCO in the event of default arising out of agreements signed between GRIDCO and the Company. The petitioner has alleged that the signing of such an agreement is detrimental to the interests of the people of the state of Orissa who are not consumers of electricity and who depend on the central plan assistance for their livelihood. The Company has filed an application for impleading itself as a party on July 4, 2003 as its rights were being affected in this case. The said application is pending for hearing.

(b) Mr. Debesh Das has field a writ petition against our Company and others, WP(C) no.4437 of 2003, in the High Court of Orissa. The petitioner has alleged that we had served notice to GRIDCO to regulate supply of power for a period of three months from May 5, 2003 as the GRIDCO has not paid outstanding amounts due to our Company. The petitioner has stated that as a tripartite agreement has been signed by state of Orissa, the RBI and the Government of India on March 20, 2003, which allowed our Company to regulate supply of power in the event of non-payment of bills has been overridden and therefore regulation of power by our Company should be stopped. The petitioner had also filed a petition for interim relief.

The High Court of Orissa passed an order dated July 3, 2003, whereby a committee was set up to look into the reasons as to why the bills of our Company were not being paid by GRIDCO despite collection of monies from customers. The costs of the committee were to be shared by our Company and GRIDCO. The Company was directed not to regulate supply of power till August 2003. The Company, aggrieved by the said order filed a special leave petition (SLP no. 13909 of 2003) in the Supreme Court of India challenging the setting up of the committee. The Supreme Court of India has directed GRIDCO to pay the dues to our Company and granted interim stay of the proceedings of the committee constituted by High Court of Orissa.

(c) The Uttar Pradesh Kisan Sabha has filed a writ petition against the State of Uttar Pradesh, WP no.200 of 2000, in the High Court of Allahabad. The petitioners have filed the case against the notification dated January 14, 2000 whereby the Tanda Thermal Power Station was transferred from the Uttar Pradesh State Electricity Board to our Company, on the grounds that the Tanda Thermal Power Station was sold to our Company without inviting global tenders and the actual motive of the transfer was to clear outstanding dues of the Uttar Pradesh State Electricity Board to our Company.

The Company has filed its reply. The matter is pending for hearing.

(d) The petitioners have challenged the taking over of the Talcher Thermal Power Station by our Company from the Orissa State Electricity Board ("OSEB") in the cases of Dr. Kamal Kumar Sisugoswami v. State of Orissa, NTPC and others, OJC no. 1475 of 1995 and R.N.Mishra v. State of Orissa, NTPC and others, OJC no. 3601 of 1995, in the High Court of Orissa. The petitioners have alleged that the Government of Orissa has undervalued the Talcher Thermal Power Station. Hence, the petitioner has sought the examination of the valuation of Talcher Thermal Power Station and has prayed that in case the valuation is found to be arbitrary then the take over from OSEB by NTPC be held to be null and void.

The Company has filed a reply in the High Court of Orissa and stated that the take over is a result of legislative action by the legislative assembly of the state of Orissa and that there is no malafide intention for the transaction. The matter is pending for hearing.

(e) A writ petition, No. 328 of 1999 has been filed by Power Crisis In NCT of Delhi, a NGO against the Union of India, Chief Secretary, NCT Delhi, Delhi Vidyut Board, our Company and 6 others under Article 32 of the Constitution of India, 1950, in the Supreme Court of India. The petitioners are seeking a direction to achieve *inter alia* 24 hours continuous power supply in the Delhi. We have filed a reply to the petition on September 1, 1999, seeking a discharge of the notices issued to the said respondents and a direction to the Delhi Vidyut Board to ensure full and timely payments of its current dues.

The Supreme Court has admitted the case and continuously sought updates on the improvements undertaken by the state government and the Government for improving electricity supply and has passed from time to time directions to State Government, GoI and distribution companies to ensure compliance with the provisions of Electricity Act, 2003. The matter is pending for hearing.

(f) The State Public Interest Protection Council, a NGO and others have filed a public interest litigation case no. O.J.C. No. 3157/2001 in the High Court of Orissa, against the State of Orissa, Orissa Electricity Regulatory Commission, our Company and 6 other parties challenging the arbitrary hike in electricity charges and praying for quashing the tariff notification dated January 23, 2001 notified by the distribution companies and ensure proper supply of electricity by checking on corruption, unauthorized connections and reviewing the process of privatisation.

We have filed our preliminary counter affidavit on June 21, 2002 before the High Court of Orissa detailing generation at our Talcher Super Thermal Power Project and other generating stations supplying power in Orissa and also details of power purchased by GRIDCO from us.

3. **Land Acquisition Cases**

There are 3198 cases relating the land acquired by our Company for the various projects of our Company. A large majority of these cases relate to demands for enhanced compensation by land oustees. The aggregate value of the claims against us is approximately Rs. 7990.87 million. The details of the material cases in this regard are as follows:

(a) The Company has acquired land admeasuring approximately 325 acres in five villages in Haryana for the Faridabad Gas Power Project. The Collector of Land Acquisition has fixed the rate of compensation payable to land oustees at the rate of Rs 0.2 million per acre for unirrigated lands and Rs 0.25 million for irrigated lands. The land oustees filed applications before the District Court, Faridabad for determination of compensation. The District Court of Faridabad has fixed the rate as Rs. 306 per square yard (approximately Rs. 1.5 million per acre). The Company has filed 91 appeals in the High Court of Punjab and Haryana for reduction of the rate fixed by the District Court, Faridabad. The land oustees have filed 62 appeals for enhancement of the rate fixed by the District Court, Faridabad. The High Court of Punjab and Haryana has, vide order dated May 29, 2004 dismissed all the appeals filed by our Company as well as the land oustees against the decision of the District Court, Faridabad. The total liability as on date amounts to Rs. 1,180 million.

(b) The Company has acquired 227.33 acres of land in district Surat, Gujarat belonging to private parties for the Kawas Gas Power Station. The land acquisition officer categorized the land into three categories and awarded compensation ranging from Rs. 3- Rs. 3.5 per square meter. Aggrieved by this order, the land oustees filed an appeal before the District Court, Surat which awarded compensation of Rs.20 per square meter and directed that additional compensation be paid with solatium at the rate of 30% per annum on the aforesaid enhanced compensation. The Company and the land oustees filed appeals against the order of the District Court, Surat in the High Court of Gujarat. The High Court of Gujarat vide its order dated September 15, 2000 has finalized the award at about Rs. 22 per square meter. The High Court held that the claimants shall not be entitled to the solatium. 21 land oustees have filed three sets of special leave petitions in the Supreme Court of India (21068 to 21070 of 2001, 21961 to 21965 of 2001 and 22034 of 2001) against the order of the High Court of Gujarat. The petitioners have claimed compensation of a sum of Rs. 250 per square meter and have stated that the wrong basis of computation has been taken and incorrect deductions have been made. The total amount claimed by all the petitioners earlier was Rs.475.04 million. The Supreme Court has admitted the said petitions and the same have not come up for hearing in the Supreme Court of India.

In addition, the petitioners have filed execution petitions no. 133/04 to 140/04 and 2/04 to 14/04 in the court of civil judge (senior division), Surat claiming payments as per the High Court order and also interest on solatium and additional market value and their claim cumulatively comes to Rs.1200 million. Another special leave petition C.A. No. 1080/2004 has been filed in the Supreme Court in relation to the land acquisition cases for which we have received notice.

(c) There are 363 cases in relation to land acquired by our Company for Rihand Super Thermal Power Project. In this regard, the Supreme Court of India had directed in Banwasi Seva Ashram v. State of Uttar Pradesh and others,W.P (Criminal) 1061 of 1982, the District Judge to determine the compensation payable to land oustees. The petitioners have filed their claims before District Judge, Sonebhadra. Compensation amounting to Rs 268.13 million has been claimed against our Company. The Company has stated that the land acquired in Bijpur village is only 170 acres and is willing to pay compensation for the same. The Company has claimed that our Company is in the process of surrendering the land in villages Jhilo and Khamaria and is not evicting any persons from these lands, therefore our Company is not liable to pay any compensation. The matter is pending before the District Judge, Sonebhadra.

(d) There are 208 cases in relation to land acquired by our Company for the National Capital Power Station, Dadri. The land has been acquired by our Company under the Land Acquisition Act, 1894 and compensation has already been paid. The claimants are claiming revised amounts of compensation under Section 18 of the Land Acquisition Act, 1894. The total amount of claims by the claimants amounts to Rs 2294.83 million. The cases are pending in the courts of Ghaziabad and Gautam Budh Nagar, Uttar Pradesh. The matters are at various stages.

(e) There are 112 cases in relation to land acquired by our Company for the Auraiya Gas Power Station, Uttar Pradesh. The cases are pending before the High Court of Allahabad, District Court, Etawah and before the special land acquisition officer, Etawah. The cases are in various stages of hearing. The total amount of claims against our Company amounts to Rs 194.01 million.

(f) The Company has acquired land for Koldam Hydro Electric Project. There are a number of cases against our Company in this regard wherein the total amount of claims and contingent liability is Rs. 601.9 million. The details of the same are as follows:

(i) 8 cases have been filed by land oustees against the Land Acquisition Collector, Koldam, District Collector, Bilaspur and our Company in the court of District Judge, Bilaspur. The Land Acquisition Collector had vide its award dated November 12, 2002 awarded a total compensation of approximately Rs.10.11 million for 9.37 acres of land. The land oustees have claimed an approximate amount of Rs. 3 million per 0.62 acre of land and other compensation on account of loss of income, interest etc. These cases are pending for rejoinders and framing of issues.

(ii) 12 cases have been filed by some land oustees against the Land Acquisition Collector Koldam, District Collector, Bilaspur, and our Company in the court of District Judge, Mandi. The Land Acquisition Collector had vide its award dated October 12, 2001 awarded a total compensation of approximately Rs. 17.4 million for approximately 22.5 acres of land. The land oustees claim an approximate amount of Rs. 2.5 million per 0.62 acre of land and other compensation on account of loss of income, interest etc. These cases are pending for submission of documents relied upon and are pending for hearing.

(iii) 43 cases have been filed by land oustees against the Land Acquisition Collector Koldam, District Collector, Bilaspur and our Company in the court of District Judge, Mandi. The Land Acquisition Collector had vide its award dated July 19, 2002 pertaining to village Kayan, Tehsil Sundernagar, District Mandi awarded a total compensation of approximately Rs. 163 million for approximately 158.12 acres of land. The land oustees claim an approximate amount of Rs. 2.5 million per 0.62 acres of land and other compensation on account of loss of income, interest etc. The cases are pending for filing of reply and applications and are pending hearing and final adjudication.

(g) We have acquired approximately 264.85 acres of land for the Kayamkulam Gas Power Station. There are 363 cases, which are pending in various courts whereby the land oustees are seeking enhancement of compensation under the Land Acquisition Act, 1894.The total amount of claims against our Company amounts to approximately Rs.562.2 million.

(h) We have acquired 3359.94 acres of land for the construction of the Kahalgaon Super Thermal Power Project. The rate of compensation for the land oustees has been fixed at Rs. 127.6 million. Aggrieved by the amount of compensation awarded by the collector, the land oustees filed 1719 cases against the same. These were referred by the Collector, Bhagalpur to the Land Acquisition Judge, Bhagalpur for re-determination of the compensation, under section 18 of the Land Acquisition Act, 1894.

Out of the above cases, in 236 cases decided by Land Acquistion Judge and our Company has agreed with the award of the court and the amounts were paid. However, in 31 cases, in which the claims were enhanced upto 3 to 4 times, our Company has filed appeals in the High Court of Bihar. These matters are pending before the High Court.

With regard to 491 cases, which were decided without impleading our Company, our Company has filed a special leave petition in the Supreme Court of India and as per the order of the Supreme Court these cases have been remanded back to the Land Acquisition Judge, Bhagalpur. The proceedings in these cases have not started till date.

The remaining 961 cases are still pending before the Land Acquisition Judge, Bhagalpur, out of which in 410 cases we have received the notices and proceedings have started. In the remaining 551 cases the proceedings are not started and our Company has not received notices. The total liability of our Company amounts to approximately Rs 208.06 million.

(i) The Government of Andhra Pradesh granted 380 acres of land to us for the construction of an ash pond for the Ramagundam Thermal Power Project. During the construction of the ash pond, the Department of Forest claimed that the land, which was granted to us by the state Government was part of a reserved forest and hence, demanded 760 acres of land in addition to Rs.15,000 per acre towards the cost of afforestation. We have filed a writ petition, WP 12512 of 1992, before the High Court of Andhra Pradesh challenging the claims of the Department of Forest, Government of Andhra Pradesh. The aggregate amount of the disputed claim is approximately Rs. 11.40 million. The matter is currently pending before the High Court of Andhra Pradesh.

(j) We had acquired land in Anta under the Land Acquisition Act, 1894 for the Anta Gas Power Station. The applicant owned Khesra number 456 and 461, aggregating to a total area of 95,832 sq. ft. Of this, the disputed area is 21968 sq. ft., comprising of 2996 sq. ft. of blank area and 18972 sq. feet of roads and pathways. The Collector has, vide order dated March 11, 2003, awarded compensation at the rate of Rs. 50 per sq. ft. of the blank area, whereas no compensation has been awarded for the road and pathways area. Pursuant to the collector's order, we have paid the applicant approximately Rs. 0.2 million. As against this, the applicant has claimed compensation at the rate of Rs.275 per sq. ft., amounting to a total claim of approximately Rs.13.03 million. The matter is presently pending before the learned District Judge, Baran, Rajasthan and the matter is pending for hearing.

(k) We have acquired 463.23 acres of land for the Jhanor-Gandhar Gas Project. There are 158 cases pending before the District Court, Bharuch against our Company filed by land oustees, whose parcels of land were acquired by the Government of Gujarat and alienated in favour of our Company under the Land Acquisition Act, 1894. The land oustees have challenged the quantum of compensation paid to them. The aggregate amount of compensation claimed in the said cases is Rs.323.77 million.

4. Arbitration matters

There are 134 arbitration related cases against our Company and the aggregate value of the claims against us in these cases is approximately Rs.1,197.47 million plus Deutsche Mark 44,111,949 plus interest. The details of the material cases among these are as follows:

(a) Siemens Aktiengesellschaft (Germany) ("Siemens") has initiated arbitration proceedings against our Company in the International Court of Arbitration, International Chamber of Commerce (Case no 11728/ACS). The Company awarded Siemens a contract for the main plant package of the Dadri Gas Based Combined Cycle Power Project ("Project") through an award dated September 30, 1989 ("the Contract"). Siemens has alleged that there was considerable delay by our Company in opening the letters of credit required under the Contract and that there were a delays by our Company leading to the disruption and delay in implementation by Siemens. Therefore, Siemens sought extension of time by 9 months and sought compensation from our Company for the additional costs incurred by Siemens. The Company has alleged that there were delays of upto 55 months in the implementation of the Projects, which were caused by Siemens and levied liquidated damages on Siemens. Siemens has claimed an amount of DM 44,111,949 with interest at the rate of 18% per annum from our Company. The Company has rejected the claim and has counterclaimed an amount of Euro 210,307 + DM 63,404,121, USD 196,626 and approximately Rs 2,672.04 million. In order to adjudicate the dispute a three member arbitral tribunal was set up.

The arbitral tribunal has passed a partial award dated July 31, 2002 whereby the arbitral tribunal rejected the contention of our Company that the claims by Siemens were barred by limitation. Further the arbitral tribunal upheld the objection of Siemens and stated that counterclaims by our Company were not admissible in view of the prior settlement and also by limitation.

The Company filed an appeal, FAO 712 of 2002 in the High Court of Delhi under the Indian Arbitration and Conciliation Act, 1996 against the partial award of the arbitral tribunal and obtained an interim stay from the High Court of Delhi vide order dated December 13, 2002. Siemens filed a special leave petition (SLP No 2960 of 2003) in the Supreme Court of India. The Supreme Court of India dismissed the petition.

The appeal in the High Court is still pending and the stay on the proceedings before the arbitral tribunal is continuing.

(b) M/s Bharat Builders & Engineers has initiated arbitration proceedings against our Company relating to contracts for the construction of quarters at Singrauli Super Thermal Power Project. The petitioner has alleged that our Company unilaterally stopped the construction work even though the delay was due to destruction of material in riots in 1984 and has claimed compensation of approximately Rs.10.64 million. The arbitrator was nominated by our Company. The same was challenged by the claimant and they have filed an arbitration petition no 65 of 2003, High Court of Allahabad, Lucknow Bench for selection of the arbitrator. The matter is pending for hearing on preliminary objections by our Company.

(c) Rajkishan Limited have initiated arbitration proceedings against our Company relating to a contract for main civil works in Singrauli. The claimant has alleged that our Company caused delays in the implementation of the contract and this increased the time required for completion and the scope of work. In the meanwhile the Government of Uttar Pradesh increased the minimum wages payable to workers and therefore, the claimant had to incur additional costs. The claimant has therefore claimed an amount of approximately Rs.27.84 million from our Company.

The Company has filed its replies and the matter is pending for hearing.

(d) PCP International has initiated arbitration proceedings against our Company relating to a contract for erection of a steam generator in Vindhyachal Super Thermal Power Project dated January 8, 1988. The dispute arose with regard to overstay charges, painting works, etc. The total amount of claim by the claimant was Rs 11.4 million. The Company has filed replies to the same. The matter is pending before the arbitration tribunal.

(e) Wig Brothers has initiated arbitration proceedings against our Company. The Company awarded a contract for the construction of cooling towers in National Capital Power

Station, Dadri on November 7, 1988. We have claimed that the trial operation and performance guarantee test had not been conducted by the contractor. In addition, we have claimed that the contractor had consumed excess cement and steel and have sought the recovery of the same. The matter was taken to arbitration and the arbitral tribunal, vide order dated June 24, 2002 stated that our Company is required to make payment of an amount of approximately Rs 47.54 million to the claimant. The Company has appealed against the said order in the High Court of Delhi (OMP no.16 of 2003). The matter is to be listed for hearing.

(f) Mr. Subash Chander and Co have initiated arbitration proceedings against our Company relating to a contract for the work of site leveling at Faridabad township vide award dated October 4, 1999. The claimant has claimed Rs. 18 million from our Company on account of increase in the price of diesel and other materials, we have claimed that the same is not payable. The matter is pending before the arbitrator.

(g) Woodfun Limited has initiated arbitration proceedings against our Company relating to a contract for interior designing and decoration of our Company's office at NOIDA on March 13, 1991. The claimant has claimed an amount of approximately Rs. 54.73 million including interest from our Company on account of alleged breach of contract by our Company. The matter is pending before the arbitrator. In the meanwhile, the claimant has filed a petition before the High Court of Delhi (OMP no. 253 of 2002) for the appointment of a new arbitrator in place of the present arbitrator. The matter is pending for hearing in the High Court of Delhi.

(h) M/s Birla Corporation Ltd has initiated arbitration proceedings against our Company relating to a contract between our Company and M/s TCL whereby our Company provides ash to the M/s TCL free of cost. In the meanwhile the claimant has acquired 70% shares in M/s TCL and has taken over the management of M/s TCL. The claimant is under an obligation to construct the loading point at an identified point near the boundary walls of the Feroze Gandhi Unchahar Thermal Power Project. The construction of the same would result in certain costs. The claimant has sought payment of these costs, which amount to Rs. 30 million from our Company. As a result of these disputes our Company has stopped supply of ash to the claimant. The claimant has alleged that this action of our Company is causing damages and has claimed an amount of Rs. 0.55 million per day of non-supply of ash by our Company. The matter is pending for hearing.

(i) Bhandari Builders Pvt Ltd has initiated arbitration proceedings against our Company relating to a contract for general civil works for Stage I of Talcher Super Thermal Power Project. The claimant has claimed that our Company has not paid dues amounting to Rs. 10.14 million. The Company has filed its reply and counter claim. The matter is being pending before the sole arbitrator.

(j) M/s Tarapore and Co has initiated arbitration proceedings against our Company in relation to the contract agreement for construction of ash bund structure for fly ash disposal for the Stage I of our Farakka unit. The contractor claims an amount of approximately Rs. 116.79 million from our Company and there is a counter claim from our Company of a sum of approximately Rs. 64.26 million. The contractor has approached the High Court of Delhi (O.M.P. No. 62/2003) for removal of arbitrator on grounds of misconduct.

(k) Disputes arose between GEC Alstom and our Company in relation to a contract for erection, testing and commissioning of turbine generator and auxiliary works for the Stage I of our Kahalgaon project. GEC Alstom has claimed an amount of approximately Rs. 13 million and interest @ 18% per annum from our Company plus costs on arbitration on account of such disputes. The Company has made a counter claim of a sum of approximately Rs. 6.77 million and interest @ 18% plus costs. The matter is pending for filing of written submissions and final orders.

(l) Certain differences arose between V.U. Seemon and us in relation to the contract agreement for construction of boundary wall and fencing for Kawas Gas Power Project. An award dated May 3, 1999 was given, allowing the claims of V.U. Seemon and directed that our Company pay a sum of approximately Rs.7.3 million interest @ 18% per annum from October 16, 1990 till the date of payment or decree, whichever is earlier and also, costs of the arbitration alongwith interest @ 18%. The Company's counter claims of Rs. 4.2 million alongwith interest @ 24% have been rejected.

The Company has challenged this award before the Delhi High Court in suit number 1444A of 1999. The Company has prayed for setting aside of the order and allowing the counter claims of the respondents duly modified and revised. The matter is fixed for hearing.

(m) Budhraja Mining and Constructions Limited has initiated arbitration proceedings against the Company in relation to the contract agreement for site levelling works package for our unit at Kawas. The contractor has claimed a sum of approximately Rs. 38.5 million alongwith interest @ 24% till date of payment and costs of the arbitration. The Company has filed its reply and the parties have also submitted their counter claims. The matter is now fixed for final arguments.

(n) Gammon India Limited has initiated arbitration proceedings against our Company in relation to the contract agreement for construction of natural draught cooling towers package for gas based combined cycle power project at our unit at Kawas. The contractor has claimed a sum of approximately Rs. 67.52 million alongwith interest @ 20% till date of payment and costs of the arbitration. We have filed our reply and the final hearing is concluded. The award of the arbitral tribunal is awaited.

(o) Four arbitration cases have been filed by M/s. Raghul Construction against our Company in relation the contracts awarded to them in the Kayamkulam Gas Power Project. The contractor claims an aggregate sum of Rs. 181.65 million as payments outstanding to him. The arbitrator has been appointed and the notices are yet to be issued.

(p) M/s Bharat Industrial Works has initiated arbitration proceedings against our Company in relation to contract agreement for supply, fabrication and erection of structural steel for Stage II of our unit at Korba. An award dated April 23, 2001 was passed in favour of our Company stating that the claims are barred by limitation. The claimant has filed objections against this award before the District Judge, Bilaspur in M.J.C. No. 28 of 2001 praying for setting aside of the arbitration award. The claimant's claim as of date amounts to approximately Rs. 175.36 million including interest upto June 30, 2004. The matter is pending before the District Judge, Bilaspur.

(q) V. Subba Rao & Co have initiated arbitration proceedings against our Company in relation to a contract for certain civil works in Ramagundam Super Thermal Power

Project. Certain claims in relation to the amounts against our Company were made. The Company contended that the agreement between the parties had expired upon performance, as also the claimants had issued a 'no demand certificate', and the provisions for arbitration in the agreement were no longer in force. The claimants filed an application before the High Court of Andhra Pradesh under the Arbitration and Conciliation Act, 1996 praying that the disputes to be settled by arbitration. The High Court of Andhra Pradesh appointed a sole arbitrator. The Company moved the Division Bench of the High Court of Andhra Pradesh, which set aside the order of appointment of arbitrator. The claimant has filed a special leave petition, SLP 16930 of 2001, before the Supreme Court of India, which has been admitted and is currently pending. The amount of claim is approximately Rs. 12.49 million.

(r) Shiv Singh Amar Singh & Co have initiated arbitration proceedings against our Company with relation to a contract for certain civil works in Ramagundam Super Thermal Power Project. The claimants had referred the disputes to the sole arbitrator and filed claims aggregating to Rs. 32.26 million. The Company has filed an aggregate of counter claim amounting to approximately Rs. 56.54 million. The matter is currently pending.

(s) Societa Ecologica Italiana Spa, Italy has initiated arbitration proceedings in relation to a contract for certain civil and other works in Ramagundam Super Thermal Power Project. The claimant had filed aggregate claims amounting to approximately Rs. 38.51 million. The counter claim filed by our Company aggregates to Rs. 33.45 million. The adjudicator awarded a sum of approximately Rs. 2.1 million in favour of the claimant. Both the parties have rejected the award and the matter has been referred for arbitration to an arbitration tribunal.

5. Labour Disputes

There are 438 cases related to labour and service matters which have been filed by trade unions, employees of our Company and contract labourers employed by contractors for carrying out works in our Company. The total amount of claims, against us aggregates to approximately Rs. 29.32 million. The material cases in this regard are as below:

(a) The NTPC Employees Union has filed a writ petition, CWP No. 7361 of 2000 in the High Court of Delhi. The Company and workers of our Company had constituted the National Bipartite Committee ("NBC") in 1982 for the determination of wages of the employees of our Company. The petitioners have alleged that the representation of workers in the NBC consists of management sponsored minority unions, which do not represent the majority of workers of our Company. The petitioners have demanded that our Company reconstitute the NBC by holding elections by secret ballot. The High Court of Delhi, vide order dated February 1, 2001 directed that without prejudice to the rights of the parties, a discussion should be held by our Company with the petitioners on wage settlement. The same has been held, however the petitioner is not satisfied with the results of the same and has sought intervention from the court. The matter is pending hearing.

(b) The NTPC Supervisor Association has filed a writ petition, CWP No. 4163 of 2002 in the High Court of Delhi. The Company revised the scales of pay of the supervisors (grade S1 to S4) and workers of our Company with effect from January 1, 1997 vide circular no. 464 of 2001. Under the revised pay scale the pay scales of supervisors and workmen (grades W8 to W11) have been equalized. The petitioners were aggrieved by the same and filed a writ petition (WP 7423 of 2001) in the High Court of Delhi. The Delhi High Court, vide order dated December 12, 2001 directed our Company to decide the representations of the petitioner with a reasoned order within four weeks of the date of receipt of the order. The High Court of Delhi also granted liberty to the petitioners to approach the court in case they were aggrieved by our decision. The Company vide letter dated January 8, 2001 justified the revision of pay scale. The petitioners have filed this case after finding the justification given by our Company to be inadequate. The Company has filed a reply to the petition in October 2002. The matter is listed for hearing.

(c) The NTPC Mazdoor Sangh has filed 6 cases against our Company in the High Court of Allahabad in relation to Singrauli Super Thermal Power Project. The petitioner is a trade union in all these cases and has filed the writ petition on behalf of contract labourers for their regularization. The Company has filed a counter stating that similar cases have been dismissed by the High Court of Allahabad on the grounds that there is no abolition of contract labour under section 10 of the Contract Labour (Regulation and Abolition) Act, 1970 for the nature of work being done by the contract labourers in this case. Hence, the court cannot interfere in the same. The matter is to be listed for final hearing.

(d) Pariyojna Udvasit Shramik Sangathan, which is a trade union has filed the present petition, Civil Misc. P no. 4143/95, for employment of dependants of deceased land oustee employees on compassionate grounds. The Company has filed a counter affidavit stating that as per the memorandum of understanding between the land oustees and our Company dated July 19, 1999, such opportunity shall be given only if the outsees die while being on duty in the plants of our Company and as the claimants mentioned in the petition are not dependants of persons who have died while on duty, there is no claim for employment in the Company. The matter is pending for hearing.

(e) A number of trade unions have challenged the Employee Pension Scheme, 1995 of the Government of India. A similar case has been dismissed and orders passed by the Supreme Court of India stating that the Employees Pension Scheme, 1995 is not detrimental to the interests of the employees and should be implemented. There are several cases on this issue which have been filed by trade unions of our units in various parts of India.

(f) Shashi Kant Tewari and 84 others were security guards employed by a security contractor in Tanda Thermal Power Project. The contract of the security contractor was terminated. The petitioners filed a writ petition, WP no. 459 of 2001, against the Company and prayed that they be allowed to continue their services. The High Court of Allahabad passed an interim order dated January 25, 2001 whereby the Company was directed not to disengage the petitioners till further orders. The Company filed an appeal challenging the said order before the division bench and the division bench passed an order dated February 16, 2001 whereby the appeal of the Company was allowed and the order dated January 25, 2001 was kept in abeyance. The petitioners filed a special leave petition (SLP no. 8064 of 2001) in the Supreme Court of India. The Supreme Court dismissed the special leave petition vide order dated May 11, 2001.

48 petitioners have filed an application for withdrawal from the case and the High Court has allowed the same vide order October 17, 2003. Therefore, only 37 persons are still petitioners in this case. The matter is yet to be listed for disposal.

(g) Vidyut Mazdoor Panchayat, which is a trade union has filed a case against the Company, 1569 of 1993 in the High Court of Allahabad, Lucknow Bench. When the Company acquired the Feroze Gandhi Unchahar Thermal Power Project from the Government of Uttar Pradesh in 1992, the Company and the trade unions entered into an agreement dated January 25, 1993, which provided for salary and other benefits to the employees as per the Company's service policies. The petitioner was not a party to the agreement and has challenged the same on the grounds that the agreement is disadvantageous to the workers. The petitioner has claimed back wages in accordance with the payments they received as employees of Government of Uttar Pradesh. The total amount of claim against the Company is Rs10.5 million. The Company has filed replies and case is at the stage of hearing.

(h) The Company acquired land for the construction of Talcher Super Thermal Power Project in Orissa. The Company has a rehabilitation and resettlement package ("**RR Package**") for the land oustees who have lost more than 33% of the land held by them in the project area. There are 30 cases pending in the High Court of Orissa, whereby land oustees have sought employment or monetary compensation amounting to Rs 50,000 each under the RR Package. The total liability amounts to Rs 1.5 million. The cases are at various stages of hearing. There have been no orders passed against the Company in any of these cases.

(i) The Talcher Thermal Power Station was transferred from the Orissa State Electricity Board to the Company. There are 19 cases whereby the dependants of employees of OSEB have claimed employment in the Company after the death of the employee on the grounds that it was a condition of service of the employees of the Orissa State Electricity Board. The Company has replied that the terms of service of the Company state that dependants of only those employees who have met with fatal accidents while discharging their duties to the Company will be provided with jobs. These cases are pending before the High Court of Orissa and are various stages of hearing.

(j) NTPC Mazdoor Sabha is a trade union and has filed a writ petition, OJC No.10197 of 2001 on behalf of 108 contract labourers who are engaged in the work of cleaning, sweeping, etc in Talcher Super Thermal Power Project stating that it is illegal to employ contract labour for such functions. The Company has disputed such claim. The matter is pending before the High Court of Orissa.

(k) A writ petition, No. 6665(W) of 1998 has been filed by Farakka Super Thermal Power Project, Thika Shramik (Service and Maintenance) Union and its General Secretary in the Kolkata High Court against Union of India and relevant officers of the Company praying for regularization of contract labour. The matter is pending hearing and final adjudication.

(l) Four writ petitions bearing nos. W.P. No. 263/04, W.P. No. 280/04, W.P. No. 264/04 and W.P. No. 776/04 have been filed by landoustees of NTPC, Korba in the High Court, Bilaspur for providing employment to family members of the landoustees.

6. Criminal Cases

There are 78 criminal cases pending in various courts against the Company. In addition there are 12 cases of contempt of court against officers of the Company. These cases include cases related to violation of the provisions of the labour welfare related legislation, cases related to other provisions of the Indian Penal Code, 1860 ("IPC") and cases relating to allegations of non compliance with conditions of environmental clearances, which have been detailed in the section “Environmental Litigation” hereinabove.

(a) **Labour welfare legislation related cases:**

These cases include cases which have been filed against the occupier and factory manager of the Company for violation of the safety provisions under the Factories Act, 1948, violation of the provisions of the Minimum Wages Act, 1948 and other labour welfare legislation. The total number of cases against the officials of the Company in this regard is 35. The details of the material cases in this regard are as follows:

(i) The complainant, Jitendra Prasad Pandey filed a case in the Labour Court under the Madhya Pradesh Industrial Relations Act, 1960 for classification as permanent employee of the Company in Vindhyanchal Super Thermal Power Project. The Labour Court vide order dated October 30, 1999 directed the Company to classify the complainant as a permanent employee. The Company has appealed against the above order before Industrial Court, Rewa which has granted stay of the order of the Labour Court subject to payment of the wages he was getting as a contract labour. In the meanwhile, based on the information that he was engaged by another agency, we did not pay wages. Thereafter the complainant has filed this case in the Labour Court, alleging non-compliance with the orders of the Industrial Court, Rewa. The Labour Court has issued summons against the Occupier of the Vindhyachal Project. The Company has appealed against the issuance of summons in the Industrial Court, Rewa. The Industrial Court, Rewa has allowed exemption from personal appearance by the Occupier. The matter is pending for hearing in the Labour Court. The matter is pending for hearing.

(ii) The complainant, Nakul Kumar Tiwari filed a case, No.18 of 2003 in the Labour Court under the Madhya Pradesh Industrial Relations Act, 1960. The Labour Court vide order dated August 24, 2001 directed the Company to classify the complainant as a permanent driver. The Company has appealed against the above order before Industrial Court, Rewa and the same has been dismissed vide order dated January 27, 2003. In the interim period the complainant moved the present case in the Labour Court for non-compliance of the orders of the Labour Court and the Industrial Court, Rewa. The Labour Court issued summons to the Company on May 21, 2003. The Company has filed a writ petition in the High Court of Jabalpur (WP No.1220 of 2003) against the order dated January 27, 2003 of the Industrial Court, Rewa. The High Court has granted a stay against the order of the Industrial Court, Rewa vide order dated March 10, 2003. The Company has filed an objection in the Labour Court and argued that as there is a stay order, there is no non-compliance with the orders of the Industrial Court, Rewa and Labour Court and prayed for dropping of the proceedings. The matter is pending for hearing.

(iii) The Inspector of Factories has filed a number of criminal complaints under Factories Act, 1948 for violation of safety procedures and for non-maintenance of register of fatal accidents as is required under the Factories Act, 1948. In a number of cases, the courts have issued summons. In some cases, the Company has appealed against the same in higher courts and obtained stay orders.

(iv) Labour inspectors have filed a number of criminal complaints against the contractor and the Company, as principal employer, for failure to obtain the license for employment of contract labour by the contractor and failure to maintain records and thus, violation of provisions of the Contract Labour (Regulation and Abolition) Act, 1970 and the rules issued thereunder. The case is pending for hearing.

(v) Labour enforcement officers, have filed a number of cases against the Company on the grounds of payment of wages to the contract workers at a lesser rate that what is required under section 22 of the Minimum Wages Act, 1948. These cases are pending at various stages for hearing and disposal.

(b) **Other Cases under Indian Penal Code, 1860**

There are 36 other cases under various provisions of the IPC in which the Company is involved. These cases include a number of cases where the Company has been made a party to the proceedings even though there are no criminal charges against the Company. The material cases in this regard are as follows:

(i) A complaint case no. 204/2003 filed by the State of Bihar (Inspector of Weights and Measures) in the court of Sub-Divisional Judicial Magistrate, Bhagalpur against Mr. D.S. Sharma and other officials of the Company in Kahalgaon Super Thermal Station for failure to comply with section 45, 47, and 59 of the Standard of Weights and Measures (Enforcement) Act, 1985 read with Rule 23 of the Bihar Standard of Weights and Measures (Enforcement) Rules. The case is pending for hearing.

(ii) Mr. Om Prakash, General Secretary of the Badarpur Power Engineers and Workers Union has filed a criminal complaint no. 642/1 of 1996 under section 405, 408, 409, 34 of the Indian Penal Code, 1860 against the Badarpur Thermal Power Station (managed by the Company) and certain officers of the Company, for making a default in payment of contribution of provident fund deducted from the wages of the canteen workers. . The trial court passed an order dated September 27, 1999 discharging the accused person, Mr. R.D. Gupta in the criminal complaint number 642/1/1996 and issuing non-bailable warrants against certain persons. An application for cancellation of the warrants was to be taken up on October 1, 1999 but the petitioner was arrested on September 30, 1999. Mr. Om Prakash has filed a criminal miscellaneous petition no. 102 of 2000 under section 482 read with section 397, 398 Code of Criminal Procedure, 1973 in the High Court of Delhi, New Delhi seeking quashing of part of the said order discharging Mr. R.D.Gupta. The Company has filed a criminal miscellaneous petition no. 3038/1999 in the Delhi High Court seeking for quashing of summons issued by the Metropolitan Magistrate, Delhi. The High Court of Delhi has stayed further proceedings in the trial court and the matter is pending for hearing.

(iii) Mr. F.S. Chauhan has filed a criminal complaint no. 2211/2000 under section 466, 467, 469, 471 and 500 of the Indian Penal Code, 1860 against Dr. R.K.Sharma, Medical Officer and A.K.Atrea, Senior Manager, NTPC alleging forging of documents and the case is pending before the Chief Judicial Magistrate, Gautam Budh Nagar. The complaint has been stayed by the High

Court of Allahabad under section 482 of the Code of Criminal Procedure, 1973 vide criminal revision petition, 5764 of 2001 and is pending for hearing.

(iv) A criminal complaint no. 476/1996, now 35/1999 registered on the direction of the Additional Chief Judicial Magistrate, Gautam Budh Nagar against certain officers of the Company under section 120B, 153A, 161, 162, 165A, 167, 211, 218, 418, 420, 466, 469, 471 of IPC and under the Scheduled Castes and Scheduled Tribes Atrocities Act, alleging forgery, fraud and bias while awarding rehabilitation and resettlement contracts. The complaint has been stayed by the High Court of Allahabad pursuant to petition number 10103/2003 and is pending for hearing.

7. **Income Tax Cases**

There are disputes relating to income tax assessments of the financial years 1977-1978; 1979-1980; 1996-1997, 1997-1998, 1998-1999,1999-2000, 2000-2001, 2001-2002, 2002-2003. The total amount claimed against the Company in relation to income tax is approximately Rs. 26352.19 million and the Company has already paid under protest an amount of Rs 26352.01 million.

There are two main issues, which are the point of dispute between the Income Tax Department ("IT Department") and the Company. The entire income tax liability of the Company arises from these two issues.

The Income Tax Department has disputed the claims of the Company on the following accounts:

(a) **Deductions under section 80HH and 80 I/80 IA:** The respective assessment order states that the Company had claimed deductions under section 80HH and 80 I/80 IA of the Income Tax Act, 1961 ("IT Act"). These sections of the IT Act enable an assessee to claim deduction for a "certain percentage of the profits and gains derived from any industrial undertaking".

The Company has claimed income from hire charges, interest on monies kept in banks, interest from loans given to employees, liquidated damages paid by contractors to the company, sale of scrap, interest on amounts given as advance to contractors, monies received as rent from employees for use of township facilities, hospital charges, sale of ash, etc.

The IT Department has contested that the income should flow from the direct conduct of industrial undertaking only for the purpose of deductions under section 80HH and 80 I/80 IA. Hence, the IT Department has disallowed deductions on account of income from hire charges, interest from banks, interest from employees, interest from contractors, liquidated damages, hospital charges.

(b) **Fuel Cost:** The Company has shown fuel costs in some units of the gas powered stations as NIL. The Company has stated that the reason for the same is that these units are steam turbine units, which can be only run from steam produced by routing hot gases exhausted from gas turbines through the waste heat recovery boilers ("Hot Gases"). The Hot Gases have no combustible properties nor can they be transported as they are at atmospheric pressure and therefore have no commercial value. The Company uses these Hot Gases to produce steam for the steam turbines and thus there is no fuel cost attributed to the same.

The IT Department has claimed that as Hot Gas is the only gas admitted for the purpose of running the steam turbines, it cannot be without any value at all. The IT Department has claimed that Hot Gas is a commercial product. Thus, the IT Department has made deduction from the profit shown by the Company.

The IT Department has imposed liability on these counts on the Company. We detail the same hereunder for the following financial years.

(i) **For financial year 1997-1998:**

The IT Department has imposed a total liability of Rs 1827.872 million on the Company. The Company has already paid the same under protest and there is no outstanding amount to be paid by the Company.

The Company filed an appeal against the Assessment Order before the Commissioner of Income Tax (Appeals), New Delhi ("CIT"). The CIT has dismissed the appeal of the Company vide order dated February 28, 2002. The Company preferred appeal before the Income Tax Appellate Tribunal, New Delhi ("ITAT"). The ITAT, vide order dated May 26, 2004 has set aside the additions made by the IT Department made on account of the disallowances on account of imputing fuel cost in generation of power from steam turbine in our gas fired power stations. This order will grant us relief to the extent of Rs 1809 million.

(ii) **For financial year 1998-1999:**

The IT Department has imposed a total liability of Rs 2916.843 million on the Company. The Company has already paid the same under protest and there is no outstanding amount to be paid by the Company.

The Company filed an appeal against the assessment order before the CIT. The CIT has dismissed the appeal of the Company vide order dated May 1, 2002. The Company preferred appeal before the ITAT. The ITAT, vide order dated May 26, 2004 has set aside the additions made by the IT Department made on account of the disallowances on account of imputing fuel cost in generation of power from steam turbine in our gas fired power stations. This order will grant us relief to the extent of Rs 2892.0 million.

(iii) **For financial year 1999-2000:**

The IT Department has imposed a total liability of Rs 1989.104 million on the Company. The Company has already paid the same under protest and there is no outstanding amount to be paid by the Company.

The Company filed an appeal against the assessment order before the CIT. The matter is pending for hearing.

(iv) **For financial year 2000-2001.**

The IT Department has imposed a total liability of Rs 3115.555 million on the Company. The Company has already paid the same under protest and there is no outstanding amount to be paid by the Company.

The Company filed an appeal against the assessment order before the CIT. The matter is pending for hearing.

(v) **For financial year 2001-2002.**

The IT Department has imposed a total liability of Rs 3382.268 million on the Company. The Company has already paid the same under protest and there is no outstanding amount to be paid by the Company.

The Company filed an appeal against the assessment order before the CIT. The matter is pending for hearing.

(vi) **For financial year 2002-2003.**

The IT Department has imposed a total liability of Rs12131.887 million on the Company. The Company has already paid the same under protest and there is no outstanding amount to be paid by the Company.

The Company filed an appeal against the assessment order before the CIT. The matter is pending for hearing.

8. Cases relating to other statutory charges

There are 88 cases against the Company in relation to charges/taxes payable under various laws except income tax. The aggregate of claims against us amounts to Rs 2299.29 million. These include cases against the Company for sales tax, entry tax, amounts payable to labour authorities, seignioarage charges, etc. The material cases in this regard are as follows:

(a) Under the provisions of the Andhra Pradesh Mineral Concession Rules, 1966 ("**AP Mineral Rules**"), common earth is classified as a minor mineral and can be mined only with the permission of appropriate authorities under the AP Mineral Rules. In the course of construction of the Simhadri Thermal Power Project, the Company has dug earth from lands belonging to the Company for the construction of dykes for storing ash without permission of the appropriate authorities under the AP Mineral Rules. Therefore, the Government of Andhra Pradesh, sought the payment of approximately Rs 73 million (Rs.12.16 million as seigniorage fee and the rest as penalty) for the removal of earth under the AP Mineral Rules. The Company has challenged the same in the High Court of Andhra Pradesh in WP no.25652 of 2001. The High Court of Andhra Pradesh has vide order dated December 19, 2001granted stay against the demand. However, on an application filed by the government of Andhra Pradesh for vacation of the stay, the High Court passed an order directing us to deposit the seigniorage fee of Rs.12.16 million and granted stay against the demand of penalty, subject to the outcome of the petition. The payment has been made by the Company in accordance with the directions of the High Court of Andhra Pradesh. However, we are contesting the levy of the seigniorage fee under the AP Mineral Rules. The matter is pending for final hearing.

(b) The Northern Coalfields Limited has issued demand notices to Vindhyachal, Singrauli and Rihand units of the Company and has demanded a sum of Rs 232.36 million from the Company as transit fees at the rate of Rs 7 per tonne of coal extracted from coalmines. These demand notices have been issued under the provisions of the Madhya Pradesh Transit (Forest Produce) Rules, 2000. The Company has filed a writ petition against the Union of India and others against the levy of transit fees on transportation of coal in the State of Madhya Pradesh. The Company has argued that coal is a mineral and therefore is an item under List I of Schedule VII of the Constitution of India and therefore is a matter for regulation by the Government of India and the State of Madhya Pradesh has no right to impose any tax on coal.

The arguments have been completed and judgment has been reserved by the High Court of Jabalpur.

(c) The State of Madhya Pradesh, through the Sub Divisional Officer, Waidhan has sought to impose a liability of approximately Rs 25.18 million on the Company in lieu of charges levied for conversion of land demarcated for agricultural use into land for commercial use. The Company has filed objections to the same on the grounds that the notification for the land acquisition under section 4 of the Land Acquisition Act, 1894 stated that the purpose of the acquisition was the construction of railway tracks for use by the Company. Therefore, the conversion has been effected by the State government itself and not the Company. Hence, no liability is accepted by the Company.

(d) The Nagar Palika Nigam, Singrauli demanded Rs 460 million from the Company vide letter dated October 15, 1999. The Nagar Palika Nigam, Singrauli alleged that the buildings for the Vindhyachal Super Thermal Power Project, Stage I and II have been constructed without the permission required under the Madhya Pradesh Municipal Corporation Act, 1956.

The Company has filed the present writ petition in the High Court of Jabalpur against the demand by the Nagar Palika Nigam, Singrauli. The contingent liability in this case is approximately Rs. 460 million.

(e) The State of Madhya Pradesh, through the Sub Divisional Officer, Waidhan has sought to impose a liability of approximately Rs 160 million on the Company in lieu of charges levied for conversion of land demarcated for agricultural use, into land for commercial use, under the Madhya Pradesh Revenue Code, 1959. The Company has claimed that the conversion has been effected by the State government itself and not the Company. These cases are at various stages of appeal. Eight cases are pending before the Board of Revenue, Gwalior, six cases before the Additional Collector, Singrauli and two cases, before Sub Divisional Officer, Singrauli. The total liability in this case is approximately Rs 160 million.

(f) A writ petition number CWJC No. 2483/1998 filed by NTPC in the Patna High Court against the State of Bihar challenging the levy of electricity duty and the Patna High Court, vide interim order directed that NTPC maintain a separate account of the amount of electricity duty. The total as of date is an amount of Rs. 585 million. The date of starting of commercial production of NTPC Kahalgaon was declared as January 1, 1995 and thereafter the Commercial Tax Officer, Bhagalpur issued demand notices to us directing us to produce documents and file returns for the AY 1995-96, 96-97 and 97-98.

Pursuant to these documents, assessments orders were made directing NTPC to pay an electricity duty of Rs. 29.3 million. On appeal by NTPC, the Assistant Commissioner vide order dated March 1998, stated that NTPC is liable electricity duty of Rs. 29.3 million. The writ petition is pending hearing and final adjudication.

(g) The Assistant Commissioner of Commercial Taxes vide its order dated February 21, 1993 under section 10A of the Central Sales Tax Act, 1956 for the period from 1985-86 to 1990-91 has directed a penalty of approximately Rs. 6.2 million. NTPC (Kahalgaon) is registered under section 7(2), Central Sales Tax Act and is authorized to purchase certain goods at a concessional rate for use in the generation and distribution of electricity or any other form of power. Certain other goods were added to this concessional list. On inspection of the business premises by the Sales Tax Officer, it was found that certain goods that were obtained at concessional rates were used for purposes other than generation and distribution of electricity and thus, there was a misuse of Form 'C'.

The Deputy Commissioner Commercial Taxes has, vide order dated March 22, 2000 directed a penalty of Rs. 27.7 million for the period from 1989-90 to 1998-1999. We have filed an appeal in June, 2000 before the Joint Commissioner, Commercial Taxes (Appeals) against this order stating that we have not misused the materials purchased at concessional rates.

The Joint Commissioner, Commercial Taxes (Appeals), vide order dated February 28, 2001, has remanded the case back to the DCCT since NTPC was not given sufficient time earlier to present its case before the DCCT.

(h) The Company has filed a special civil application no. 5475/98 before the High Court of Gujarat against the State of Gujarat (Secretary, Department of Narmada Water Resources and Water Supply) challenging the constitutional validity of the action of the Government of Gujarat as announced by the Government of Gujarat, Narmada Irrigation and Water Resources Department, Gandhinagar, Resolution No. WTR-1096-75-51 dated May 1, 1997 for arbitrarily fixing rates for reservation of water and for actual consumption of water (drawn) and amount of security deposit for supply of water from canals, notified rivers etc. to industries and also the agreement entered into between the Company and the Executive Engineer dated September 12, 1996. The Department issued a bill no. 1613 dated June 24, 1997 demanding difference of water charges @ Rs. 3.25 per 1000 litres (for revised charges less charge paid @ 0.75 paise as per old rates) and has threatened discontinuance of water supply in case of non-payment of charges at revised rates. The Company has paid water charges upto March 31, 1998 under protest. This writ petition is pending for final hearing before the High Court of Gujarat.

(i) The Company has also filed SCA 10481 of 2003 before the High Court of Gujarat against the State of Gujarat (Secretary, Department of Narmada Water Resources and Water Supply) and Executive Engineer challenging the levy of approximately Rs. 9.43 million for fixed water charges plus interest thereon at the rate of 24% and service charges at the rate of 1% amounting to approximately Rs. 8.9 million vide letter dated June 26, 2003, and other increase in water charges, penalty on grounds of non-execution of fresh agreement and flow meter and the levy of various penalties. This writ petition is pending for admission. Total amount claimed by State of Gujarat is Rs. 19 million

(j) We have filed a special civil application no. 7385 of 1999 before the High Court of Gujarat under Article 14 and 226 of the Constitution of India against the State of Gujarat

(Secretary, Industries and Mines Department), Hazira Notified Area officer and the Gujarat Industrial Development Corporation challenging the levy of consolidated tax in lieu of the tax on land and building, general sanitary cess and lighting tax, quashing of notification nos. for GHU/96(32)/GID/1095/866/G1 dated August 12, 1996, GHU/97(1)/GID/1096/866/G-1 dated January 30, 1997 and GHU-98(27)-GID-1097-722-G1 dated April 24, 1998 and also the valuation/assessment report dated July 28, 1998 and other notices issued to NTPC.

The Hazira Notified Area Officer issued a notice under section 108(1) of the Gujarat Municipalities Act, 1963 demanding a tax of approximately Rs. 12.15 million. As per the original notification, the Government of Gujarat has levied a tax of approximately Rs.102.77 million. In the year 2001 a revised notification was issued and the claims against our Company aggregates to approximately Rs 28.78 million. We have already paid Rs 13,841,715 million in this regard for the period 1998-99 to 2002-2003. We have also made payments amounting to approximately Rs 6.34 million for the year 2004.
The matter is pending for final hearing before Chief Justice of Gujarat High Court.

(k) The Hazira Area Development Authority filed a regular civil suit no. 891 of 1992 in the court of Civil Judge (Senior Division), Surat and the Civil Judge vide order dated July 21, 1992, granted an interim injunction till the payment of premium (defendant may deposit the amount under protest) and not making further constructions without compliance with the Town Planning Act by NTPC.

We have filed an appeal no.166 of 1992 in the Court of District Judge, Surat against the order of the Civil Judge (Senior Division). The matter is pending hearing and final adjudication.

We filed a special civil application no. 5172/92 in the High Court of Gujarat against the State of Gujarat and the Hazira Area Development Authority challenging the actions of the respondents of recovering the scrutiny fees and in demanding the premium charges from the petitioner in light of applicable provisions of the Gujarat Town Planning and Urban Development Act, 1976.

(l) We have filed a writ petition number 5259/2000 against the State of Madhya Pradesh, Commissioner, Bilaspur, Collector, Korba and the District Registrar (Registration) and Sub-Registrar (Registration) under Article 226 of the Constitution of India challenging various order of the commissioner stating that the land allotted to us falls under the purview of the definition of 'lease' under section 105 of Transfer of Property Act which requires registration as per of section 17(1), Indian Registration Act, 1899 and directing us to execute the lease deeds by registration and payment of stamp duty on the land allotted to us. 604.78 acres of land was allotted to us for construction of ash dyke stage II of our unit located at Korba and pipelines to discharge Ash Slurry. The respondents handed over the possession to us on May 23, 1998.The High Court of Jabalpur has, vide order dated September 13, 2000 directed that no coercive steps should be taken against us for a period of six weeks. The matter is pending for hearing.

(m) We have filed four appeals before the Additional District Judge, Korba against Municipal Commissioner, Special Area Development Authority in relation to our property in Korba. The Municipal Commissioner, Special Area Development Authority has issued orders pertaining to imposition of property tax of approximately Rs.13.75 million Rs.11.039 million, Rs. 11.039 million and Rs. 11.05 million for the assessment years 1992-93, 1993-94, 1994-95 and 1995-96. We have stated that the procedure provided under the Municipal Corporation Act, 1956 has not been properly followed by the learned Commissioner and he has assessed tax on properties which are exempt from imposition of tax under the Municipal Corporation Act, 1956.

The final arguments have been completed and the order of the Additional District Judge, Korba is awaited. We have been depositing the amounts under protest since then as per the demand notices issued by the Municipal Commissioner. No further action has taken place and the case is pending hearing and final adjudication.

(n) We have filed a writ petition number 3255/2003 against the order dated April 17, 2002 passed by the Assistant Provident Fund Commissioner, Regional Office, Raipur directing us to pay a sum of approximately Rs.1.5 million towards provident fund, pension fund etc. for the land oustees who have formed co-operative societies, recognizing them as employees of NTPC. We have submitted *inter alia* that we fall within the purview of the Central Government and have one provident fund trust in New Delhi for all stations and thus, the Regional Provident Fund commissioner does not have any jurisdiction over us. The writ is pending in the High Court of Chhatisgarh, Bilaspur for hearing and final adjudication.

(o) An order dated October 1, 1996 was passed by Regional Provident Fund Commissioner ("**RPFC**") at Kolkata claiming approximately Rs. 43.18 million only from the Company towards provident fund dues of contract labourer. A writ petition was filed by the Company against the said order in High Court of Calcutta. In an appeal of the same writ petition, the High Court directed the RPFC to call the concerned parties and give them opportunity of hearing and thereafter either confirm the order or revoke or alter the order already passed. Accordingly RPFC started the proceedings. In the last hearing held in November 1998 the proceedings were adjourned without fixing any date. No further date was fixed for six years.

Now, fresh notice dated May 5, 2004 has been served on us by Shri A Gandhi, Asst. Provident Fund Commissioner, Barrackpore, for assessments, pursuant to the same above mentioned order of High Court of Calcutta. We have filed a reply to this fresh notice and challenged the validity of the fresh notice on the grounds that the matter is still pending before the High Court of Calcutta. The matter is pending for hearing.

(p) We have filed 64 appeals against the Assessing Authority (Water Cess) Rajasthan Pollution Control Board, Jaipur ("RPCB") pertaining to water cess payable by us for the assessment period January 1, 1992 to February 29, 2004 under the provisions of the Water (Prevention and Control of Pollution) Cess Act, 1977. All 64 appeals are pending before the Water Cess Appellate Committee, RPCB.

The RPCB has since January 1, 1992 charged, and till date continues to charge, our Company water cess at a penal rate under section 3(2)A of the Water Cess Act for non-compliance with the provisions of the Environment (Protection) Act 1986. Moreover, it has refused to grant us a 25% rebate on the cess.

We have, against each assessment order issued by RPCB, from time to time, filed 64 appeals challenging the validity and correctness of cess payable by the Company as assessed by RPCB. Other than the initial seven (7) appeals, which were disposed off by the Appellate Committee for reconsideration by RPCB, no hearings have taken place in relation to any of the other appeals filed by the Company.

In the interim, however, the Company has continued to deposit, on the advice of RPCB, such sums as are payable under the section 3(2) of the Water Cess Act, subject to a rebate of 25%, which it has deducted, aggregating to approximately 50% of the total assessment as calculated by RPCB. Vide letter dated February 5, 2004, the Company has deposited with RPCB, under protest, approximately Rs. 2.74 million towards the outstanding balance equivalent to the 25% deducted by us till February 5, 2004 and the interest on the total outstanding balance. Moreover, the Company has, under protest, deposited an amount of approximately Rs. 0.15 million, with RPCB towards 100% of the cess as evaluated by RPCB for the time period March 1, 2003 to October 30, 2003. The Company has thereafter, continued to deposit with RPCB, under protest, 100% of the cess as calculated by RPCB. The claim against the Company amounts to Rs. 17.09 million.

(q) The State of Orissa has imposed entry tax under Orissa Entry Tax Act, 1999 for the years 1999-2000 to 2002-2003 for entry of coal which was bought by the Company from Mahanadi Coal Fields. The total demand amounts to approximately Rs 92.88 million. The Company has appealed against the same. The appeal is pending before the Assistant Commisioner, Sales Tax, Cuttack.

(r) In the period between April 1990 and March 1991 certain parts of the Vindhyanchal Super Thermal Power Project were under construction for which plant and machinery were purchased by the Company. Coal was also purchased from Northern Coal Fields Limited. The Additional Commissioner, Commercial Tax, Satna, vide assessment order dated February 28, 1994 rejected the claim of the Company for deduction for purchases of iron and steel on the grounds that there were no purchase bills for the same. Further, the deduction amounts for coal which had been claimed by the Company was reduced. The Additional Commissioner, Commercial Tax, Satna imposed a tax of Rs 107 million on the Company.

The Company appealed against the same before Additional Commissioner, Commercial Tax, Jabalpur who dismissed the appeal vide order dated June 26, 2003 and held that entry tax is payable on the building material i.e iron and steel and cement as the same was executed through contractors on cost recovery basis. The Additional Commissioner, Commercial Tax, Jabalpur has also held that the entry tax is payable on the plant and machinery as the same has been utilized in works contract. The Company has filed this appeal against the said order of the Additional Commissioner, Commercial Tax, Jabalpur in the High Court of Jabalpur.

(s) With regard to the Vindhyachal Super Thermal Power Project, the purchase of plant & machinery and building material like steel and cement was disallowed from entry tax exemption by the assessing authority for the year 1986-1987. An appeal was filed by us with Board of Revenue Gwalior and the case was remanded to Assistant Collector, Satana with a decision that entry tax was not liable to be paid, similarly the entry tax is not applicable on the purchase of building material like steel and cement during the construction period. The case remanded to assistant collector, Satana by Board of Revenue is still pending and hearing date is awaited from assistant collector, Satana. The contingent liability in this regard amounts to approximately Rs. 22.22 million. The same has been provided for as contingent liability.

(t) With regard to the Vindhyachal Super Thermal Power Project, the purchase of coal from local area and Plant & Machinery purchased during the construction period was disallowed from entry tax exemption by the Assistant Commissioner (Commercial Tax), Satna for the year 1990-1991. An appeal was filed with Board of Revenue Gwalior, our appeal was accepted and the case was remanded to assistant commissioner, Satna, who has rejected our remand case on the ground that no proof of purchase from local area was produced during hearing. We filed an appeal against the above order before Additional Commissioner (Commercial Tax) Jabalpur who dismissed the appeal and held that entry tax is payable on the building material i.e. steel & cement as the same was executed through contractor on coast recovery basis further the purchase of coal from local area was also disallowed on ground that no proof produced during the hearing of the case. The company has filed writ petition against the above order before High Court of Madhya Pradesh on 11th January, 2004 the case is pending before the High Court of Madhya Pradesh. The contingent liability in this regard amounts to approximately Rs.10.78 million. The same has been provided as contingent liability in the books of account.

(u) With regard to the Korba Super Thermal Power Station, entry tax was charged by the Commercial Tax Department on the purchase of transmission line materials, high-speed diesel, lubricants, chemicals and other important raw materials which were initially eligible for exemption from entry tax. The Commercial Tax Department has alleged that since the exemption certificate was not received from the state government till the assessment period, therefore, we could not avail the tax exemption from Commercial Tax Department. We have received the exemption certificate and the cases have been remanded to the Assistant Commissioner, Korba by High Court of Madhya Pradesh on October 14, 1999. The matters were heard by the Assistant Commissioner, Korba on May 17, 2004. The final decision is awaited.

The details of these cases are as follows:

(i) **For Assessment year 1984-1985:**

The total claim against us was approximately Rs. 156. 18 million. Out of this, approximately Rs. 0.37 million has been paid by us since it was undisputed and approximately Rs. 12. 29 million has been paid under protest. The balance amount of approximately Rs. 15.81 million is the contingent liability.

(ii) **For Assessment year 1986-1987:**

The total claim against us was approximately Rs. 17.98 million. Out of this, approximately Rs. 0.67 million has been paid since it was undisputed and approximately Rs. 1.87 million has been paid under protest. The balance amount of approximately Rs. 17.31 million is the contingent liability.

(iii) **For Assessment year 1987-1988:**

The total claim against us was approximately Rs. 13.25 million. Out of this approximately Rs. 0.82 million has been paid since it was undisputed and approximately Rs. 9.83 million has been paid under protest. The balance amount of approximately Rs. 12. 43 million is the contingent liability.

(v) In relation to the Talcher Super Thermal Power Station, penal proceedings had been initiated by The Sales Tax Officer against our Company for giving concessional sales tax form, covering the period from March 9, 1989 to March 18, 1987. We challenged the levy of this penalty of Rs 50.5 million before the Commissioner of sales tax who had reduced the penalty marginally and confirmed the penalty for Rs 46.5 million, vide order dated May 16, 1998. A writ petition was filed in the High Court of Orissa. Against the stay petition, an amount of Rs.15.0 million has been paid. The petition in the High Court of Orissa was heard in the High Court of Orissa and the matter has been remanded back to Sales Tax Officer for fresh adjudication by setting aside the earlier orders passed by the Sales Tax Officer and the Commissioner of sales tax. The Sales Tax Officer has levied penalty of Rs 10.5 million for the period between April 1996 to March 1999. We have also paid an amount of Rs 3.5 million pending appeal.

(w) In relation to the Talcher Super Thermal Power Station, assessment under Orissa Entry Tax Act was completed during the year 2003-2004 for the period from December 1999 to March 2003. The assessing authority has levied a demand of Rs.92.8 million on the grounds that coal is not a raw material and in respect of all other goods he had levied entry tax at the rate of 2% instead of 1% in case purchase of goods. The assessment was challenged and an appeal and stay petition was filed before the Assistant Commissioner, Cuttack who has granted stay which is conditional on payment of Rs.37.5 million. The amount was paid and the hearing on the appeal is pending.

9. Money suits

There are 113 money suits against the Company. The aggregate of claims against us in these cases is approximately Rs.1626 million.

10. Consumer Cases

There are 17 consumer cases against our Company in various consumer redressal forums in India. The aggregate of claims against us in these cases amounts to Rs. 9.06 million.

11. Other cases

In addition to the above, there are 235 other cases against our Company. These cases include cases against the Company by dependants of former employees for employment, cases by teachers of schools, cases by trainees seeking employment, cases challenging the process and method of awarding contracts, etc. The aggregate of claims against us in these cases amounts to Rs.5.73 million only.

12. Cases filed by our Company in the CERC

6 review petitions are pending with CERC against the tariff orders issued for some of our stations. We have also filed 15 appeals in the High Court of Delhi against CERC orders on ABT, operational and financial norms and various tariff orders relating to our power stations. Some of the SEBs have also filed 35 petitions in different high Courts against various orders of CERC in which we are a respondent. The material cases in this regard are as follows:

(a) CERC made a number of tariff orders in December 2000 to apply to our Company's plants for the period 2001-2003. The orders proposed ABT. Our Company filed an appeal against the orders in the Delhi High Court. Pending disposal of the appeal, CERC notified, by regulations, the terms and conditions for the determination of tariffs, effective from April 1, 2001. These regulations provided for the phased implementation of ABT.

ABT was implemented in the Western Region with effect from 1 July 2002, the Northern Region with effect from December 1, 2002, the Southern Region with effect from January 1, 2003 and the Eastern Region will effect from April 1, 2003. In respect of some stations, our Company is still to receive tariff orders from CERC. As per CERC directions, our Company billed sales on the basis of the tariff prevalent on March 31, 2001, however, under the CERC directions, these billings will require adjustment with retrospective effect from April 1, 2001 if our Company's appeal is not upheld. The tariff prevalent on March 31, 2001 was higher than the tariff that applies under the norms and principles in the CERC tariff orders made in December 2000. The difference between the amount billed on the basis of the tariff prevalent on March 31, 2001 and the amount which would have been billed if worked out on the basis of the CERC orders made in December 2000 is Rs.30,151 million. If our Company's appeal is not upheld, this amount will be refunded to the customers after due verification of the payment received from them.

The appeal filed by our Company has been heard by the High Court of Delhi and the parties are awaiting judgment. Pending the outcome of the case, our Company has recorded income in its financial statements on the basis of norms and principles of CERC tariff orders including ABT, regardless of the amount actually billed.

(b) CERC has, in March 2004, issued regulations for tariff for the period April 2004 to March 2009. The regulations provide for various norms for determination of tariff for power which could have adverse effect on the revenues of our Company. We have filed a review petition with CERC which seeks a review of the tariff norms in the regulations for, inter alia, limiting the debt: equity ratio of power stations to 70:30 where it was earlier 50:50 and operation and maintenance expenses of gas based power stations.

II. Litigation against Our Directors

The Directors have no outstanding litigation against the Company towards tax liabilities, criminal/civil prosecution for any offences (irrespective of whether they are specified under paragraph (i) of Part 1 of Schedule XIII of the Companies Act), disputes, defaults, non payment of statutory dues, proceedings initiated for economic offences, in their individual capacity or in connection with the Company and other companies with which the Directors are associated, except 198 civil cases in which the Chairman & Managing Director has been made a party or has been shown in the cause title as "NTPC acting through the Chairman & Managing Director".

III. Material Developments

In the opinion of the Board of our Company, there have not arisen, since the date of the last financial statements disclosed in this Draft Red Herring Prospectus, any circumstances that materially or adversely affect or are likely to affect the profitability of our Company taken as a whole or the value of its consolidated assets or its ability to pay its material liabilities within the next twelve months.

IV. Against Our Group Companies

A. Litigation against our subsidiaries

1. NTPC Vidyut Vyapar Nigam Limited

A. Contingent liabilities not provided for as of March 31, 2004:
Rs. 9,07,772 (Previous year NIL)

B. Litigation against:
NIL

2. NTPC Hydro Limited

A. Contingent liabilities not provided for as of March 31, 2004:
NIL

B. Litigation against:
NIL

3. NTPC Electric Supply Company Limited

A. Contingent liabilities not provided for as of March 31, 2004:
NIL

B. Litigation against:
NIL

4. Pipavav Power Development Company Limited

A. Contingent liabilities not provided for as of March 31, 2004:
NIL

B. Litigation against:
NIL

B. Litigation against our joint venture companies

1. Utility Powertech Limited;

A. Contingent liabilities not provided for as of March 31, 2004:
Counter guarantees given to banks against guarantees issued by banks on behalf of Utility Power Limited aggregates to Rs 48,968,000.

B. Litigation against: The details of litigation against Utility Powertech Limited, as of June 16, 2004 are as follows:

SL.	CASE NO.	PARTICULARS OF LITIGATION	FACTS OF THE CASE	CURRENT STATUS
ANTA				
01.	62/2002	Labour Enforcement Officer (Central) **Vs.** UPL (Shri S.C.Manocha, GM) &	The case is under Section 23 & 24 of Contract Labour (Regulation and Abolition) Act, 1970. LEO (Central) filed the case against UPL and M/S R C Pareta, Electrical Contractor, for non-	The contractor accepted the offence on 28/08/2002 and paid a fine of Rs.300/- to get themselves free from

		M/s R. C. Pareta, Electrical Contractor, Anta, before Munsif Judicial Magistrate, Anta, District, Baran, Rajasthan.	compliance of certain provisions of the Contract Labour (R&A) Act, 1970, treating UPL as Contractor. UPL has registered itself as principal employer with the state labour enforcement authorities. LEO(C) had inspected the premises and stated that the competent authority for registration under CL(R&A) Act, 1970, in the case of UPL is the Central Govt.	the case. However, UPL is contesting the case as it is important for UPL to sustain our registration as principal employer. The next date of hearing is 03/09/2004.
02.	63/2002	Labour Enforcement Officer (Central) **Vs.** UPL (Shri S.C.Manocha, GM) , M/s Shyam Lal Associates, Faridabad, Before Munsif Judicial Magistrate, Anta, District, Baran, Rajasthan	Facts of the case same as at Sl. No. 1 above	Current Status same as at Sl.No. 1 above

03.	159/2001	Labour Enforcement Officer (Central) **Vs.** UPL (Shri S.C.Manocha, GM), M/s Bhumi Visthapit Sahakari Samiti, Anta, Before Munsif Judicial Magistrate, Anta, District, Baran, Rajasthan	Facts of the case same as at Sl. No. 1 above	Current Status same as at Sl.No. 1 above
04.	161/2001	Labour Enforcement Officer (Central) **Vs.** UPL (Shri S.C.Manocha, GM) , M/s Patna Security Services Ltd., Patna, Before Munsif Judicial Magistrate, Anta, District, Baran, Rajasthan	Facts of the case same as at Sl. No. 1 above	Case against M/S. Patna Security Services Ltd. was dropped by the court due to submission of death certificate of Shri R.K.Duggal, Director of the Company. However, the status of case against UPL is as at Sl. No.1
05.	311/2001	Labour Enforcement Officer (Central) **Vs.** M/s Harjeet Construction, Kota, UPL (Shri S.C.Manocha, GM) Before Munsif Judicial Magistrate, Anta, District, Baran, Rajasthan	The case is filed under the Minimum Wages Act. The LEO(C) has charged that the salary register, attendance register, fine register, wage slip and notices as required under the Minimum Wages Act has not been kept by the contractor on the site.	The contractor has accepted the offence and paid a fine of Rs. 300/- to get themselves free from the case. However, the case against UPL is still continuing, and the next date of hearing is 03/09/2004

GANDHAR

06.	17490/2000 dated 27/11/2000	Labour Enforcement Officer (Central) **Vs.** UPL rep. By Shri Keshav Sharan, Chairman, Shri C.Prasad, Resident Manager, UPL Before Court of the Chief Judicial Magistrate, Bharuch, Gujarat	Criminal Case has been filed by LEO(C) against UPL. for non-compliance of certain provisions under Contract Labour (R&A)Act, 1970, treating UPL as a Contractor. UPL is registered as a Principal Employer by the State Labour Authorities. In order to maintain our status as principal employer, UPL filed two writ petitions in the Honorable High Court of Ahmedabad, Gujarat, i.e Special Civil Application No.6907/2000 & Criminal Misc. Application No. 6907/2000 against operation of criminal case against UPL, filed in the court of First class Judicial Magistrate, Bharuch. The petitions were admitted and the Honorable Judge was pleased to award an interim relief Order, staying proceedings in the Criminal case.	The Stay Order continues. No date has been fixed for next hearing.

KAHALGAON				
07.	27/2001 DATED 16/02/2001	Labour Enforcement Officer(Central), Bhagalpur **Vs.** M/s Utility Powertech (Shri R.V.Shahi, Chairman, . Shti S.C.Manocha, GM,UPL, M/S Diwakar Construction (Shri Jaiprakash Mandal) In the Court of Chief Judicial Magistrate, Bhagalpur	The case Under Sections 23 & 24 of Contract Labour (Regulation and Abolition) Act, 1970. The LEO (C) had inspected premises of our contractor on 18/11/2000 and gave notice for not obtaining licence from the the Labour Department (Central) and for non-compliance of requirements like notices, registers, wage slips, employment card etc. UPL had submitted reply that UPL is registered as Principal Employer by the Labour Department (State). However, the same was not satisfactory to the LEO(C) and has filed the case against UPL and the Contractor.	So far the summons have not been issued and received by UPL The site is getting the case deferred time and again, to avoid the case going against us, as it would have adverse impact on the status of UPL as Principal Employer, at sites also. The case is listed for 28/08/2004
08.	Case No. 28/2001 dated 16/02/2001	Labour Enforcement Officer (Central) **Vs**. Utility Powertech Ltd. (Shri R.V.Shahi, Chairman, & Shri S.C.Manocha, GM, UPL), Vivekananda Singh, Sub-contractor of UPL In the Court of Chief Judicial Magistrate, Bhagalpur	Facts of the case same as at Sl. No. 07 above	Present status is same as at Sl. No. 07. above.

9.	Misc. Case no. 1/2003 dated	Mr.Rajendar Rajak & Others **Vs.** GM, NTPC, Kahalgaon, M/S	The case is Under Section 33 (c) (2) of Industrial Disputes Act, relating to payment of arrears and bonus to labour. The main party is NTPC and the case is pertaining to the period prior to UPL	Last date of hearing was on 13/01/2004. The next date is not fixed.

	03/02/2003	UPL, Shri Manoj Mishra, Contractor of UPL, Before the Labour Court at Kahalgaon.	starting operations at Kahalgaon. Reply has been filed onbehalf of UPL stating the applicants are not the employees of UPL and the liability of payment is of Mr.Manoj Kumar Mishra, the contractor.	

10.	Misc. Case No. 31/2003 dated 17/09/2003	Sanoj Kumar Choudhary Vs. Shri J.P.Mandal, Contractor, Kahalgaon, RM, UPL, Kahalgaon, GM, NTPC Before the Labour Court at Kahalgaon.	The case is under Industrial Disputes Act, regarding termination of employement of Shri Sanoj Kumar Choudhary. Shri Choudhary was working as pump operator with the Contractor, M/S J.P.Mandal, from February 1996 to March 1999 and from 09.07.2000 to September 2002. He has claimed salary for September 2002, one month notice pay, leave salary, overtime, bonus, medical benefits etc. Total claim amounting to R.1.54 lakhs	The matter is yet to be listed.
A. TANDA				
11.	Case No. 502/2001 dated 20/03/2001	Director of Factories, U.P. **Vs.** Mr.S.P.Neusarkar, DGM, NTPC, Mr.D.S.P.Sinha, RM, UPL Before the Chief Judicial Magistrate, Ambedkarnagar	The case is Under Section 33, 62, 88 of the Factories Act, regarding the fatal accident of Mr.Joy Vijay. Section 33 deals with pits, sumps, opening in floors. Section 62 deals with Register of adult workers and Section 88 deals with notice of certain accidents. Non-balilable warrants were issued on 12/06/2002 against Mr.Neusarkar, DGM, NTPC and Shri D S P Sinha, RM, UPL. They were granted bail from the Court of Chief Judicial Magistrage, Ambedkarnagar	Next hearing is on 18/10/2004

TALCHER-KANIHA				
12.	Case No. 2C/CC/40/2001	Union of India Represented by Labour Enforcement Officer (Central) **Vs.** M/S UPL (Shri R.V.Shahi, Chairman), M/S S.B Construction (Shri Sunanda Behera), Shri Diwakar Pandey, R.M. , UPL Before the court of Sub-Divisional Judicial Magistrate, Talcher.	Complaint filed under Section 23 & 24 of the Contract Labour (Regulation & Abolition) Act, 1970, and Central Rules, 1971, challenging the status of UPL as principal employer, as NTPC is also principal employer and is assigning jobs to UPL and hence UPL should be treated as contractor.	The case is adjourned to 22.9.2004.
13.	OJC No. 10197/2001	NTPC Mazdoor Sahba and others **Vs.** GM, NTPC, DGM(O&M), DGM(P&A), RLC(C), Resident Engineer, UPL, S/S	The case is under Contract Labour (Regulation and Abolition)Act, 1970, for illegal engagement of contract labour who are entitled to be declared as regular employees of NTPC, and for illegal action on the part of the respondents in not paying equal pay for equal work.	Next date is yet to be finalised.

		Shekhar Electric Co. , M/S S.B.Construction Before the High Court of Orissa, Cuttack		

14.	W.P. (C) No. 12494 of 2003	M/S Sripati Enterprises represented by Shri Sripati Sahoo **Vs.** NTPC represented through Sr.Manager, UPL represented through Resident Manager. Before the High Court of Orissa, Cuttack	For illegal recovery of payment made towardeds Rs.9.50 per day/per worker. A tripartite agreement was signed by the contractors, union representatives and ALC, and witnessed by NTPC for payment of Rs.9.50 per day per worker,over and above minimum wages. Accordingly, NTPC had given communication to the contractors, and UPL for payment of extra wages to the labour in terms of the agreement. NTPC also had also issued amendment of the respective contracts. After the payments were disbursed to the labour as per the agreement, NTPC reversed the earlier decision, and recovered from UPL the extra payments made. UPL, in turn had recovered from the available contractors, including M/s Sriopati Enterprises, the extra amount paid.	The Writ Petition has been filed by the Petitioner before the Honourable High Court of Orissa, Cuttack. Last hearing was on 21.6.2004. 2 weeks time has been given to respondents to file reply. Reply in consultation with NTPC is being prepared. Next date yet to be finalized.

B. UNCHAHAR				
15.	Notice from RPFC Lucknow, No. 18267/E	Regional Provident Fund Commissioner, Lucknow **Vs.** NTPC and UPL	RPFC, Luknow has initiated Proceedings against NTPC and UPL u/s 7A of the EPF Act, 1952 for non compliance of the provisions of the Act. UPL has already submitted all the documents related to PF compliance, since the beginning of operations of UPL at Unchahar site.	Next date of hearing is yet to be fixed.
16.	Writ Petition No. (M/B) of 2003 dated 21.08.2003	M/S Bholoo & Brothers **Vs.** NTPC, UPL and M/S Muinuddin & Sons Before the Group Misc. Bech of High Court of Allahabad, at Lucknow.	UPL had awarded the contract to L1 bidder M/S Muinudding & Sons on the basis of limited tender enquiry. The petitioner has claimed that the4 L1 bidder did not meet the qualifying requirement of single order value.	Last hearing was on 21/05/2004. Next hearing is not fixed.

C. SIMHADRI				
17.	IA 938/2003 IN THE OS No. 311/03 dated	M/S V.K.Enterprises **Vs.** Ms. Sri Sai Lakshmi Construction, M/S UPL, and GM, STPP	The case is against the contractor of UPL by their sub-contractor for recovery of final bill amount of Rs.182025 and interest @24% p.a. from 20/10.01 to 10.12.03 amounting to Rs. 93560, amount totalling to Rs. 2,75,585/- plus cost of suit. M/S/ V.K. Enterprises has prayed before the court	Last hearing was on 28/07/2004. The next hearing is not fixed yet.

	19/12/ 2003	Before the Court of Sr.Civil Judge, Gajuwaka, Vishakhapatnam, Andhra Pradesh.	for attachment of the bill amount from NTPC.	

2. NTPC Alstom Power Services Private Limited

A. Contingent liabilities not provided for as of March 31, 2004:
NIL

B. Litigation against:
NIL

3. Power Trading Corporation of India Limited

A. Contingent liabilities not provided for as of March 31, 2004:
Claims not acknowledged as debts: Rs 73,34,539 (Previous year Rs 73,34,539)

B. Litigation against:
NIL

4. NTPC Tamil Nadu Energy Company Limited

A. Contingent liabilities not provided for as of March 31, 2004:
NIL

B. Litigation against:
NIL

5. NTPC-SAIL Power Company Private Limited

A. Contingent liabilities not provided for as of March 31, 2004:
NIL

B. Litigation against:

SAIL and NTPC–SAIL Power Company Private Limited v. CCE Bhubaneshwar, Case no.O-I-O No. CCE/BBSR-II/No.53/2003. The amount involved is Rs 10 million.

6. Bhilai Electric Supply Company Private Limited.

A. Contingent liabilities not provided for as of March 31, 2004:
NIL

B. Litigation against:
NIL

DIVIDEND POLICY

The declaration and payment of dividends will be recommended by our Board of Directors and approved by our shareholders, at their discretion, and will depend on a number of factors, including but not limited to our profits, capital requirements and overall financial condition. The dividend declared by our Company during the last five fiscal have been presented below.

	Fiscal 2004	Fiscal 2003	Fiscal 2002	Fiscal 2001	Fiscal 2000
Face value of Equity Shares (in Rs. per share)	10	10	1000	1000	1000
Dividend (in Rs. Million)	10823	7080	7079	7470	6500
Dividend Tax	1387	395	0	762	1100
Dividend per Equity Share(Rs)	1.39	0.91	90.61	95.62	83.2
Dividend Rate Approx. (%)	13.9	9.1	9.1	9.6	8.3

The amounts paid as dividends in the past are not necessarily indicative of our dividend policy or dividend amounts, if any, in the future.

A stock split was approved at an annual general meeting of our shareholders held on September 23, 2002, resulting in each equity share of Rs. 1000 being sub-divided into 100 Equity Shares of Rs. 10 each and consequently the Equity Shares were sub-divided with effect from September 23, 2002.

OTHER REGULATORY DISCLOSURES

Stock Market Data For Our Equity Shares

This being an initial public offering of our Company, the Equity Shares are not listed on any stock exchange.

Particulars Regarding Public Issues During The Last Five Years

We have not made any public issue during the last five years.

Companies Under The Same Management

There are no companies under the same management within the meaning of erstwhile Section 370 (1B) of the Companies Act 1956, other than the subsidiaries and group companies, details of which are provided in the section entitled "Our Promoters, Subsidiaries and Group Companies" on page [●] of this Draft Red Herring Prospectus.

Mechanism For Redressal Of Investor Grievances

The agreement between the Registrar to the Issue, the Selling Shareholder and us, will provide for retention of records with the Registrar to the Issue for a period of at least one year from the last date of dispatch of letters of Allotment, demat credit, refund orders to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of the applicant, application number, number of shares applied for, amount paid on application, depository participant, and the bank branch or collection center where the application was submitted.

Disposal Of Investor Grievances

We and the Selling Shareholders estimate that the average time required by us, the Selling Shareholder or the Registrar to the Issue for the redressal of routine investor grievances shall be fifteen days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, we and the Selling Shareholder will seek to redress these complaints as expeditiously as possible.

We and Selling Shareholder have appointed Mr. Anjan Kumar Bajpaie, Company Secretary as the Compliance Officer and he may be contacted in case of any pre-Issue or post-Issue-related problems. He can be contacted at the following address:

NTPC Bhawan, Scope Complex,
7, Institutional Area, Lodi Road,
New Delhi- 110003,
Tel: +91- 11-24360071,
Fax: +91-11- 24360241,
E-Mail: ipo@ntpc.co.in

STATEMENT OF TAX BENEFITS

The following tax benefits shall be available to the Company and the prospective shareholders under the Direct & Indirect Tax Laws. (As per the Annexure H of the Restated Unconsolidated Financial Statement certified by the auditor)

A. To the Company

A1. Under the Income Tax Act, 1961

- In accordance with and subject to the condition specified in Section 8O IA of' the Income Tax Act, 1961, the Company would be entitled to deduction of 100% of profits derived from Industrial Undertaking engaged in generation and/or distribution or transmission of power for any 10 consecutive assessment years out of fifteen years beginning from the year in which the undertaking generated power or commences transmission or distribution of power before 31.03.2006.

- In accordance with and subject to the provisions of Section 35, the Company would be entitled to deduction in respect of expenditure laid out or expended on scientific research related to the business.

- By virtue of Section 10(34) of the IT Act, income earned by way of dividend income from another domestic company referred to in Section 115O of the IT Act, are exempt from tax in the hands of the company.

- The liability of Income Tax of the company on profits from core business (i.e. generation of electricity) is passed through to beneficiaries in accordance with Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2004.

A2 Under Central Sales Tax Act, 1956

- Tax on inter state sales tax leviable under Section 6(1) of the Central Sales Tax Act, 1956 is not applicable on sale of electricity energy.

- In terms of section 8(3)(b) of the Central Sales Tax Act, 1956, the purchases made in the course of inter-state trade or commerce for use in the generation or distribution of electricity is eligible for concessional rate of sales tax of 4%.

A3 Under Customs Tariff

- In terms of notification No. 21/ 2002-Cus.,dated 1.3.2002 as amended by last Notification No. 26/2003-Cus. Dated 1.3.2003 under Customs Tariff of India, the goods required for setting up of any Mega Power Project, i.e., (a) an inter-State thermal power plant of a capacity of 1000 MW or more; or (b) an inter-State hydel power plant of a capacity of 500 MW or more, are eligible to import at nil rate of custom duty subject to fulfillment of certain conditions.

- In terms of notification No. 21/2002-Cus., dated 1.3.2002 as amended by last Notification No. 26/2003-Cus. Dated 1.3.2003 under Customs Tariff of India, the Power Generating

Companies are eligible to import goods required for setting up of any power generation projects including gas turbine power projects at concessional rate of 5% basic custom duty under Project Imports.

A4 Under Central Excise Tariff

- In terms of the exemption granted under notification No. 6/2002-CE, dated 1.3.2002 under Central Excise Tariff, the specified gas power projects of the company are entitled to purchase Naphtha for use as fuel in generation of electricity at nil rate of excise duty subject to fulfillment of certain conditions.

A5 Under EXIM Policy

- Supply of goods to power projects is entitled to deemed export benefits as available under Chapter 8 of Export & Import Policy.

B. To the Members of the Company

B1 Under the Income Tax Act, 1961

1. Resident Members

- By virtue of Section 10(34) of the IT Act, income earned by way of dividend income from domestic company referred to in Section 115O of the IT Act, are exempt from tax in the hands of the shareholders.

- In terms of section 10(23D) of the Income Tax Act, 1961, all mutual funds set up by public sector banks or public financial institutions or mutual funds registered under the Securities and Exchange Board of India or authorized by the Reserve Bank of India subject to the conditions specified therein are eligible for exemption from income tax on their entire income, including income from investment in the shares of the company.

- Under Section 54EC of the Income Tax Act, 1961 and subject to the conditions and to the extent specified therein, long term capital gains (not covered under section 10(36) of the Act) arising on the transfer of shares of the Company will be exempt from capital gains tax if the capital gain are invested within a period of 6 months from the date of transfer in the bonds issued by

  * National Bank for Agriculture and Rural Development established under Section 3 of the National Bank for Agriculture and Rural Development Act, 1981;

  * National Highway Authority of India constituted under section 3 of National Highway Authority of India Act, 1988;

  * Rural Electrification Corporation Limited, a Company formed and registered under the Companies Act, 1956;

  * National Housing Bank established under section 3(1) of the National Housing Bank Act, 1987;

* Small Industries Development Bank of India Act, 1989

If only part of the capital gain is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted within three years from the date of their acquisition.

- Under Section 54ED of the Income Tax Act, 1961 and subject to the conditions and to the extent specified therein, long term capital gains (not covered under Section 10(36) of the Act) arising on the transfer of shares of the Company, will be exempt from capital gains tax if the capital gain is invested in equity shares of Indian Public Company forming part of an eligible public issue, within a period of 6 months after the date of such transfer. If only part of the capital gain is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted within one year from the date of their acquisition.

- Under Section 54F of the Income Tax Act, 1961 and subject to the conditions and to the extent specified therein, long term capital gains (in cases not covered under section 10(36) of the Act) arising to an individual or Hindu Undivided Family (HUF) on transfer of shares of the Company will be exempt from capital gain tax subject to other conditions, if the net sales consideration from such shares are used for purchase of residential house property within a period of one year before and two year after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.

- Under Section 112 of the income Tax Act, 1961 and other relevant provisions of the Act, long term capital gains (not covered under Section 10(36) of the Act) arising on transfer of shares in the Company, if shares are held for a period exceeding 12 months shall be taxed at a rate of 20% (plus applicable surcharge) after indexation as provided in the second proviso to Section 48; indexation is not available if investments are made in foreign currency as per the first proviso to Section 48 or at 10% (plus applicable surcharge) (without indexation), at the option of the Shareholders.

2. <u>Non Resident Indians/Members other than FIIs and Foreign Venture Capital investors)</u>

- By virtue of Section 10(34) of the IT Act, income earned by way of dividend income from another domestic company referred to in Section 115O of the IT Act, are exempt from tax in the hands of the recipients.

<u>Tax on Investment Income and Long Term Capital Gain</u>

- A non resident Indian (i.e. an individual being a citizen of India or person of Indian Origin) has an option to be governed by the provisions of Chapter XIIA of the Income Tax Act, 1961 viz. "Special Provisions Relating to certain Incomes of Non-Residents".
- Under Section 115E of the Income Tax Act, 1961, where shares in the Company are subscribed for in convertible Foreign Exchange by a Non Resident Indian, capital gains arising to the non resident on transfer of shares held for a period exceeding 12 months shall (in cases not covered under Section 10(36) of the Act) be concessionally taxed at the flat rate of 10%(plus applicable surcharge) without indexation benefit but with protection against foreign exchange fluctuation.

Capital gain on transfer of Foreign Exchange Assets, not to be charged in certain cases

- Under provisions of Section 115F of the Income Tax Act, 1961, long term capital gains (not covered under Section 10(36) of the Act) arising to a non resident Indian from the transfer of shares of the Company subscribed to in convertible Foreign Exchange shall be exempt from Income Tax if the net consideration is reinvested in specified assets within six months of the date of transfer. If only part of the net consideration is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted within three years from the date of their acquisition.

Return of Income not to be filed in certain cases

- Under provisions of Section 115G of the Income Tax Act, 1961, it shall not be necessary for a Non-Resident Indian to furnish his return of Income if his only source of income is investment income or long term capital gains or both arising out of assets acquired, purchased or subscribed in convertible foreign exchange and tax deductible at source has been deducted there from.

Other Provisions

- Under Section 115-I of the Income Tax Act, 1961, a Non-Resident Indian may elect not to be governed by the provisions of Chapter XII-A for any Assessment Year by furnishing his Return of Income under Section 139 of the Income Tax Act declaring therein that the provisions of the Chapter shall not apply to him for that assessment year and if he does so the provisions of this chapter shall not apply to him instead the other provisions of the Act shall apply.

- Under the first proviso to Section 48 of the Income Tax Act, 1961, in case of a non-resident, in computing the capital gains arising from transfer of shares of the Company acquired in convertible foreign exchange (as per exchange control regulations) protection is provided from fluctuations in the value of rupee in terms of foreign currency in which the original investment was made. Cost indexation benefits will not be available in such a case.

- Under Section 54EC of the Income Tax Act, 1961 and subject to the conditions and to the extent specified therein, long term capital gains (not covered under section 10(36) of the Act) arising on the transfer of shares of the Company will be exempt from capital gains tax if the capital gain are invested within a period of 6 months from the date of transfer in the bonds issued by

  * National Bank for Agriculture and Rural Development established under Section 3 of the National Bank for Agriculture and Rural Development Act, 1981;

  * National Highway Authority of India constituted under section 3 of National Highway Authority of India Act, 1988;

  * Rural Electrification Corporation Limited, a Company formed and registered under the Companies Act, 1956;

* National Housing Bank established under section 3(1) of the National Housing Bank Act, 1987;

* Small Industries Development Bank of India Act, 1989

If only part of the capital gain is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted within three years from the date of their acquisition.

- Under Section 54ED of the Income Tax Act, 1961 and subject to the conditions and to the extent specified therein, long term capital gains (not covered under Section 10(36) of the Act) arising on the transfer of shares of the Company, will be exempt from capital gains tax if the capital gain is invested in equity shares of Indian Public Company forming part of an eligible public issue, within a period of 6 months after the date of such transfer. If only part of the capital gain is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted within one year from the date of their acquisition.

- Under Section 54F of the Income Tax Act, 1961 and subject to the condition and to the extent specified therein, long term capital gains (in cases not covered under section 10(36) of the Act) arising to an individual or Hindu Undivided Family (HUF) on transfer of shares of the Company will be exempt from capital gain tax subject to other conditions, if the sale proceeds from such shares are used for purchase of residential house property within a period of one year before and two year after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.

- Under Section 112 of the income Tax Act, 1961 and other relevant provisions of the Act, long term capital gains (not covered under Section 10(36) of the Act) arising on transfer of shares in the Company, if shares are held for a period exceeding 12 months shall be taxed at a rate of 20% (plus applicable surcharge) after indexation as provided in the second proviso to Section 48; indexation not available if investments made in foreign currency as per the first proviso to section 48 stated above) or at 10% (plus applicable surcharge) (without indexation), at the option of assessee.

3. <u>Foreign Institutional Investors (FIIs)</u>

- By virtue of Section 10(34) of the IT Act, income earned by way of dividend income from another domestic company referred to in Section 115O of the IT Act, are exempt from tax in the hands of the institutional investor.

- The income by way of short term capital gains or long term capital gains (not covered under Section 10(36) of the Act) realized by FIIs on sale of shares in the Company would be taxed at the following rates as per Section 115AD of the Income Tax Act, 1961.

  * Short term capital gains - 30% (plus applicable surcharge)
  * Long term capital gains - 10% (without cost indexation plus applicable surcharge).

  (shares held in a company would be considered as a long term capital asset provided they are held for a period exceeding 12 months).

- Under Section 54EC of the Income Tax Act, 1961 and subject to the conditions and to the extent specified therein, long term capital gains (not covered under section 10(36) of the Act) arising on the transfer of shares of the Company will be exempt from capital gains tax if the capital gain are invested within a period of 6 months after the date of such transfer for a period of 3 years in the bonds issued by

  * National Bank for Agriculture and Rural Development established under Section 3 National Bank for Agriculture and Rural Development Act, 1981;

  * National Highway Authority of India constituted under section 3 of National Highway Authority of India Act, 1988;

  * Rural Electrification Corporation Limited, registered under the Companies Act, 1956;

  * National Housing Bank established under section 3(1) of the National Housing Bank Act, 1987;

  * Small Industries Development Bank of India Act, 1989

- Under Section 54ED of the Income Tax Act, 1961 and subject to the conditions and to the extent specified therein, long term capital gains (not covered under Section 10(36) of the Act) on the transfer of shares of the Company, will be exempt from capital gains tax if the capital gain are invested in shares of an Indian company forming part of a eligible public issue, within a period of 6 months after the date of such transfer for one Year

4. Venture Capital Companies / Funds

In terms of Section 10 (23FB) of the Income Tax Act, 1961, a11Venture Capital Companies / Funds registered with Securities and Exchange Board of India, subject to the conditions specified, are eligible for exemption from income tax on all their income, including income from dividend.

5. Infrastructure Capital Companies / Funds or Co-operative Bank

In accordance with and subject to the conditions specified in Section 10 (23G) of the Income Tax Act, 1961 income from specified investments made to a power sector company by an Infrastructure Capital Fund or Infrastructure Capital Company or Cooperative Bank on or after first day of June, 1998 is exempt from levy of Income Tax.

B2 Under the Wealth Tax Act, 1957

Shares of the Company held by the shareholder will not be treated as an asset within the meaning of Section 2 (ea) of Wealth Tax Act, 1957, hence Wealth Tax Act will not be applicable.

B3 Under the Gift Tax Act, 1957

Gift of shares of the Company made on or after October 1, 1998 are not liable to Gift Tax

Notes

- All the above benefits are as per the current tax law as amended by the Finance Act, 2003 and will be available only to the sole/first named holder in case the shares are held by joint holders

- In respect of non residents, taxability of capital gains mentioned above shall be further subject to any benefits available under the Double Taxation Avoidance Agreements, if any, between India and the country in which the non-resident has fiscal domicile.

- In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her participation in the scheme.

FINANCIAL INDEBTEDNESS

1. Set forth below is a brief summary of our aggregate secured borrowings of approximately Rs. 45,840(*) million as of March 31,2004:

Nature of Borrowing/ Debt	Amount Outstanding (in million)	Date of Repayment	Interest Rate	Security
Series XII Bonds (**)	Rs. 5000	Redeemable in 5 equal annual installments commencing on September 5, 2007	10% p.a.	Secured by charges against specific immovable and movable assets.
Series XIII-A Bonds (**)	Rs. 7500	Redeemable in 10 equal annual installments commencing on April 18, 2008	9.55% p.a.	Secured by charges against specific immovable and movable assets.
Series XIII-B Bonds (**)	Rs. 7500	Redeemable in 10 equal annual installments commencing on April 30, 2008	9.55% p.a.	Secured by charges against specific immovable and movable assets.
Series XIV Bonds (**)	Rs. 5000	Redeemable in 2 equal installments payable on August 1, 2006 and August 1, 2007	8.05% p.a.	Secured by charges against specific immovable and movable assets.
Series XV-C Bonds (**)	Rs. 110	Redeemable in 3 annual installments of 30%, 30% and 40% payable on September 28, 2004, September 28, 2005 and September 28, 2006, respectively.	13.60% p.a.	Secured by charges against specific immovable and movable assets.
Series XVI Bonds (**)	Rs. 1000	Redeemable on April 10, 2018 (bullet redemption).	8% p.a.	Secured by charges against specific immovable properties.
Series XVII Bonds (**)	Rs. 500	Redeemable on May 1, 2023 (bullet redemption).	8.48% p.a.	Secured by charges against specific immovable properties.
Series XVIII Bonds (**)	Rs. 5000	Redeemable in 5 equal annual installments commencing on September 15, 2009	5.95% p.a.	Secured by charges against specific immovable properties.
Series XIX Bonds (**)	Rs. 500	Redeemable on January 12, 2019 (bullet redemption).	7.5% p.a.	Secured by charges against specific immovable and movable assets.
Loan agreement with International Bank for Reconstruction and Development ("IBRD") (1)	Rs. 13,730.31	The loan is repayable by June 15, 2013	Floating rate of interest based on IBRD's cost of borrowing	Guarantee from the President of India and charge over specific fixed and movable assets.

(*) Excluding assets taken by the Company on lease – Rs. 4 million.

(**) Each series of bonds is secured under a bond trust deed, whereby we have been obligated to take prior consent of the trustee for any alterations to the Memorandum and Articles of Association, which may affect the interest of the bondholders.

2. We have an aggregate of Rs. 108,684 million outstanding unsecured loans as on March 31, 2004 as below:

Name of the Lender/ Nature of Bonds	Amount Outstanding (in Rs./Million)	Date of Loan Agreement/ Documents	Date of Repayment of Principal Amounts	Interest Rate
Foreign Currency Loans/Borrowings				
Artesia Banking Corporation S.A., KBC Bank N.V. and BNP Paribas (1)	146	March 26, 1991	Repayment in 24 half-yearly equal installments starting on July 5, 1993.	4.3575% p.a.
BNP Paribas (1)	1,050	February 19, 1991	Repayment in 24 half-yearly equal installments starting on July 5, 1993.	4.3575% p.a.
Natexis Banques Popoulaires and Paribas (1)	4	December 4, 1991	Repayment in 20 half-yearly equal installments starting on February 23, 1994.	8.30% p.a.
Japan Bank for International Cooperation ("**JBIC**")(1) (2)	8210	February 25, 1997	Repayment in 41 semi-annual instalments starting on February 20, 2007	2.30% p.a.
JBIC (1) (2)	5167	March 30, 2001	Repayment in 41 semi-annual instalments starting on March 20, 2011	1.80% p.a.
JBIC (1) (2)	11567	February 13, 2002	Repayment in 41 semi-annual instalments starting on February 20, 2012	1.80% p.a.
JBIC (1) (2)	530	March 31, 2003	Repayment in 41 semi-annual instalments starting on March 20, 2013	1.80% p.a.
Asian Development Bank ("**ADB**") (1)(3)	4440	July 28, 1995	Repayment in 40 semi-annual instalments starting on July 15, 1994	Floating rate of interest based on the cost of borrowings of ADB.
Consortium led by Societe Generale (4)(5)	4935	September 8, 1997	Repayment in 10 semi-annual instalments starting on March 18, 2003	3.085% p.a.
USD 200 million 5.50% Bonds ("**Euro Bonds**") (6)	8862	March 10, 2004	March 10, 2011. In the event of Government ceasing to own more than 50% of our Equity Shares, the bondholders may demand early redemption.	5.50% p.a.
Rupee Loans/Borrowings				
Life Insurance Corporation Limited ("**LIC**")(5)(6)(8)(9)	5000	January 15, 2004	Repayment in 20 years through 30 semi annual instalments starting 31.12.2008.	6.571% p.a.
HDFC (5)(6)(8)	500	December 22, 2003	Repayment in 14 half yearly instalments commencing 3.5	7.35% p.a. payable quarterly

Name of the Lender/ Nature of Bonds	Amount Outstanding (in Rs./Million)	Date of Loan Agreement/ Documents	Date of Repayment of Principal Amounts	Interest Rate
			years from the date of first drawal.	
Citibank, N.A.[5][6][8]	1000	September 2, 2003	Repayment in 10 years through 14 half yearly instalments commencing 3.5 years from September 2, 2003.	5.707% p.a. payable monthly
Bank of Maharashtra[5][6][8]	250	June 20, 2003	Repayment in 5 annual instalments as below: 1^{st} 3 years: Nil; 4^{th}, 5^{th} and 6^{th} year: Rs. 40 million each year; 7^{th} and 8^{th} year: Rs. 190 million each year.	7.31% p.a. payable monthly
Canara Bank[5][6][8]	500	January 17, 2003	Repayment in 10 years through 14 half yearly instalments commencing 3.5 years from the date of first drawal.	9.40% p.a. payable monthly
	300			7.95% p.a. payable monthly
	700			7.25% p.a. payable monthly
Karur Vyasa Bank[5][6][8]	100	January 3, 2003	Repayment in 10 years 7 yearly instalments with 1^{st} instalment due 4 years from the date of first drawal.	9.43% p.a. payable monthly
	400			8.00% p.a. payable monthly
Federal Bank[5][6][8]	100	January 2, 2003	Repayment in 10 years through 14 half yearly instalments commencing 3.5 years from the date of first drawal.	9.43% p.a. payable monthly
The South India Bank[5][6][8]	100	December 5, 2002	Repayment in 14 half yearly instalments commencing 3.5 years from the date of first drawal.	9.43% p.a. payable monthly
	350			7.50% p.a. payable monthly
Bank of India[5][6][8]	500	November 5, 2002	Repayment in 10 years through 14 half yearly instalments commencing 3.5 years from the date of first drawal.	10.36% p.a. payable monthly
	500			7.50% p.a. payable monthly
Central Bank of India[5][6][8]	1100	March 27, 2002	Repayment in 10 half yearly instalments commencing 5.5 years from the date of first drawal.	9.92% p.a. payable monthly
Corporation Bank[5][6][8]	300	December 18, 2001	Repayment in 14 half yearly instalments commencing 3.5 years from the date of first drawal.	8.93% p.a. payable monthly
	700			8.19% p.a. payable monthly
Allahabad Bank[5][6][8]	450	December 6, 2001	Repayment in 14 half yearly instalments commencing 3.5 years from the date of first drawal.	7.31% p.a. payable monthly
	250			7.25% p.a. payable monthly
Power Finance Corporation Limited	560	March 28, 2001	Repayment is in 40 equal quarterly instalments	9.50% p.a. payable quarterly

Name of the Lender/ Nature of Bonds	Amount Outstanding (in Rs./Million)	Date of Loan Agreement/ Documents	Date of Repayment of Principal Amounts	Interest Rate
("**PFC**") (5)(6)(7)	20.06		commencing July 15, 2004.	9.00% p.a. payable quarterly
PFC(5)(6)(7)	676.23	March 28, 2001	Repayment is in 40 equal quarterly instalments commencing July 15, 2004.	9.00% p.a. payable quarterly
PFC(5)(6)(7)	40.95	March 28, 2001	Repayment is in 40 equal quarterly instalments commencing October 15, 2002.	9.50% p.a. payable quarterly
	200.81			9.00% p.a. payable quarterly
PFC(5)(6)(7)	411.77	March 28, 2001	Repayment is in 40 equal quarterly instalments commencing October 15, 2003.	9.50% p.a. payable quarterly
	314.70			9.00% p.a. payable quarterly
State Bank of India ("**SBI**")(5)(6) (8)	1556	March 27, 2001	Repayment in 7 years through 14 half-yearly installments, with the first installment due and payable after 3.5 years of the first drawdown.	9.60% p.a. payable monthly
	550			8.10% p.a. payable monthly
	3494			7.00% p.a. payable monthly
ICICI Limited(4)(5)(6)(7)(8)	1000	March 17, 2001	The loan is to be repaid in one installment at the end of 7 years from the date of first disbursement.	12.50% p.a. payable quarterly
Punjab National Bank(5)(6) (8)	1550	March 16, 2001	Repayment in 14 half yearly instalments commencing 3.5 years from the date of first drawal.	7.31% p.a. payable monthly
Indian Bank (5)(6)(8)	1000	March 12, 2001	Repayment through 14 half-yearly installments, with the first installment due and payable after 3.5 years of the first drawdown.	7.31% p.a. payable monthly
State Bank of Travancore (5)(6) (8)	300	February 1, 2001	Repayment in 14 half yearly instalments commencing 3.5 years from the date of first drawal.	7.31% p.a. payable monthly
	200			7.35% p.a. payable monthly
HDFC (5)(6) (8)	1000	December 14, 2000	Repayment in 14 half yearly instalments commencing 3.5 years from the date of first drawal.	10.25% p.a. payable quarterly
	350			9.75% p.a. payable quarterly
	650			8.50% p.a. payable quarterly
State Bank of Saurashtra(5)(6) (8)	400	December 8, 2000	Repayment in 14 half yearly instalments commencing 3.5 years from the date of first drawal.	7.31% p.a. payable monthly
	350			7.35% p.a. payable monthly
Union Bank of India(5)(6) (8)	2000	December 5, 2000	Repayment in 14 half yearly instalments commencing 3.5 years from the date of first drawal.	7.30% p.a. payable monthly
Jammu and Kashmir	900	September	Repayment in 14 half yearly	7.35% p.a.

Name of the Lender/ Nature of Bonds	Amount Outstanding (in Rs./Million)	Date of Loan Agreement/ Documents	Date of Repayment of Principal Amounts	Interest Rate
Bank(5)(6) (8)		23, 2000	instalments commencing 3.5 years from the date of first drawal.	payable quarterly
UCO Bank(5)(6) (8)	1100	September 5, 2000	Repayment in 14 half yearly instalments commencing 3.5 years from the date of first drawal.	7.31% p.a. payable monthly
	1900			7.35% p.a. payable monthly
State Bank of Bikaner and Jaipur (5)(6) (8)	750	September 4, 2000	Repayment in 14 half yearly instalments commencing 3.5 years from the date of first drawal.	7.31% p.a. payable monthly
State Bank of Hyderabad(5)(6) (8)	600	August 29, 2000	Repayment in 14 half yearly instalments commencing 3.5 years from the date of first drawal.	7.31% p.a. payable monthly
State Bank of Mysore(5)(6) (8)	750	August 28, 2000	Repayment in 13 half yearly instalments commencing 3.5 years from the date of first drawal.	7.31% p.a. payable monthly
State Bank of Patiala(5)(6) (8)	750	August 28, 2000	Repayment in 14 half yearly instalments commencing 3.5 years from the date of first drawal.	7.31% p.a. payable monthly
	250			7.35% p.a. payable monthly
Bank of Punjab(5)(6) (8)	500	August 24, 2000	Repayment in 14 half yearly instalments commencing 3.5 years from the date of first drawal.	7.31% p.a. payable monthly
United Bank of India(5)(6) (8)	900	August 22, 2000	Repayment in 14 half yearly instalments commencing 3.5 years from the date of first drawal.	7.31% p.a. payable monthly
	1000			7.25% p.a. payable monthly
Vijaya Bank(5)(6) (8)	990	August 21, 2000	Repayment in 28 quarterly instalments commencing 3 years and 3 months from the date of first drawal.	7.30% p.a. payable monthly
State Bank of Indore(5)(6) (8)	400	August 18, 2000	Repayment in 10 years through 14 half yearly instalments commencing 3.5 years from the date of first drawal.	7.35% p.a. payable quarterly
Indian Overseas Bank(5)(6) (8)	500	August 17, 2000	Repayment in 14 half yearly instalments commencing 3.5 years from the date of first drawal.	7.31% p.a. payable monthly
Bank of Maharashtra(5)(6) (8)	1000	August 3, 2000	Repayment in 5 annual instalments commencing 4 years from the date of first drawal.	7.31% p.a. payable monthly
ICICI Limited (4)(5)(6)(7) (8)	475	July 6, 2000	Each tranche shall be repayable in 20 quarterly	12.86% p.a. payable monthly

Name of the Lender/ Nature of Bonds	Amount Outstanding (in Rs./Million)	Date of Loan Agreement/ Documents	Date of Repayment of Principal Amounts	Interest Rate
	1500		installments starting at the end of 3 years from the date of first disbursement for that particular tranche.	9.43% p.a. payable monthly
	1000			8.19% p.a. payable monthly
	500			7.10% p.a. payable monthly
ICICI Limited (4)(5)(6) (8)	700	December 29, 1999	Each tranche shall be repayable in 20 quarterly installments starting at the end of 3 years from the date of first disbursement for that particular tranche.	13.50% p.a. payable quarterly
	1400			12.50% p.a. payable quarterly
	2250			13.30% p.a. payable quarterly
	550			13.00% p.a. payable quarterly
State Bank of India(5)(6) (8)	6428.57	November 5, 1999	Repayment in 14 half yearly instalments commencing 3.5 years from the date of first drawal.	9.60% p.a. payable monthly
HDFC (5)(6) (8)	857.14	November 4, 1999	Repayment in 14 half yearly instalments commencing 3.5 years from the date of first drawal.	10.75% p.a. payable quarterly
Government of India	371.18	No written agreement	Repayment in 20 years subject to a moratorium period of 5 years.	10.25% p.a.
	143.27			10.25% p.a.
	78.54			11.75% p.a.
	241.53			10.75% p.a.
	150		Repayment in 15 years subject to a moratorium period of 5 years.	17.00% p.a.
Public Deposits	5113	Deposits accepted from public are over a period of time and carry different rates of interest and maturity dates.		

(1) The outstanding amounts under the loan(s) are guaranteed by the President of India.

(2) Under the loan agreement, we have been obligated to obtain consent of the lender in the event we intend to sell, lease, transfer, assign or otherwise dispose of any property or assets financed out of the proceeds of the loans, except with respect to ordinary course of business, which does not have any material affect on us or our obligations towards lender.

(3) Under the loan agreement, we have been obligated to notify and provide adequate opportunity for the lender to comment on any proposed alterations to our Memorandum and Articles of Association.

(4) Under the loan agreement, we have been obligated to ensure that the Government continues to hold at least 51% of our issued, fully paid up and voting share capital.

(5) Under the loan agreement, we have been obligated to ensure certain financial ratios specified in the loan agreement have to be maintained by us at all times.

(6) Under the loan agreement, we have been obligated not to, without the prior written consent of the lender, create any security interest over all our present or future revenues or assets, save some exceptions.

(7) Under the loan agreement, we have been obligated to seek the lender's consent prior to any reduction in our equity share capital resulting in reduction in our net worth from the level as on March 31, 2000 on account of any restructuring.

(8) Under the loan agreement, we have been obligated not to, without the prior consent of the lender, sell, lease or otherwise dispose of assets, the book value of which is 25% or more of the book value of our assets.

(9) Under the loan agreement, we have been obligated to intimate the lender of any change in our shareholding pattern.

TERMS OF THE ISSUE

The Equity Shares being offered are subject to the provisions of the Companies Act, our Memorandum and Articles of Association, the terms of this Draft Red Herring Prospectus, Red Herring Prospectus, Prospectus, Bid cum Application Form, the Revision Form, the Confirmation of Allocation Note and other terms and conditions as may be incorporated in the allotment advices and other documents/certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, the Government, Stock Exchanges, FIPB, RBI, RoC and/or other authorities, as in force on the date of the Issue and to the extent applicable.

Authority for the Issue

The Board of Directors has authorised the Fresh Issue pursuant to resolution passed at its meeting held on March 31, 2004 subject to the approval by the shareholders of our Company under section 81(1A) of the Companies Act. . Our shareholders have authorised the Issue by special resolutions in accordance with section 81(1A) of the Companies Act passed at the extra ordinary general meetings of our Company held on May 31, 2004 at New Delhi. Further, our Board of Directors pursuant to resolution passed at its meeting held on July 11, 2004 authorised the Issue.

As per letter no. 4(28)/2002-MODI dated July 13, 2004 from the Department of Disinvestment, Ministry of Finance to the Company and letter no.3/3/2004-Th.1dated July 26, 2004 from the MoP to the Company, the Government of India has approved the Offer for Sale by the Selling Shareholder.

SEBI vide its letter CFD/DIL/YG/11140/2004 dated May 28, 2004 has granted its approval for exemption of the requirements of Rule 19(2)(b) of the Securities Contract Regulation Rules, 1957 as regards to the requirements of size of the issue of minimum public offerings of 10% of the post issue capital and also the percentage allocation to QIBs.

Ranking of Equity Shares

The Equity Shares being offered shall be subject to the provisions of our Memorandum and Articles of Association and shall rank *pari passu* in all respects with the existing Equity Shares of the Company including rights in respect of dividend**.** The Persons in receipt of Allotment will be entitled to dividend or any other corporate benefits (including dividend), if any, declared by our Company after the date of Allotment.

Face Value and Issue Price

The Equity Shares with a face value of Rs. 10/- each are being offered in terms of this Draft Red Herring Prospectus at a total price of Rs. [ ] per Equity Share. At any given point of time there shall be only one denomination for the Equity Shares.

Rights of the Equity Shareholder

Subject to applicable laws, the equity shareholders shall have the following rights:

- Right to receive dividend, if declared;

- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act and our Memorandum and Articles of Association.

For a detailed description of the main provisions of our Articles of Association dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/splitting, refer to the section on "Main Provisions of Articles of Association of the Company" on page [•] of this Draft Red Herring Prospectus.

Market Lot and Trading Lot

In terms of existing SEBI Guidelines, the trading in the Equity Shares shall only be in dematerialised form for all investors. Since trading of our Equity Shares is in dematerialised mode, the tradable lot is one Equity Share. In terms of Section 68B of the Companies Act, the Equity Shares of the Company shall be allotted only in dematerialised form. Allotment through this Issue will be done only in electronic form in multiples of 1 Equity Shares subject to a minimum Allotment of [ ] Equity Shares.

Jurisdiction

Exclusive jurisdiction for the purpose of this Issue is with competent courts/authorities in New Delhi, India.

Nomination Facility to the Investor

In accordance with Section 109A of the Companies Act, the sole or first Bidder, along with other joint Bidder, may nominate any one Person in whom, in the event of the death of sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares allotted, if any, shall vest. A Person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any Person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/ transfer/ alienation of Equity Share(s) by the Person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the registered office of our Company or at the Registrar and Transfer Agents of our Company.

In accordance with Section 109B of the Companies Act, any Person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

a. to register himself or herself as the holder of the Equity Shares; or
b. to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with, within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the allotment of Equity Shares in the Issue will be made only in dematerialised mode, there is no need to make a separate nomination with us. Nominations registered with the respective depository participant of the applicant would prevail. If the investors require to change the nomination, they are requested to inform their respective depository participant.

Subscription by NRIs/ FIIs/Foreign Venture Capital Funds registered with SEBI

The Company has received approval from the FIPB pursuant to its letter no [] dated [], for the transfer of Equity Shares in this Issue to eligible NRIs, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions.As per the RBI regulations, OCBs cannot participate in the Issue. The Company has received approval from the RBI stating that the RBI has no objection for non-resident Bidders to acquire Equity Shares in the Offer for Sale, pursuant to its letter no. [] dated []. The final permission of the RBI for acquisition of Equity Shares is to be received on completion of certain filing requirements.

It is to be distinctly understood that there is no reservation for Non-Residents, NRIs, FIIs and foreign venture capital funds and all Non-Residents, NRI, FIIs and foreign venture capital fund applicants will be treated on the same basis with other categories for the purpose of allocation.

The Equity Shares have not been and will not be registered under the US Securities Act, 1933 ("the Securities Act") or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered and sold (i) in the United States to "qualified institutional buyers", as defined in Rule 144A of the Securities Act, and (ii) outside the United States to certain persons in offshore transactions in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdiction where those offers and sales occur.

ISSUE STRUCTURE

The present Issue of 865,830,000 Equity Shares comprising of Net Issue of 845,215,000 Equity Shares and a reservation for Employees of 20,615,000 Equity Shares, at a price of Rs. [ ] for cash aggregating Rs. [ ] million is being made through the Book Building Process.

	Employees	**QIBs**	**Non-Institutional Bidders**	**Retail Individual Bidders**
Number of Equity Shares*	Upto 20,615,000 Equity Shares	Up to 422,607,500 Equity Shares or Net Issue less allocation to Non-Institutional Bidders and Retail Individual Bidders.	Minimum of 211,303,750 Equity Shares or Net Issue less allocation to QIB Bidders and Retail Individual Bidders.	Minimum of 211,303,750 Equity Shares or Net Issue less allocation to QIB Bidders and Non-Institutional Bidders.
Percentage of Issue Size available for allocation	Upto 2.38% of size of the Issue**	Up to 50% of Net Issue or Net Issue less allocation to Non Institutional Bidders and Retail Individual Bidders	Minimum 25% of Net Issue or Net Issue less allocation to QIB Bidders and Retail Individual Bidders.	Minimum 25% of Net Issue or Net Issue less allocation to QIB Bidders and Non Institutional Bidders.
Basis of Allocation if respective category is oversubscribed	Proportionate	Discretionary	Proportionate	Proportionate
Minimum Bid	[ ] Equity Shares and in multiples of [ ] Equity Share thereafter	Such number of Equity Shares that the Bid Amount exceeds Rs 50,000 and in multiples of [ ] Equity Shares thereafter.	Such number of Equity Shares that the Bid Amount exceeds Rs 50,000 and in multiples of [ ] Equity Shares thereafter.	[ ] Equity Shares and in multiples of [ ] Equity Share thereafter
Maximum Bid	Such number of Equity Shares such that the Bid Amount does not exceed Rs. 2.5 million	Such number of Equity Shares not exceeding the Net Issue, subject to applicable limits	Such number of Equity Shares not exceeding the Net Issue subject to applicable limits	Such number of Equity Shares whereby the Bid Amount does not exceed Rs. 50,000
Mode of Allotment	Compulsorily in dematerialised mode	Compulsorily in dematerialised form	Compulsorily in dematerialised form	Compulsorily in dematerialised form
Trading Lot	One Equity Share	One Equity Share	One Equity Share	One Equity Share
Who can Apply ***	Employees as on cut-off date i.e. July 31,	Public financial institutions, as specified in Section	Resident Indian individuals, HUF (in the name of	Individuals (including NRIs and HUFs) applying for Equity

	2004	4A of the Companies Act: scheduled commercial banks, mutual funds, foreign institutional investors registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, and State Industrial Development Corporations, permitted insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 250 Million and pension funds with minimum corpus of Rs. 250 Million in accordance with applicable law.	Karta), companies, corporate bodies, NRIs, scientific institutions societies and trusts	Shares such that the Bid Amount does not exceed Rs. 50,000 in value.
Terms of Payment	Margin Amount applicable to Employees at the time of submission of Bid cum Application Form to the Syndicate Members.	Margin Amount applicable to QIB Bidders at the time of submission of Bid cum Application Form to the Syndicate Members.	Margin Amount applicable to Non Institutional Bidders at the time of submission of Bid cum Application Form to the Syndicate Members.	Margin Amount applicable to Retail Individual Bidders at the time of submission of Bid cum Application Form to the Syndicate Members.
Margin Amount	[ ]	[ ]	[ ]	[ ]

* Subject to valid Bids being received at or above the Issue Price. Under-subscription, if any, in any portion, would be allowed to be met with spillover from any other portions at the discretion of the Company and the Selling Shareholder, in consultation with the BRLMs.

** Any undersubscription in Equity Shares, if any, reserved for Employees would be included in the Net Issue and allocated in accordance with the description in **Basis of Allocation** as described in page [●] of this Draft Red Herring Prospectus.

*** Incase the Bid Cum Application Form is submitted in joint names, the investors should ensure that the demat account is also held in the same joint names and are in the same sequence in which they appear in the Bid Cum Application Form.

Book Building Procedure

The Issue is being made through the 100% Book Building Process wherein up to 50% of the Net Issue shall be available for allocation on a discretionary basis to QIBs. Further not less than 25% of the Net Issue shall be available for allocation on a proportionate basis to the Retail Individual Bidders and not less than 25% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders, subject to valid Bids being received at or above the Issue Price.

Bidders are required to submit their Bids through the Syndicate. Our Company and the Selling Shareholders, in consultation with the BRLMs, reserve the right to reject any Bid procured from QIB Bidders, by any or all members of the Syndicate, without assigning any reason thereof. In case of Non-Institutional Bidders, Retail Individual Bidders and Bids under Employee Reservation Portion, our Company and the Selling Shareholder would have a right to reject the Bids only on technical grounds.

Investors should note that Allotment of Equity Shares to all successful Bidders will only be in the dematerialised form. Bidders will not have the option of getting Allotment of the Equity Shares in physical form. The Equity Shares on Allotment shall be traded only in the dematerialised segment of the Stock Exchanges.

Bid cum Application Form

Bidders shall only use the specified Bid cum Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of this Draft Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid cum Application Form and such options shall not be considered as multiple Bids. Upon the allocation of Equity Shares, dispatch of the CAN, and filing of the Prospectus with the RoC, the Bid cum Application Form shall be considered as the Application Form. Upon completing and submitting the Bid cum Application Form to a member of the Syndicate, the Bidder is deemed to have authorised our Company and the Selling Shareholder to make the necessary changes in this Draft Red Herring Prospectus and the Bid cum Application Form as would be required for filing the Prospectus with the RoC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid cum Application Form for various categories, is as follows:

Category	**Colour of Bid cum Application Form**
Indian public, NRIs applying on a non-repatriation basis	White
NRIs, or FIIs or Foreign Venture Capital Funds registered with SEBI applying on a repatriation basis	Blue
Employees	Pink

Who can Bid?

1. Indian nationals resident in India who are majors, or in the names of their minor children as natural/ legal guardians, in single or joint names (not more than three);

2. Hindu Undivided Families or HUFs in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of Sole or First Bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the Karta". Bids by HUFs would be considered at par with those from individuals;
3. Insurance companies registered with the Insurance Regulatory and Development Authority;
4. Provident funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to invest in equity shares;
5. Pension funds with a minimum corpus of Rs. 250 million and who are authorised under their constitution to invest in equity shares;
6. Companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in the equity shares;
7. Indian Mutual Funds registered with SEBI;
8. Indian Financial Institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI regulations and SEBI guidelines and regulations, as applicable);
9. Multilateral and bilateral development financial institutions;
10. Venture Capital Funds registered with SEBI;
11. Foreign Venture Capital Investors registered with SEBI;
12. State Industrial Development Corporations;
13. Trusts/ societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts/ societies and who are authorised under their constitution to hold and invest in the equity shares;
14. Eligible non-residents including NRIs and FIIs on a repatriation basis or a non-repatriation basis subject to applicable laws; and
15. Scientific and/ or industrial research organisations authorised to invest in equity shares.

Note: The BRLMs, the CBRLMs, Syndicate Members and any associate of the BRLMs, the CBRLMs and Syndicate Members (except asset management companies on behalf of mutual funds, Indian financial institutions and public sector banks) cannot participate in that portion of the Issue where allocation is discretionary and will not be eligible as a QIB in this Issue. Further, the BRLMs, the CBRLMs and Syndicate Members shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligation.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law.

As per the current regulations, the following restrictions are applicable for investments by mutual funds:

No mutual fund scheme shall invest more than 10% of its net asset value in the Equity Shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No mutual fund under all its schemes should own more than 10% of any company's paid-up capital carrying voting rights.

As per the current regulations, the following restrictions are applicable for investments by FIIs:

No single FII can hold more than 10% of the post-issue paid-up capital of the Company (i.e., 10% of 8,245,464,400 Equity Shares). In respect of an FII investing in our Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our total issued capital or 5% of our total issued capital of the Company in case such sub account is a foreign corporate or an individual. As of now, the aggregate FII holding in the Company cannot exceed 24% of the total issued capital of our Company. With approval of our Board and that of the shareholders by way of a special resolution, the aggregate FII holding limit can be enhanced up to 100%; however till date no such resolution has been recommended to our shareholders for approval.

As per the current regulations, the following restrictions are applicable for investments by SEBI registered venture capital funds and foreign venture capital investors:

The SEBI (Venture Capital) Regulations, 1996 and the SEBI (Foreign Venture Capital Investor) Regulations, 2000 prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI. Accordingly, the holding by any venture capital fund or foreign venture capital investor should not exceed 25% of the corpus of the venture capital funds and foreign venture capital investors. Equity Shares allotted to venture capital funds and foreign venture capital investors through this Issue shall be locked in for a period of one year.

The above information is given for the benefit of the Bidders. Our Company, the Selling Shareholder, the BRLMs and the CBRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this Draft Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.

Maximum and Minimum Bid Size

(a) **For Retail Individual Bidders:** The Bid must be for a minimum of [ ] Equity Shares and in multiples of [] Equity Share thereafter, so as to ensure that the Bid Amount payable by the Bidder does not exceed Rs. 50,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Amount does not exceed Rs. 50,000. In case the Bid Amount is over Rs. 50,000 due to revision of the Bid or revision of the Price Band or on exercise of Cut-off option, the Bid would be considered for allocation under the Non Institutional Bidders portion. The Cut-off option is an option given only to the Retail Individual Bidders indicating their agreement to Bid and purchase at the final Issue Price as determined at the end of the Book Building Process.

(b) **For Other (Non-Institutional Bidders and QIBs) Bidders**: The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 50,000 and in multiples of [] Equity Shares thereafter. A Bid cannot be submitted for more than the Net Issue. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them by applicable laws. Under existing SEBI guidelines, a QIB Bidder cannot withdraw its Bid after the Bid Closing Date/Issue Closing Date.

In case of revision in Bids, the Non Institutional Bidders, who are individuals, have to ensure that the Bid Amount is greater than Rs. 50,000 for being considered for allocation in the Non Institutional Portion. In case the Bid Amount reduces to Rs. 50,000 or less due to a revision in Bids or revision of the Price Band, Bids by Non Institutional Bidders who are eligible for allocation in the Retail Portion would be considered for allocation under the Retail Portion. Non Institutional Bidders and QIBs are not allowed to Bid at 'Cut-off'.

(c) **For Bidders in the Employee Reservation Portion**: The Bid must be for a minimum of [ ] Equity Shares and in multiples of [ ] Equity Shares thereafter. The maximum Bid in this portion cannot exceed Rs. 2.5 million. Bidders in the Employee Reservation Portion applying for a maximum Bid in any of the Bidding Options not exceeding Rs. 50,000 may bid at "Cut-off".

Information for the Bidders:

(a) Our Company and the Selling Shareholder will file the Red Herring Prospectus with the RoC at least 3 (three) days before the Bid Opening Date/ Issue Opening Date.

(b) The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid cum Application Form to potential investors.

(c) Any investor (who is eligible to invest in our Equity Shares) who would like to obtain the Red Herring Prospectus and/ or the Bid cum Application Form can obtain the same from our registered office or from any of the members of the Syndicate.

(d) The Bids should be submitted on the prescribed Bid cum Application Form only. Bid cum Application Forms should bear the stamp of the members of the Syndicate. Bid cum Application Forms which do not bear the stamp of the members of the Syndicate will be rejected.

Method and Process of Bidding

(a) Our Company, the Selling Shareholder and the BRLMs shall declare the Bid Opening Date/ Issue Opening Date, Bid Closing Date/Issue Closing Date and Price Band at the time of filing the Red Herring Prospectus with RoC and also publish the same in two widely circulated newspapers (one each in English and Hindi). This advertisement shall contain the salient features of the Red Herring Prospectus as specified under Form 2A of the Companies Act, the method and process of bidding and the names and addresses of the BRLMs, the CBRLMs and Syndicate Members and their bidding centers. The Syndicate Members shall accept Bids from the Bidders during the Issue Period in accordance with the terms of the Syndicate Agreement.

(b) Investors who are interested in subscribing for the Equity Shares should approach any of the members of the Syndicate or their authorised agent(s) to register their Bid.

(c) The Bidding Period shall be a minimum of five days and not exceed ten days. In case the Price Band is revised, the revised Price Band and Bidding Period will be published in two national newspapers (one each in English and Hindi) and the Bidding Period may be extended, if required, by an additional three days, subject to the total Bidding Period not exceeding 13 days.

(d) Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices (for details refer to the paragraph entitled "Bids at Different Price Levels" on page [•] below) within the Price Band and specify the demand (i.e. the number of Equity Shares Bid for) in each option. The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares Bid for by a Bidder at or above the Issue Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.

(e) The Bidder cannot bid on another Bid cum Application Form after Bids on one Bid cum Application Form have been submitted to any member of the Syndicate. Submission of a second Bid cum Application Form to either the same or to another member of the Syndicate will be treated as multiple Bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the paragraph "Build up of the Book and Revision of Bids" on page [•] of this Draft Red Herring Prospectus.

(f) The Syndicate Members will enter each Bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip, ("TRS"), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid cum Application Form.

(g) During the Bidding Period, Bidders may approach the members of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients / investors who place orders through them and shall have the right to vet the Bids.

(h) Along with the Bid cum Application Form, all Bidders will make payment in the manner described under the paragraph "Terms of Payment" on Page [•] of this Draft Red Herring Prospectus.

Bids at Different Price Levels

(a) The Price Band has been fixed at Rs. [ ] to Rs. [ ] per Equity Share of Rs. 10 each, Rs [ ] being the Floor Price and Rs. [ ] being the Cap Price. The Bidders can bid at any price with in the Price Band, in multiples of Re 1.

(b) In accordance with SEBI Guidelines, the Company and the Selling Shareholders reserve the right to revise the Price Band during the Bidding Period. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the price band disclosed in this Red Herring Prospectus.

(c) In case of revision in the Price Band, the Issue Period will be extended for three additional days after revision of Price Band subject to a maximum of 13 days. Any revision in the Price Band and the revised Bidding Period/Issue Period, if applicable, will be widely disseminated by notification to BSE and NSE, by issuing a public notice in two national newspapers (one each in English and Hindi), and also by indicating the change on the websites of the BRLMs, the CBRLMs and at the terminals of the members of the Syndicate.

(d) Our Company and the Selling Shareholder, in consultation with the BRLMs, can finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation, to the Bidders.

(e) The Bidder can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. **Retail Individual Bidders and Employees applying for a maximum Bid in any of the bidding options not exceeding Rs. 50,000 may bid at Cut-off Price. However, bidding at Cut-off Price is prohibited**

for QIB or Non Institutional Bidders and such Bids from QIBs and Non Institutional Bidders shall be rejected.

(f) Retail Individual Bidders or Employees who bid at the Cut-Off Price agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders or Employees bidding at Cut-Off Price shall deposit the Bid Amount based on the Cap Price in the Escrow Account. In the event the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders or Employees, who Bid at Cut off Price (i.e. the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), the Retail Individual Bidders or Employees, who Bid at Cut off Price, shall receive the refund of the excess amounts from the Escrow Account.

(g) In case of an upward revision in the Price Band announced as above, Retail Individual Bidders or Employees, who had bid at Cut-off Price could either (i) revise their Bid or (ii) make additional payment based on the cap of the Revised Price Band (such that the total amount i.e. original Bid Amount plus additional payment does not exceed Rs. 50,000 if the Bidder wants to continue to bid at Cut-off Price), with the Syndicate Member to whom the original Bid was submitted. In case the total amount (i.e. original Bid Amount plus additional payment) exceeds Rs. 50,000, the Bid will be considered for allocation under the Non-Institutional portion in terms of this Draft Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the cap of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted downwards for the purpose of allotment, such that the no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off Price.

(h) In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders or Employees, who have bid at Cut-off Price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account.

(i) In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall remain [.] Equity Shares irrespective of whether the Bid Amount payable on such minimum application is not in the range of Rs.5,000 to Rs. 7,000.

Escrow Mechanism

Our Company and the Selling Shareholder shall open Escrow Accounts with one or more Escrow Collection Banks in whose favour the Bidders shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the Bid. Cheques or demand drafts received for the full Bid Amount from Bidders in a certain category would be deposited in the Escrow Account for the Issue. The Escrow Collection Banks will act in terms of this Draft Red Herring Prospectus and the Escrow Agreement. The monies in the Escrow Account shall be maintained by the Escrow Collection Bank(s) for and on behalf of the Bidders. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Account to the Issue Account as per the terms of the Escrow Agreement. Payments of refund to the Bidders shall also be made from the Escrow Account are per the terms of the Escrow Agreement and this Draft Red Herring Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between us, the Selling Shareholder, the members of the Syndicate, the Escrow Collection Bank(s) and the Registrar to the Issue to facilitate collections from the Bidders.

Terms of Payment and Payment into the Escrow Accounts

Each Bidder, who is required to pay Margin Amount greater than 0% shall, with the submission of the Bid cum Application Form draw a cheque or demand draft for the maximum amount of his/ her Bid in favour of the Escrow Account of the Escrow Collection Bank(s) (for details refer to the paragraph "Payment Instructions" on page [•]) and submit the same to the member of the Syndicate to whom the Bid is being submitted. Bid cum Application Forms accompanied by cash shall not be accepted. The maximum Bid price has to be paid at the time of submission of the Bid cum Application Form based on the highest bidding option of the Bidder.

The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank(s), which will hold the monies for the benefit of the Bidders till such time as the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds equivalent to the size of the Issue from the Escrow Account, as per the terms of the Escrow Agreement, into the Issue Account with the Banker(s) to the Issue. The balance amount after transfer to the Issue Account shall be held for the benefit of the Bidders who are entitled to refunds on the Designated Date, and no later than 15 days from the Bid Closing Date / Issue Closing Date, the Escrow Collection Bank(s) shall refund all monies to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for allotment to the Bidders.

Each category of Bidders i.e. QIB Bidders, Non Institutional Bidders, Retail Individual Bidders and Employees would be required to pay their applicable Margin Amount at the time of the submission of the Bid cum Application Form. The Margin Amount payable by each category of Bidders is mentioned under the heading "Issue Structure" on page [•] of this Draft Red Herring Prospectus. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for Equity Shares allocated at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in-Date, which shall be a minimum period of 2 (two) days from the date of communication of the allocation list to the members of the Syndicate by the BRLMs. If the payment is not made favouring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled. However, if the members of the Syndicate do not waive such payment, the full amount of payment has to be made at the time of submission of the Bid Form.

Where the Bidder has been allocated lesser number of Equity Shares than he or she had bid for, the excess amount paid on bidding, if any, after adjustment for allocation, will be refunded to such Bidder within 15 days from the Bid Closing Date/Issue Closing Date, failing which we and the Selling Shareholder shall pay interest at 15% per annum for any delay beyond the periods as mentioned above.

Electronic Registration of Bids

(a) The Syndicate Members will register the Bids using the on-line facilities of NSE and BSE. There will be at least one on-line connectivity in each city, where a stock exchange is located in India and where Bids are being accepted.

(b) NSE and BSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the Syndicate Members and their authorised agents during the Bidding Period. Syndicate Members can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently download the off-line data file into the on-line facilities for book building on an half hourly basis. On the Bid Closing Date, the Syndicate Members shall upload the Bids till such time as may be permitted by the Stock Exchanges.

(c) The aggregate demand and price for Bids registered on the electronic facilities of NSE and BSE will be downloaded on an half hourly basis, consolidated and displayed on-line at all bidding centers. A graphical representation of consolidated demand and price would be made available at the bidding centers during the bidding period.

(d) At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:

- Name of the investor.
- Investor Category – Employee, Individual, Corporate, NRI, FII, or mutual fund etc.
- Numbers of Equity Shares bid for.
- Bid price.
- Bid cum Application Form number.
- Whether payment is made upon submission of Bid cum Application Form.
- Depository Participant identification no.and client identification no. of the demat account of the Bidder.

(e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. **It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate.** The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated either by the members of the Syndicate or the Selling Shareholder or the Company.

(f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.

(g) Consequently, the member of the Syndicate also has the right to accept the Bid or reject it without assigning any reason, in case of QIBs. In case of Non-Institutional Bidders, Retail Individual Bidders and Bids under the Employee Reservation Portion, Bids would not be rejected except on the technical grounds listed elsewhere in this Draft Red Herring Prospectus.

(h) It is to be distinctly understood that the permission given by NSE and BSE to use their network and software of the Online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company or the Selling Shareholderor the BRLMs or the CBRLMs are cleared or approved by NSE and BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company, our promoters, our management or any scheme or project of our Company.

(i) It is also to be distinctly understood that the approval given by NSE and BSE should not in any way be deemed or construed that this Draft Red Herring Prospectus has been cleared or approved by the NSE and BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the NSE and BSE.

Build Up of the Book and Revision of Bids

(a) Bids registered by various Bidders through the Syndicate Members shall be electronically transmitted to the NSE or BSE mainframe on half hourly basis.

(b) The book gets built up at various price levels. This information will be available with the BRLMs on a half hourly basis.

(c) During the Bidding Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the price band using the printed Revision Form, which is a part of the Bid cum Application Form.

(d) Revisions can be made in both the desired number of Equity Shares and the Bid price by using the Revision Form. Apart from mentioning the revised options in the revision form, the Bidder must also mention the details of all the options in his or her Bid cum Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid cum Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being changed, in the Revision Form unchanged. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.

(e) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed the original Bid. Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.

(f) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Draft Red Herring Prospectus. In case of QIB Bidders, the members of the Syndicate may at their sole discretion waive the payment requirement at the time of one or more revisions by the QIB Bidders.

(g) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. **It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.**

(h) In case of discrepancy of data between NSE or BSE and the members of the Syndicate, the decision of the BRLMs, based on the physical records of Bid cum Application Forms, shall be final and binding on all concerned.

Price Discovery and Allocation

(a) After the Bid Closing Date /Issue Closing Date, the BRLMs will analyse the demand generated at various price levels and discuss pricing strategy with us and the Selling Shareholder.

(b) Our Company and the Selling Shareholder, in consultation with the BRLMs, shall finalise the "Issue Price", the number of Equity Shares to be Allotted in each category and the allocation to successful QIB Bidders. The allocation will be decided based *inter alia*, on the quality of the Bidder, and the size, price and time of the Bid.

(c) The allocation for QIB Bidders for up to 50% of the Net Issue would be discretionary. The allocation to Non-Institutional Bidders and Retail Individual Bidders of not less than 25% and 25% of the Net Issue respectively would be on proportionate basis, in the manner specified in the SEBI Guidelines, in consultation with Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price.

(d) Undersubscription, if any, in any category would be allowed to be met with spill over from any of the other categories at the discretion of our Company and the Selling Shareholder in consultation with the BRLMs. Any undersubscription in Equity Shares reserved for allocation to Employees would be treated as part of the Net Issue to the public and allocated in accordance with the Basis of Allocation as described in page [•] of this Draft Red Herring Prospectus.

(e) Allocation to NRIs, FIIs, foreign venture capital funds registered with SEBI applying on repatriation basis will be subject to the terms and conditions stipulated by the FIPB and RBI while granting permission for Allotment of Equity Shares to them.

(f) The BRLMs, in consultation with us and the Selling Shareholder, shall notify the members of the Syndicate of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.

(h) Wereserve the right to cancel the Fresh Issue any time after the Bid Opening Date/Issue Opening Date without assigning any reasons whatsoever. The Selling Shareholder reserves the right to cancel the Offer for Sale any time after the Bid Opening Date/Issue Opening Date without assigning any reasons whatsoever.

(i) In terms of SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the Bid Closing Date.

Signing of Underwriting Agreement and RoC Filing

(a) We, the Selling Shareholder, the BRLMs, the CBRLMs and the Syndicate Members shall enter into an Underwriting Agreement on finalisation of the Issue Price and allocation(s) to the Bidders.

(b) After signing the Underwriting Agreement, we would update and file the updated Red Herring Prospectus with RoC, which then would be termed 'Prospectus'. The Prospectus would have details of the Issue Price, Issue size, underwriting arrangements and would be complete in all material respects.

Advertisement regarding Issue Price and Prospectus

A statutory advertisement will be issued by the Company after the filing of the Prospectus with the RoC. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price. Any material updates between the date of Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

Issuance of CAN

(a) The BRLMs or Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated Equity Shares in the Issue.

(b) The BRLMs or members of the Syndicate would then send the CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid into the Escrow Account at the time of bidding shall pay in full the amount payable into the Escrow Account by the Pay-in Date specified in the CAN.

(c) Bidders who have been allocated Equity Shares and who have already paid into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realisation of their cheque or demand draft paid into the Escrow Account. The dispatch of a CAN shall be a deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for the Allotment to such Bidder.

Designated Date and Allotment of Equity Shares

(a) Our Company and the Selling Shareholder will ensure that the Allotment of Equity Shares is done within 15 days of the Bid Closing Date/Issue Closing Date. After the funds are transferred from the Escrow Account to the Issue Account on the Designated Date, our Company and the Selling Shareholder would ensure the credit to the successful Bidders depository account Allotment of the Equity Shares to the allottees within 2 working days of the date of Allotment.

(b) As per SEBI Guidelines, **Equity Shares will be issued, transferred and Allotment shall be made only in the dematerialised form to the allottees**. Allottees will have the option to re-materialise the Equity Shares, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated to them pursuant to this Issue.

GENERAL INSTRUCTIONS

Do's:

a) Check if you are eligible to apply;

b) Read all the instructions carefully and complete the Resident Bid cum Application Form (white in colour) or Non-Resident Bid cum Application Form (blue in colour), or Employee Bid Cum Application Form (pink in colour) as the case may be;

c) Ensure that the details about Depository Participant and Beneficiary Account are correct as Allotment of Equity Shares will be in the dematerialized form only;

d) Ensure that the Bids are submitted at the bidding centers only on forms bearing the stamp of a member of the Syndicate;

e) Ensure that you have been given a TRS for all your Bid options;

f) Submit revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS; and

g) Ensure that you mention your Permanent Account Number (PAN) allotted under the I.T. Act where the maximum Bid for Equity Shares by a Bidder is for a total value of Rs. 50,000 or more. In case neither the PAN nor the GIR number has been allotted, mention "Not allotted" in the appropriate place.

Don'ts:

(a) Do not Bid for lower than the minimum Bid size;

(b) Do not Bid/ revise Bid price to less than the lower end of the price band or higher than the higher end of the Price Band;

(c) Do not Bid on another Bid cum Application Form after you have submitted a Bid to the members of the Syndicate;

(d) Do not pay the Bid Amount in cash;

(e) Do not send Bid cum Application Forms by post; instead submit the same to a member of the Syndicate only;

(f) Do not Bid at Cut Off Price (for QIB Bidders, Non-Institutional Bidders, and Employees for whom the Bid Amount exceeds Rs 50,000);

(g) Do not fill up the Bid cum Application Form such that the Equity Shares bid for exceeds the Net Issue size and/ or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations;

(h) Do not submit Bid accompanied with Stockinvest.

INSTRUCTIONS FOR COMPLETING THE BID CUM APPLICATION FORM

Bidders can obtain Bid cum Application Forms and / or Revision Forms from the members of the Syndicate.

Bids and Revisions of Bids

Bids and revisions of Bids must be:

(a) Made only in the prescribed Bid cum Application Form or Revision Form, as applicable (white colour for Resident Indians, blue colour for NRI, FII or foreign venture capital fund registered with SEBI applying on repatriation basis and pink colour for Employees).

(b) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid cum Application Form or in the Revision Form. Incomplete Bid cum Application Forms or Revision Forms are liable to be rejected.

(c) The Bids from the Retail Individual Bidders must be for a minimum of [ ] Equity Shares and in multiples of [ ] thereafter subject to a maximum Bid Amount of Rs. 50,000/-.

(d) For Non-institutional Bidders and QIB Bidders, Bids must be for a minimum of [ ] Equity Shares and in multiples of [ ] Equity Shares thereafter. Bids cannot be made for more than the Net Issue size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of shares that can be held by them under the applicable laws or regulations.

(e) For Employees, the Bid must be for a minimum of [ ] Equity Shares and shall be in multiples of [ ] Equity Shares thereafter. The maximum Bid Amount in this portion cannot exceed Rs. 2.5 million.

(f) In single name or in joint names (not more than three, and in the same order as their Depository Participant details).

(g) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule in the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

Bids by Employees

For the sake of clarity, the term "Employees" shall mean all or any of the following:

(a) a permanent employee of the Company working in India;
(b) a director of the Company, whether a whole time director, part time director or otherwise;
(c) an employee as defined in (a) or (b) above of our subsidiaries.

1. Bids by Employees shall be made only in the prescribed Bid cum Application Form or Revision Form, (i.e. pink colour form).

2. Employees should mention their Employee number at the relevant place in the Bid cum Application Form.

3. The sole/first Bidder should be an Employee. In case the Bid cum Application Form is submitted in joint names, it should be ensured that the Depository Account is also held in the same joint names and in the same sequence in which they appear in the Bid cum Application Form.

4. Only Employees on the rolls of the Company as on the cut-off date i.e. July 31, 2004 would be eligible to apply in this Issue under reservation for Employees on a competitive basis.

5. Employees will have to Bid like any other Bidder. Only those Bids, which are received at or above the Issue Price, would be considered for allotment under this category.

6. The maximum Bid in this category can be for Rs.2.5 million.

7. If the aggregate demand in this category is less than or equal to 20,615,000 Equity Shares at or above the Issue Price, full allocation shall be made to the Employees to the extent of their demand. Any under subscription in Equity Shares reserved for Employees would be treated as part of the Net Issue and Allotment in accordance with the description in "**Basis of Allocation**" as described in page [•] of this Draft Red Herring Prospectus.

8. If the aggregate demand in this category is greater than 20,615,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis subject to a minimum of [ ] Equity Shares. For the method of proportionate basis of allocation, refer to para "**Basis of Allocation**" on page [•] of this Draft Red Herring Prospectus.

9. Bidding at Cut-off is allowed only for Employees whose Bid Amount is less than or equal to Rs 50,000.

Bidder's Bank Details

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the Bidders bank account details. **These Bank Account details would be printed on the refund order, if any, to be sent to Bidders. Hence, Bidders are advised to immediately update their Bank Account details as appearing on the records of the depository participant**. Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidders sole risk.

Bidder's Depository Account Details

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant- Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository demographic details of the Bidders such as address, bank account details for printing on refund orders and occupation (hereinafter referred to as Demographic Details). Hence, Bidders should carefully fill in their Depository Account details in the Bid-cum-Application Form.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the refund orders/ CANs/Allocation Advice and printing of Bank particulars on the refund order and the Demographic Details given by Bidders in the Bid-cum-application Form would not be used for these purposes by the Registrar.

Hence, Bidders are advised to update their Demographic Details as provided to their Depository Participants.

By signing the Bid-cum-Application Form, Bidder would have deemed to authorise the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Refund Orders/Allocation Advice/CANs would be mailed at the address of the Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained from the depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk.

In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

Bids under Power of Attorney

In case of Bids made pursuant to a power of attorney or by limited companies, corporate bodies, registered societies, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the memorandum and articles of association and/or bye laws must be lodged along with the Bid cum Application Form. Failing this, the Company and the Selling Shareholder reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of Bids made pursuant to a power of attorney by FIIs, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. Failing this, our Company and the Selling Shareholder reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of Bids made by insurance companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid cum Application Form. Failing this, our Company and the Selling Shareholder reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of Bids made by provident funds with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be lodged along with the Bid cum Application Form. Failing this, our Company and the Selling Shareholder reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

We and the Selling Shareholder, in our absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid cum Application form, subject to such terms and conditions that we, the Selling Shareholder andthe BRLMs may deem fit.

Bids by NRIs

NRI Bidders to comply with the following:

1. Individual NRI Bidders can obtain the Bid cum Application Forms from our Registered Office, our corporate office, members of the Syndicate or the Registrar to the Issue.
2. NRI Bidders may please note that only such Bids as are accompanied by payment in free foreign exchange shall be considered for Allotment. NRIs who intend to make payment through Non- Resident Ordinary (NRO) accounts shall use the Bid cum Application Form meant for resident Indians (White in color).

Bids by Non Residents, NRIs, FIIs and Foreign Venture Capital Funds registered with SEBI on a repatriation basis

Bids and revision to Bids must be made:

1. On the Bid cum Application Form or the Revision Form, as applicable (blue in color), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
2. In a single name or joint names (not more than three).
3. NRIs for a Bid Amount of up to Rs. 50,000 would be considered under the Retail Portion for the purposes of allocation and Bids for a Bid Amount of more than Rs. 50,000 would be considered under Non-Institutional Portion for the purposes of allocation; by FIIs for a minimum of such number of Equity Shares and in multiples of [·] thereafter that the Bid Amount exceeds Rs. 50,000. For further details see "Maximum and Minimum Bid Size" on page [•] of this Draft Red Herring Prospectus.
4. In the names of individuals, or in the names of FIIs but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding NRIs) or their nominees.
5. Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into U.S. Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. We and the Selling Shareholder will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

   The Company has received approval from the FIPB pursuant to its letter no [] dated [], for the transfer of Equity Shares in this Issue to eligible NRIs, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions. As per the RBI regulations, OCBs are not permitted to participate in the Issue. The Company has received approval from the RBI stating that the RBI has no objection for non-resident Bidders to acquire Equity Shares in the Offer for Sale, pursuant to its letter no. [] dated []. The final permission of the RBI for acquisition of Equity Shares is to be received on completion of certain filing requirements.

It is to be distinctly understood that there is no reservation for Non Residents, NRIs, FIIs and foreign venture capital funds and all Non Residents, NRI, FII and foreign venture capital funds applicants will be treated on the same basis with other categories for the purpose of allocation.

PAYMENT INSTRUCTIONS

We and the Selling Shareholder shall open Escrow Accounts with the Escrow Collection Bank(s) for the collection of the Bid Amounts payable upon submission of the Bid cum Application Form and for amounts payable pursuant to allocation in the Issue.

Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation as per the following terms:

PAYMENT INTO ESCROW ACCOUNT

(i) The Bidders for whom the applicable Margin Amount is equal to 100% shall, with the submission of the Bid cum Application Form draw a payment instrument for the Bid Amount in favour of the Escrow Account and submit the same to the members of the Syndicate.

(ii) In case the above Margin Amount paid by the Bidders during the Bidding Period is less than the Issue Price multiplied by the Equity Shares allocated to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Account within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLMs.

(iii) The payment instruments for payment into the Escrow Account should be drawn in favour of:
   (a) In case of Resident Bidders: **"Escrow Account –NTPC IPO"**
   (b) In case of Non Resident Bidders: **"Escrow Account –NTPC IPO--NR"**
   (c) In case of Employees "**Escrow Account -NTPC IPO--Employees"**

- In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of Non-Resident Bidder bidding on a repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to NRE Account or FCNR Account.
- In case of Bids by FIIs, the payment should be made out of funds held in Special Rupee Account along with documentary evidence in support of the

remittance. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to Special Rupee Account.

(iv) Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the Escrow Account of the Company.

(v) The monies deposited in the Escrow Account will be held for the benefit of the Bidders till the Designated Date.

(vi) On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account as per the terms of the Escrow Agreement into the Issue Account with the Bankers to the Issue.

(vii) On the Designated Date and no later than 15 days from the Bid Closing Date/Issue Closing Date, the Escrow Collection Bank shall also refund all amounts payable to unsuccessful Bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders

Payments should be made by cheque, or demand draft drawn on any Bank (including a Co-operative Bank), which is situated at, and is a member of or sub-member of the bankers' clearing house located at the centre where the Bid cum Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/ Stockinvest/Money Orders/ Postal orders will not be accepted.

Payment by Stockinvest

In terms of the Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the option to use the stockinvest instrument in lieu of cheques or bank drafts for payment of Bid money has been withdrawn.

SUBMISSION OF BID CUM APPLICATION FORM

All Bid cum Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the members of the Syndicate at the time of submission of the Bid. Each member of the Syndicate may, at its sole discretion, waive the requirement of payment at the time of submission of the Bid cum Application Form and Revision Form.

No separate receipts shall be issued for the money payable on the submission of Bid cum Application Form or Revision Form. However, the collection center of the members of the Syndicate will acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the records of the Bidder.

OTHER INSTRUCTIONS

Joint Bids in the case of Individuals

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid cum Application Form or Revision Form. All communications will be addressed to the First Bidder and will be dispatched to his or her address.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

Bids made by Employees both under Employee Reservation Portion as well as in the Net Issue shall not be treated as multiple Bids.

We and the Selling Shareholder reserve the right to reject, in our absolute discretion, all or any multiple Bids in any or all categories.

'PAN' or 'GIR' Number

Where the maximum Bid for Equity Shares by a Bidder is for the total value of Rs. 50,000 or more, i.e. the actual numbers of Equity Shares Bid for multiplied by the Bid Amount is Rs. 50,000 or more, the Bidder or, in the case of a Bid in joint names, each of the Bidders should mention his or her Permanent Account Number (PAN) allotted under the I.T. Act or where the same has not been allotted, the General Index Register (GIR) Number and the Income-Tax Circle, Ward or District. In case neither the PAN nor the GIR number has been allotted, the Bidders must mention "Not allotted" in the appropriate place. Bid cum Application Forms without this information will be considered incomplete and are liable to be rejected.

OUR RIGHT TO REJECT BIDS

We, the Selling Shareholder and the BRLMs reserve the right to reject any Bid without assigning any reason therefor in case of QIB Bidders. In case of Non-Institutional Bidders , Retail Individual Bidders and Employees who Bid, the Company and the Selling Shareholder have a right to reject Bids based on technical grounds. Consequent refunds shall be made by cheque or pay order or draft and will be sent to the Bidder's address at the Bidder's risk.

GROUNDS FOR TECHNICAL REJECTIONS

Bidders are advised to note that Bids are liable to be rejected on among others on the following technical grounds:

1. Amount paid doesn't tally with the highest number of Equity Shares bid for;
2. Age of First Bidder not given;
3. Bid by minor;
4. PAN or GIR Number not given if Bid is for Rs. 50,000 or more;

5. Bids for lower number of Equity Shares than specified for that category of investors;
6. Bids at a price less than lower end of the Price Band;
7. Bids at a price more than the higher end of the Price Band;
8. Bids at Cut Off Price by Non-Institutional and QIB Bidders;
9. Bids for number of Equity Shares which are not in multiples of [ ];
10. Category not ticked;
11. Multiple Bids as defined elsewhere;
12. In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
13. Bids accompanied by Stockinvest/money order/postal order/cash;
14. Signature of sole and / or joint Bidders missing;
15. Bid cum Application Forms does not have the stamp of the BRLMs, the CBRLMs or Syndicate Members;
16. Bid cum Application Forms does not have Bidder's depository account details;
17. Bid cum Application Forms are not delivered by the Bidders within the time prescribed as per the Bid cum Application Forms, Bid Opening Date/Issue Opening Date advertisement and this Draft Red Herring Prospectus and as per the instructions in this Draft Red Herring Prospectus and the Bid cum Application Forms;
18. In case no corresponding record is available with the Depositories that matches three parameters namely, names of the Bidders (including the order of names of joint holders), the Depositary Participant's identity (DP ID) and the beneficiary's identity;
19. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations see the details regarding the same at page[•] of this Draft Red Herring Prospectus;
20. Bids by OCBs;
21. Bids by US persons other than "qualified institutional buyers" as defined in Rule 144A of the Securities Act;
22. Bids under Employee Reservation Portion for the amounts greater than Rs. 2.5 million.

EQUITY SHARES IN DEMATERIALISED FORM WITH NSDL OR CDSL

As per the provisions of Section 68B of the Companies Act, the Allotment of Equity Shares in this Issue shall be only in a de-materialised form, (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two agreements have been signed among our Company, the respective Depositories and the Registrar to the Issue:

a) an agreement dated [ ] with NSDL, us and Registrar to the Issue;
b) an agreement dated [ ] with CDSL, us and Registrar to the Issue.

All Bidders can seek Allotment only in dematerialised mode. Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

a) A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.

b) The Bidder must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant's identification number) appearing in the Bid cum Application Form or Revision Form.

c) Allotment to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder

d) Names in the Bid cum Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.

e) If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid cum Application Form or Revision Form, it is liable to be rejected.

f) The Bidder is responsible for the correctness of his or her demographic details given in the Bid cum Application Form vis-à-vis those with his or her Depository Participant.

g) It may be noted that Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.

h) The trading of the Equity Shares of the Company would be in dematerialised form only for all investors in the demat segment of the respective Stock Exchanges.

COMMUNICATIONS

All future communications in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid cum Application Form number, details of Depository Participant, number of Equity Shares applied for, date of bid form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

UNDERTAKINGS BY THE COMPANY

We undertake as follows:

- that the complaints received in respect of this Issue shall be attended to by us expeditiously;
- that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis ofallocation;
- that the funds required for dispatch of refund orders or allotment advice by registered post or speed post shall be made available to the Registrar to the Issue by us;
- that the refund orders or allotment advice to the successful Bidders shall be dispatched within specified time; and
- that no further issue of Equity Shares shall be made till the Equity Shares offered through this Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc.

UNDERTAKINGS BY THE SELLING SHAREHOLDER

The Selling Shareholder undertakes as follows:

- the Equity Shares being sold pursuant to the Offer for Sale are free and clear of any liens or encumbrances, and shall be transferred to the successful Bidders within the specified time;
- that the complaints received in respect of this Issue shall be attended to by the Selling Shareholder expeditiously and satisfactorily. The Selling Shareholder has authorized the Company Secretary and Compliance Officer and the Registrar to the Issue to redress complaints, if any, of the investors;
- that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the stock exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of allocation;
- that the funds required for dispatch of refund orders or allotment advice by registered post or speed post shall be made available to the Registrar to the Issue by the Selling Shareholder;
- that the refund orders or Allotment advice to all the successful Bidders shall be dispatched within specified time; and
- that no further offer of Equity Shares shall be made till the Equity Shares offered through this Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc.

Utilisation of Issue proceeds

Our Board of Directors certify that

- all monies received out of the Fresh Issue shall be credited/transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;
- details of all monies utilised out of Fresh Issue referred above shall be disclosed under an appropriate head in our balance sheet indicating the purpose for which such monies have been utilised;
- details of all unutilised monies out of the Fresh Issue, if any shall be disclosed under the appropriate head in the balance sheet indicating the form in which such unutilised monies have been invested;

Our Company and the Selling Shareholder shall not have recourse to the Issue proceeds until the approval for trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

The Company shall transfer to the Selling Shareholder, the proceeds from the Offer for Sale, on the same being permitted to be released in accordance with applicable laws.

DISPOSAL OF APPLICATIONS AND APPLICATIONS MONEY

We and the Selling Shareholder shall ensure dispatch of Allotment advice, refund orders and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the allotment to the Stock Exchanges within 2 (two) working days of date of finalisation of Allotment of Equity Shares. We and the Selling Shareholder shall dispatch refund orders, if any, of value up to Rs. 1,500, "Under Certificate of Posting", and shall dispatch refund orders above Rs. 1,500, if any, by registered post or speed post at the sole or First Bidder's sole risk.

We and the Selling Shareholder shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at the Stock Exchanges where the Equity Shares are proposed to be listed, are taken within 7 (seven) working days of finalisation of the basis of Allotment.

In accordance with the Companies Act, the requirements of the Stock Exchanges and SEBI Guidelines, we and the Selling Shareholder further undertake that:

- Allotment shall be made only in dematerialised form within 15 (fifteen) days of the Bid Closing Date/Issue Closing Date;
- dispatch refund orders within 15 (fifteen) days of the Bid Closing Date/Issue Closing Date would be ensured; and
- we and the Selling Shareholder shall pay interest at 15% (fifteen) per annum (for any delay beyond the 15 (fifteen)-day time period as mentioned above), if Allotment is not made and refund orders are not dispatched and/or demat credits are not made to investors within the 15 (fifteen)-day time prescribed above as per the Guidelines issued by the Government of India, Ministry of Finance pursuant to their letter No. F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the Stock Exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

Refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

Foreign investment in Indian securities is regulated through the Industrial Policy, 1991 of the Government of India and FEMA. While the Industrial Policy, 1991 prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. As per current foreign investment policies, foreign investment in the power sector is permitted up to 100% under the automatic route.

The Company has received approval from the FIPB pursuant to its letter no [] dated [], for the transfer of Equity Shares in this Issue to eligible NRIs, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions. As per the RBI regulations, OCBs are not permitted to participate in the Issue. The Company has received approval from the RBI stating that the RBI has no objection for non-resident Bidders to acquire Equity Shares in the Offer for Sale, pursuant to its letter no. [] dated []. The final permission of the RBI for acquisition of Equity Shares is to be received on completion of certain filing requirements.

In our Company, as of date the aggregate FII holding cannot exceed 24% of the total issued share capital.

BASIS FOR ISSUE PRICE

The Price Band for the Issue Price will be decided prior to filing of the Red Herring Prospectus with the RoC. The Issue Price will be determined by the Company and the Selling Shareholder in consultation with the BRLMs on the basis of the assessment of market demand for the offered Equity Shares by the Book Building Process. The face value of the Equity Shares is Rs. 10/- and the Issue Price is [] times of the face value at the lower end of the Price Band and [] times of the face value at the higher end of the Price Band.

Quantitative Factors

Information presented in this section is derived from our restated unconsolidated financial statements prepared in accordance with Indian GAAP. Some of the quantitative factors, which may form the basis for computing the price is as follows;

1. Adjusted Earning Per Share (EPS) - As per Indian Accounting Standards.

		Rupees	Weight
1	Year ended March 31, 2002	5.08	1
2	Year ended March 31, 2003	4.18	2
3	Year ended March 31, 2004	5.10	3
	Weighted Average	4.79	

2. Price/Earning (P/E) ratio in relation to Issue Price of Rs. [ ]

   a. Based on year ended March 31, 2004 EPS of Rs. [ ] is [ ]
   b. Based on Weighted Average Adjusted EPS of Rs.[ ] is [ ]
   c. Industry P/E:[ ]

3. Average Return on Net Worth

		%	Weight
1	Year ended March 31,2002	13.11	1
2	Year ended March 31,2003	9.96	2
3	Year ended March 31,2004	11.21	3
	Weighted Average	11.11	

4. Minimum Return on Increased Net Worth required to maintain pre-issue EPS.

5. Net Asset Value per Share, as on March 31, 2004 Rs.45.51

6. Net Asset Value per Share after Issue

7. Comparison with Industry Peers

Consents

Consents in writing of: (a) the Directors, the Company Secretary and Compliance Officer, the Auditors, Legal Advisors, the Bankers to the Issue; and (b) Book Running Lead Managers to the Issue, Co Book Running Lead Manager, Syndicate Members, Escrow Collection Bankers, Registrar to the Issue and Legal Advisors, to act in their respective capacities, have been obtained and filed along with a copy of the Prospectus with the Registrar of Companies, NCT of Delhi and Haryana located at New Delhi, as required under Sections 60 and 60B of the Companies Act and such consents have not been withdrawn up to the time of delivery of this Draft Red Herring Prospectus for registration with the RoC.

Kalani & Co.; Amit Ray & Co; Umamaheswara Rao & Co.; S.N. Nanda & Co.; and T.R. Chadha & Co, Chartered Accountants, and our Auditors have given their written consent to the inclusion of their report in the form and context in which it appears in this Draft Red Herring Prospectus and such consent and report has not been withdrawn up to the time of delivery of this Draft Red Herring Prospectus for registration with the RoC.

Minimum Subscription

If we do not receive the minimum subscription of 90% of the Fresh Issue less the Employee Reservation Portion to the extent of the amount including devolvement of the members of the Syndicate, if any, within 60 days from the Bid Closing Date, we shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after we become liable to pay the amount, we shall pay interest as per Section 73 of the Companies Act.

Method of Redressal of Investor Grievances

See "Other Regulatory Disclosures—Mechanism for Redressal of Investor Grievances" on page [●] of this Draft Red Herring Prospectus.

Expert Opinion

Except as stated elsewhere in this Draft Red Herring Prospectus, we have not obtained any expert opinions.

Changes in Auditors

The Auditors of our Company are being appointed and reappointed by the Comptroller and Auditor General of India and his/their remuneration, rights and duties shall be regulated by sections 224 to 233 of the Companies Act.

There have been no changes of the auditors in the last three years except as detailed below:

Fiscal Year	Statutory Auditors
2001-02	K.K. Soni & Co., Lakshminiwas & Jain, B.C. Jain & Co., S. K. Mittal & Co., Vardhaman & Co. and Kishore & Kishore.

2002-03	K.K. Soni & Co., Lakshminiwas & Jain, B.C. Jain & Co., S. K. Mittal & Co., Vardhaman & Co.
2003-04	Kalani & Co., Amit Ray & Co., Umamaheswara Rao & Co., S.N. Nanda & Co., and T.R. Chadha & Co.

Basis of Allocation

A. For Retail Individual Bidders

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The Allotment to all the successful Retail Individual Bidders will be made at the Issue Price.
- The Net Issue size less allocation to Non-Institutional and QIB Bidders shall be available for allocation to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to [] Equity Shares at or above the Issue Price, full Allotment shall be made to the Retail Individual Bidders to the extent of their demand.
- If the aggregate demand in this category is greater than [] Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of [] Equity Shares and in multiples of [] Equity Shares thereafter. For the method of proportionate basis of allocation, refer below.

B. For Non-Institutional Bidders

- Bids received from Non-Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The Allotment to all successful Non-Institutional Bidders will be made at the Issue Price.
- The Net Issue size less allocation to QIB Bidders and Retail Portion shall be available for allocation to Non-Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to [] Equity Shares at or above the Issue Price, full Allotment shall be made to Non-Institutional Bidders to the extent of their demand.
- In case the aggregate demand in this category is greater than [] Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis up to a minimum of [ ] Equity Shares and in multiples of [] Equity Shares thereafter. For the method of proportionate basis of allocation refer below.

C. For QIB Bidders

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The allocation to all the QIB Bidders will be made at the Issue Price.
- The Net Issue size less allocation to Non-Institutional Portion and Retail Portion shall be available for allocation to QIB Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.

- The allocation would be decided by us and the Selling Shareholders in consultation with the BRLMs and would be at our sole discretion, based on various factors, such as quality of the Bidder, size, price and date of the Bid.
- The aggregate allocation to QIB Bidders shall not be more than [] Equity Shares.

D. For Employees

- Bids received from the Employees at or above the Issue Price shall be grouped together to determine the total demand in this portion. The Allotment to all the successful Employees will be made at the Issue Price.
- If the aggregate demand in this portion is less than or equal to 20,615,000 Equity Shares at or above the Issue Price, full Allotment shall be made to the Employees to the extent of their demand.
- If the aggregate demand in this portion is greater than 20,615,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis subject to a minimum of [] Equity Shares. For the method of proportionate basis of allocation, please see below.

Method of Proportionate basis of allocation in the Retail and Non Institutional portions

Bidders will be categorized according to the number of Equity Shares applied for by them.

(a) The total number of Equity Shares to be Allotted to each portion as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that portion (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.

(b) Number of Equity Shares to be Allotted to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder in that portion multiplied by the inverse of the over-subscription ratio.

In all Bids where the proportionate Allotment is less than [ ] Equity Shares per Bidder, the Allotment shall be made as follows:

- Each successful Bidder shall be Allotted a minimum of [ ] Equity Shares; and
- The successful Bidders out of the total Bidders for a portion shall be determined by draw of lots in a manner such that the total number of Equity Shares Allotted in that portion is equal to the number of Equity Shares calculated in accordance with (b) above; and.
- Each successful Bidder shall be Allotted a minimum of [ ] Equity Shares

If the proportionate Allotment to a Bidder is a number that is more than [ ] but is not a multiple of one (which is the market lot), the decimal would be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower whole number. Allotment to all Bidders in such categories would be arrived at after such rounding off.

If the Equity Shares allocated on a proportionate basis to any portion are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for Allotment shall be first adjusted against any other portion, where the Equity Shares are not sufficient for proportionate Allotment to the successful Bidders in that portion. The balance Equity Shares, if any, remaining after such adjustment will be added to the portion comprising

Bidders applying for minimum number of Equity Shares.

Expenses of the Issue

The expenses of this Issue include, among others, underwriting and management fees, selling commission, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees. The total expenses of the Issue are estimated to be approximately []% of the size of the Issue. All expenses with respect to the Issue would be borne by us and the Selling Shareholder.

Fees Payable to the BRLMs and the CBRLMs, Brokerage and Selling Commission

The total fees payable to the BRLMs and the CBRLMs including brokerage and selling commission for the Issue will be as per the memorandum of understanding executed with the Company and the Selling Shareholder dated [ ], a copy of which are available for inspection at our corporate office. The Company and the Selling Shareholder, *inter se*, shall bear such expenses.

Fees Payable to the Registrar to the Issue

The fees payable to the Registrar to the Issue will be as per the Registrar' MOU dated [ ] copies of which is available for inspection at our corporate office. The Company and the Selling Shareholder, inter se, shall bear such expenses.

Adequate funds will be provided to the Registrar to the Issue to enable them to send refund orders or Allotment advice by registered post.

Previous Rights and Public Issues

We have not made any public issue or rights issue of Equity Shares either in India or abroad in the five years preceding the date of this Draft Red Herring Prospectus, except for Equity Shares issued to our promoter, the Government, on a rights basis from time to time.

Commission and Brokerage paid on Previous Equity Issues by us

Since this is the initial public offer of the Company, no sum has been paid or has been payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of our Equity Shares since our inception.

Issues otherwise than for cash

We have not issued any Equity Shares for consideration otherwise than for cash.

Application in Issue

Equity Shares being issued through this Draft Red Herring Prospectus can be applied for in the dematerialized form only.

Purchase of Property

Except as stated in the "Objects of the Issue" and elsewhere in this Draft Red Herring Prospectus, there is no property which we have purchased or acquired or propose to purchase or acquire which is to be paid for wholly, or in part, from the net proceeds of the Fresh Issue or the purchase or acquisition of which has not been completed on the date of this Draft Red Herring Prospectus, other than property in respect of which:

- the contracts for the purchase or acquisition were entered into in the ordinary course of the business, and the contracts were not entered into in contemplation of the Issue nor is the Issue contemplated in consequence of the contracts; or
- the amount of the purchase money is not material; or
- disclosure has been made earlier in this Draft Red Herring Prospectus

Except as stated in the section entitled "Related Party Transactions" on page [●] of this Draft Red Herring Prospectus, we have not purchased any property in which any Directors, have any direct or indirect interest in any payment made thereof.

Remuneration of Whole Time Directors

1. Mr. C. P. Jain, Chairman & Managing Director:

Mr. C.P. Jain was appointed our Chairman & Managing Director on September 1, 2000 pursuant to an even dated order bearing number 8/1/2000-Th.I/Adm.I issued by the MoP for a period of 5 years or till the date of his superannuation, whichever is earlier.

The details of Mr. Jain's remuneration during the period from April 1, 2003 to March 31, 2004 is as below:

Rs.

Basic Pay	374,250
Dearness Allowance	159,418
City Compensatory Allowance	3,600
Incentives	84,907
Cost of Uniform	3,401
Entertainment Expenses	21,600
Leave Encashment	Nil
Lunch Subsidy	7,044
Lease Expenditure	250,040
Club Membership	1,800
Provident fund	64,037
Gratuity	26,333
Group insurance	4,959

Other perquisites and benefits: In addition to the above, Mr. Jain is entitled to medical reimbursements, leave travel assistance and car facility.

2. *Mr. K. K. Sinha, Director (Human Resources)*

Mr. K.K. Sinha was appointed as the Director (Human Resources) on the Board of Directors on November 27, 1997 pursuant to an even dated order bearing number 10/3/97-PSU/Adm.I issued by the MoP for a period of 5 years or till the date of his superannuation, whichever is earlier. The MoP has vide order 10/3/97-PSU/Adm-I dated March 4, 2003 extended his tenure as Director (Human Resources) for the period from

November 27, 2002 till October 31, 2007 or the date of his suppernauation, whichever is earlier.

The details of Mr. Sinha's remuneration during the period from April 1, 2003 to March 31, 2004 is as below:

Rs.

Basic Pay	380170
Dearness Allowance	155388
City Compensatory Allowance	3,600
Incentives	82244
Cost of Uniform	3,401
Entertainment Expenses	18000
Leave Encashment	Nil
Lunch Subsidy	7,044
Lease Expenditure	214516
Club Membership	3000
Provident fund	64268
Gratuity	26,510
Group insurance	4,437

Other perquisites and benefits: In addition to the above, Mr. Sinha is entitled to medical reimbursements, leave travel assistance and car facility.

3. Mr. P. Narasimharamulu, Director (Finance)

Mr. P. Narasimharamulu, was appointed as the Director (Finance) on the Board of Directors on May 14, 2001 pursuant to an even dated order bearing number 10/2/2000- Adm.I issued by the Ministry of Power, Government of India for a period of 5 years or till the date of his superannuation, whichever is earlier.

The details of Mr. Narasimharamulu's remuneration during the period from April 1, 2003 to March 31, 2004 is as below:

Rs.

Basic Pay	379,049
Dearness Allowance	157,146
City Compensatory Allowance	3,600
Incentives	88,913
Cost of Uniform	3,401
Entertainment Expenses	18,000
Leave Encashment	Nil
Lunch Subsidy	7,044
Club Membership	4,500
Provident fund	64,345
Gratuity	26,657
Group insurance	5,295
Leave Travel Assistance	47,146

Other perquisites and benefits: In addition to the above, Mr. Narasimharamulu is entitled to medical reimbursements, housing and car facilities.

4. Mr. T. Sankaralingam, Director (Projects)

Mr. T. Sankaralingam was appointed as the Director (Projects) on the Board of Directors on August 10, 2001 pursuant to an even dated order bearing number 10/1/2001-Adm.I issued by the Ministry of Power, Government of India for a period of 5 years or till the date of his superannuation, whichever is earlier.

The details of Mr. Sankaralingam's remuneration during the period from April 1, 2003 to March 31, 2004 is as below:

Rs.

Basic Pay	376,363
Dearness Allowance	156,387
City Compensatory Allowance	3,600
Incentives	78,554
Cost of Uniform	3,401
Entertainment Expenses	18,000
Leave Encashment	40,209
Lunch Subsidy	7,044
Club Membership	7,125
Provident fund	70,124
Gratuity	26,215
Group insurance	4,413

Other perquisites and benefits: In addition to the above, Mr. Sankaralingam is entitled to medical reimbursements, housing, leave travel assistance and car facilities.

5. Mr. S. L. Kapur, Director (Technical)

Mr. S.L. Kapur was appointed as the Director (Technical) on the Board of Directors with effect from June 1, 2002 pursuant to an order dated March 21, 2002 and bearing number 10/2/2001-PSU/Adm.I issued by the Ministry of Power, Government of India for a period of 5 years or till the date of his superannuation, whichever is earlier.

The details of Mr. Kapur's remuneration during the period from April 1, 2003 to March 31, 2004 is as below:

Rs.

Basic Pay	348,558
Dearness Allowance	156,996
City Compensatory Allowance	3,372
Incentives	82,345
Cost of Uniform	3,401
Entertainment Expenses	18,000
Leave Encashment	Nil
Lunch Subsidy	7,044
Club Membership	3,520
Provident fund	43,363
Gratuity	26,436
Group insurance	5,279
Leave Travel Assistance	82,409
Lease expenditure	2,04,040

Other perquisites and benefits: In addition to the above, Mr. Kapur is entitled to medical reimbursements and car facilities.

6. *Mr. Chandan Roy, Director (Operations)*

Mr. Chandan Roy was appointed as the Director (Operations) on the Board of Directors with effect from January 1, 2004 pursuant to an order dated September 4, 2003 and bearing number 10/1/2003-PSU/Adm.I issued by the Ministry of Power, Government of India for a period of 5 years or till the date of his superannuation, which is earlier.
The details of Mr. Roy's remuneration during the period from January 1, 2004 to March 31, 2004 is as below:

Rs.

Basic Pay	87,462
Dearness Allowance	38,457
City Compensatory Allowance	900
Incentives	6622
Cost of Uniform	Nil
Entertainment Expenses	3,000
Leave Encashment	Nil
Lunch Subsidy	1,761
Club Membership	900
Provident fund	15,035
Gratuity	6,054
Group insurance	3,813

Other perquisites and benefits: In addition to the above, Mr. Roy is entitled to medical reimbursements, leave travel assistance, housing and car facilities.

Capitalisation of Reserves or Profits

We have not capitalised our reserves or profits at any time.

Revaluation of Assets

We have not revalued our assets in the past five years.

Payment or benefit to officers of our Company

Except as stated otherwise in this Draft Red Herring Prospectus, no amount or benefit has been paid or given within the two preceding years or is intended to be paid or given to any of our officers except the normal remuneration for services rendered as Directors, officers or employees.

MAIN PROVISIONS OF ARTICLES OF ASSOCIATION OF THE COMPANY

Pursuant to Schedule II of the Companies Act and the SEBI Guidelines, the main provisions of the of the Articles of Association relating to voting rights, dividend, lien, forfeiture, restrictions on transfer and transmission of Equity Shares or debentures and/or on their consolidation/splitting as detailed below. Please note that the each provision hereinbelow is numbered as per the corresponding article number in the Articles of Association.

5. Capital and Shares

The share capital of the company is Rs.10000,00,00,000/- (Rupees ten thousand crore only) divided into 1000,00,00,000 (one thousand crore) equity shares of Rs.10/- each.

8. Issue of new certificates in place of one defaced, lost or destroyed

If any security certificate be worn out, defaced, mutilated or torn or if there be no further space on the back thereof for endorsement of transfer upon production and surrender thereof to the Company, a new certificate may be issued in lieu thereof, and if any certificate be lost or destroyed then upon proof thereof to the satisfaction of the Company and on execution of such indemnity as the Company deem adequate, being given, a new certificate in lieu thereof shall be given to the party entitled to such lost or destroyed certificate. Every certificate under the Articles shall be issued without payment of fees.

Provided that notwithstanding what is stated above the Directors shall comply with such Rules or Regulations or requirements of any Stock Exchange or the Rules made under the Act or the rules made under Securities Contracts (Regulation) Act, 1956 or any other Act, or rules applicable in this behalf.

11(a) Lien

The Company shall have a first and paramount lien upon all the shares/debentures (other than fully paid-up shares /debentures and in case of partly paid shares/debentures the company's lien shall be restricted to moneys called or payable at a fixed time in respect of such shares) registered in the name of each member (whether solely or jointly with others) and upon the proceeds of sale thereof for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such shares/debentures and no equitable interest in any share shall be created except upon the footing and condition that this Article will have full effect. And such lien shall extend to all dividends, bonuses and interest from time to time declared/ accrued in respect of such shares/debentures. Unless otherwise agreed the registration of a transfer of shares / debentures shall operate as a waiver of the Company's lien if any, on such shares/debentures. The Directors may at any time declare any shares/debentures wholly or in part to be exempt from the provisions of this clause.

12. Forfeiture

(i) If a member or debenture-holder fails to pay any call or the allotment money which was deferred or kept as term deposit as a condition of subscription or instalment of a call on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or allotment money or instalment remains unpaid serve a notice on him requiring payment of so much call or instalment as is unpaid, together with any interest which may have accrued.

(ii) The notice aforesaid shall:

(a) name a further day (not being earlier than the expiry of fourteen days from the date of service of the notice) on or before which the payment required by the notice is to be made; and

(b) state that, in the event of non-payment on or before the day so named, the shares or debentures in respect of which the call was made will be liable to be forfeited;

(c) If the requirements of any such notice as aforesaid are not complied with any share or debenture in respect of which the notice has been given, may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect.

(iii) A forfeited share or debenture may be sold or otherwise disposed of on such terms and in such manner as the Board thinks fit.

(iv) At any time before a sale or disposal as aforesaid, the Board may cancel the forfeiture on such terms as it thinks fit.

13. Effect Of Forfeiture

(i) A person whose shares or debentures have been forfeited shall cease to be member or holder in respect of the forfeited shares or debentures, but shall notwithstanding the forfeiture remain liable to pay to the Company all moneys which, at the date of forfeiture, were presently payable by him to the company in respect of the share or debenture.

(ii) The liability of such person shall cease if and when the Company shall have received payment in full of all such moneys in respect of the shares or debentures.

16. Transfer & Transmission of Shares/ Debentures

(a) Subject to the provisions of the Listing Agreements between the Company and the Stock Exchanges, in the event that the proper documents have been lodged, the Company shall register the transfer of securities in the name of the transferee except:

- when the transferee is, in exceptional circumstances, not approved by the Directors in accordance with the provisions contained herein;
- when any statutory prohibition or any attachment or prohibitory order of a competent authority restrains the Company from transferring the securities out of the name of the transferor;
- when the transferor object to the transfer provided he serves on the company within a reasonable time a prohibitory order of a court of competent jurisdiction.

(b) Subject to the provisions of Section 111 and 111A of the Act, the provisions of the Listing Agreements with the Stock Exchanges and Section 22A of the Securities Contracts (Regulation) Act, 1956, the Directors may, at their own absolute and uncontrolled discretion and by giving reasons, decline to register or acknowledge any transfer of shares whether fully paid or not and the right of refusal, shall not be affected by the circumstances that the proposed transferee is already a member of the Company but in such cases, the Directors shall within one month from the date on which the instrument of transfer was lodged with the Company, send to the transferee and transferor notice of the refusal to register such transfer provided that registration of transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever except when the Company has a lien on the shares. Transfer of shares/debentures in whatever lot shall not be refused.

(c) The instrument of transfer in case of shares/debentures held in physical form shall be in writing and all provisions of Section 108 of the Companies Act, 1956 and statutory modification thereof for the time being shall be duly complied with in respect of all transfer of shares and registration thereof.

(d) No fee shall be charged for registration of transfer, transmission, probate, succession certificate and letters of administration, certificate of death or marriage, power of attorney or similar other document.

(e) A common form of transfer of shares or debentures as the case may be shall be used by the Company.

19. Transmission of Shares etc.

Nothing contained in Article 9 shall prejudice any power of company to register as shareholder/or debenture holder any person to whom the right to any share or debentures in the company has been transmitted by operation of law.

19A. Nomination

(i) Every Share/Bond/Debenture holder and a Depositor under the Company's Public Deposit Scheme (Depositor) of the Company may at any time, nominate in the prescribed manner, a person to whom his Shares/Bonds/Debentures or deposits in the company shall vest in the event of his death.

(ii) Where the Shares or Bonds or Debentures or Deposits in the Company are held by more than one person jointly, the joint holder may together nominate, in the prescribed manner, a person to whom all the rights in the shares or bonds or debentures or deposits in the company, as the case may be, shall vest in the event of death of all the joint holders.

(iii) Notwithstanding anything contained in any other law for the time being in force or in disposition, whether testamentary or otherwise, in respect of such Shares/ Bonds/Debentures or Deposits in the Company, where a nomination made in the prescribed manner purport to confer on any person the right to vest the Shares/Bonds/Debentures or Deposits in the Company, the nominee shall on the death of the Share/Bond /Debenture holder or a Depositor, as the case may be, on the death of the joint holders become entitled to all the rights in such Shares/Bonds/Debentures or deposits, as the case may be, all the joint holders in relation to such Shares/Bonds/Debentures, or Deposits , to the exclusion of all persons, unless the nomination is varied, cancelled in the prescribed manner.

(iv) Where the nominee is a minor, it shall be lawful for the holder of the Shares/Bonds/Debentures or deposits, to make the nomination to appoint, in the prescribed manner, any person to become entitled to Shares/Bonds/Debentures or deposits in the Company, in the event of his death, during the minority.

20. Increase of capital

Subject to provisions of the Act the Company in General Meeting, may increase the share capital by such sum to be divided into shares of such amount as the resolution shall prescribe.

21. On what condition new shares may be issued

New shares shall be issued upon such terms and conditions and with such rights and privileges annexed thereto as the general meeting resolving upon the creation whereof shall direct. Provided that no shares (not being preference shares) shall be issued carrying voting rights in the company as to dividend capital or otherwise which are disproportionate to the rights attaching to the holders of other shares (not being preference shares).

21A Further issue of shares:

1. Where at the time after the expiry of two years from the formation of the Company or at any time after the expiry of one year from the allotment of shares in the Company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the Company by allotment of further shares either out of the unissued capital or out of the increased share capital then:

(a) Such further shares shall be offered to the persons who at the date of the offer, are holders of the equity shares of the Company, in proportion as near as circumstances admit, to the capital paid-up on that shares at the date.

(b) Such offer shall be made by a notice specifying the number of shares offered and limiting a time not being less than thirty days from the date of the offer and the offer if not accepted, will be deemed to have been declined.

(c) The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to them in sub clause (b) hereof shall contain a statement of this right. Provided that the Directors may decline, without assigning any reason to allot any shares to any person in whose favour any member may renounce the shares offered to him.

(d) After expiry of the time specified in the aforesaid notice or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board of Directors may dispose off them in such manner and to such person(s) as they may think, in their sole discretion, fit.

2. Notwithstanding anything contained in sub-clause (1) hereof, the further shares aforesaid may be offered to any person (whether or not those persons include the persons referred to in clause (a) of sub-clause (1) hereof in any manner whatsoever:

(a) If a special resolution to that affect is passed by the Company in General Meeting, or

(b) Where no such special resolution is passed, if the votes cast (whether on a show of hands or on a poll as the case may be) in favour of the proposal contained in the resolution moved in the general meeting (including the casting vote, if any, of the chairman) by the members who, being entitled to do so, vote in person, or where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by members, so entitled and voting and the Central Government is satisfied on an application made by the Board of Directors in this behalf that the proposal is most beneficial to the Company.

3. Nothing in sub-clause (c) of (1) hereof shall be deemed:

(a) To extend the time within which the offer should be accepted; or
(b) To authorise any person to exercise the right of renunciation for a second time on the ground that the person in whose favour the renunciation was first made has declined to take the shares comprised in the renunciation.

4. Nothing in this Article shall apply to the increase of the subscribed capital of the Company caused by the exercise of an option attached to the debenture issued or loans raised by the Company:

(i) To convert such debentures or loans into shares in the Company; or
(ii) To subscribe for shares in the Company (whether such option is conferred in these Articles or otherwise)

Provided that the terms of issue of such debentures or the terms of such loans include a term providing for such option and such term:

(a) either has been approved by the Central Government before the issue of the debentures or the raising of the loans or is in conformity with rules, if any, made by that Government in this behalf; and

(b) in the case of debentures or loans or other than debentures issued to or loans obtained from Government in this behalf, has also been approved by a special resolution passed by the Company in General Meeting before the issue of the debentures or raising of the loans.

22. When to be offered to existing members

The new shares (resulting from an increase of capital as aforesaid) may be issued or disposed of in accordance with the provisions of Article 6.

23. Same as original capital

Except so far as otherwise provided by the conditions of issue or by these Articles any capital raised by the creation of new shares shall be considered part of the original capital and shall be subject to the provisions herein contained with reference to the payment of calls and instalments transfer and transmission, forfeiture, lien, surrender, voting and otherwise.

24. Reduction of capital

Subject to the provision of Section 100-104 of the Act, the Company, may from time to time, by Special resolution reduce its capital by paying off capital or cancelling capital which has been lost or is unrepresented by available assets or is superfluous or by reducing the liability on the shares or otherwise as may deem expedient, and capital may be paid off upon the footing that it may be called upon , again or otherwise, and the Board may, subject to the provisions of the Act accept surrenders of shares.

25. Sub-division and consolidation of shares

Subject to the provisions of the Act the Company in a General Meeting, may from time to time sub-divide or consolidate its shares or any of them and exercise any of the other powers conferred by Sub-Section (i) (a) to (e) of Section 94 of the Act and shall file with the Registrar such notice in exercise of any such powers as may be required by the Act.

25A. Dematerialisation of Securities

(a) Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise or rematerialise its shares, debentures and other securities (both present and future) held by it with the Depository and to offer its shares, debentures and other securities for subscription in a dematerialised form pursuant to the Depositories Act, 1996 and the Rules framed thereunder, if any;

(b) Every person subscribing to securities offered by the Company shall have the option to receive the security certificates or to hold the securities with a Depository. Such a person who is the beneficial owner of securities can at any time opt out of a Depository, if permitted by law, in respect of any security and the Company shall, in the manner and within the time prescribed provided by the Depositories Act, 1996 issue to the beneficial owner the required Certificates of Securities.

If a person opts to hold his security with a depository, then notwithstanding anything to the contrary contained in the Act or in these Articles, the Company shall intimate such Depository the details of allotment of the security and on receipt of the information, the Depository shall enter in its record the name of the allottee as the beneficial owner of the security.

(c) All securities held by a Depository shall be dematerialised and shall be in fungible form. Nothing contained in Section 153 of the Act shall apply to a Depository in respect of securities held by it on behalf of the beneficial owners.

(f) Nothing contained in the Act or in these Articles, shall apply to a transfer or transmission of Securities where the company has not issued any certificates and where such Shares or Debentures or Securities are being held in an electronic and fungible form in a Depository. In such cases the provisions of the Depositories Act, 1996 shall apply.

28. Power to Borrow

Subject to the provisions of Section 58A, 292 and 293 of the Act and Government Guidelines issued from time to time, the Board may by means of resolution passed at meetings of the Board from time to time, accept deposits or borrow and/or secure the payment of any sum or sums of money for the purpose of the Company.

29. Issue at discount etc. or with special privileges

Subject to section 79 and 117 of the Act, any bonds may be issued at a discount premium or otherwise and with any special privileges as to redemption, surrender, drawings and allotments of shares.

30. Notice of General Meeting

At-least Twenty one clear days notice in writing, specifying the place day and hour of General Meetings, with a statement of the business to be transacted at the meeting shall be served on every member in the manner provided by the Act but with the consent, in writing, of all the members entitled to receive notice of same, any General Meeting may be convened by such shorter notice and in such manner as those members may think fit.

31. Omission to give notice not to invalidate a resolution passed

The accidental omission to give notice to or the non-receipt thereof by any member shall not invalidate any resolution passed at any such meeting.

32. Quorum

Five Members present in person or by duly authorised representative shall be quorum for a General Meeting of the Company.

33. Chairman of General Meeting

The Chairman of the Board of Directors or in his absence the Vice-Chairman shall be entitled to take the chair at every General Meeting but if neither the Chairman or the Vice-Chairman is present within fifteen minutes after the time appointed for holding such meeting or is unwilling to act as Chairman the members present shall choose another Director as Chairman and, if no Director shall be present or if all the Directors present decline to take the chair then the members present shall choose one of the members to be chairman.

34. Chairman's decision conclusive

The Chairman of any meeting shall be the sole judge of the validity of every vote tendered at such meeting. The Chairman present at the taking of a poll shall be the sole judge of the validity of every vote tendered at such poll.

35. Votes

Every member entitled to vote and present in person or by proxy shall have one vote on a show of hands and upon a poll one vote for each share held by him.

35A. Postal Ballot

Notwithstanding anything contained in the Articles of the Company, the Company do adopt the mode of passing resolutions by the members of the Company by means of Postal Ballot (which includes voting by electronic mode) and/or other ways as may be prescribed in the Companies (Passing of Resolutions by Postal Ballot) Rules, 2001 in respect of the matters specified in said Rules as modified from time to time instead of transacting such business in a general meeting of the company subject to compliances with the procedure for such postal ballot and/or other requirements prescribed in the rules in this regard.

41. Appointment of Board of Directors

(i) (a) The Chairman shall be appointed by the President. All other members of the Board of Directors including Vice Chairman shall be appointed by the President in consultation with the Chairman of the Company. No such consultation will be necessary in case of appointment of Directors representing the Government.

(b) The Directors shall be paid such salary and/or allowances as the President may, from time to time, determine. Subject to the provisions of Section 314 of the Act, such reasonable additional remuneration as may be fixed by the President may be paid to any one or more of the Directors for extra or special services rendered by him or them or otherwise.

(ii) The Chairman will be appointed subject to such terms and conditions as may be determined by the President.

(iii) Two-thirds (any fraction to be rounded off to the next number) Directors of the Company shall be persons whose period of office shall be liable to determination by rotation and save as otherwise expressly provided in the Act, be appointed by the Company in General Meeting.

At every Annual General Meeting of the Company held next after the date of General Meeting in which first Directors are appointed, in accordance with section 255 of the Act, one-third of such Directors for the time being liable to retire by rotation or if their number is not three or a multiple of three, than the number nearest to one-third, shall retire from office.

Directors to retire by rotation at every Annual General Meeting shall be those (other than the Chairman cum Managing Director of the Company and such other non-retiring Directors, if any) who have been longest in office since their last appointment but as between persons who become Directors on the same day, those who are to retire shall, unless otherwise agreed among themselves, be determined by lot.

A retiring Director shall be eligible for re-election. The Company at the Annual General Meeting in which Director retires, may fill-up the vacated office by appointing the retiring Director or some other person thereto.

If the place of retiring Director is not so filled up and the meeting has not expressly resolved not to fill the vacancy, the meeting shall stand adjourned till the same day in the next week, at the same time and place, or if that day is a public holiday, at the same time and place, and if at the adjourned meeting also, the place of retiring Director is not filled up and that meeting also has not expressly resolved not to fill the vacancy, the retiring Director shall be deemed to have been re-appointed at the adjourned meeting, unless:

- at that meeting or at the previous meeting, a resolution for the re-appointment of such Director has been put to the meeting and lost;

- the retiring Director has, by a notice in writing addressed to the Company or its Board of Directors, expressed his unwillingness to be so re-appointed;
- he is not qualified or is disqualified for appointment;
- a resolution, whether Special or Ordinary, is required for his appointment by virtue of any provisions of the Act.
- the proviso to sub section (2) of section 263 is applicable to the case.

(iv) A Director representing the Government Department shall retire on his ceasing to be an official of that Ministry.

(v) The President may from time to time or any time remove any part-time Director, from office at his absolute discretion, Chairman and whole- time Directors may be removed from office in accordance with the terms of appointment or if no such terms are specified, on the expiry of 3 months notice issued in writing by the President or with immediate effect on payment of the pay in lieu of the notice period.

(vi) The President shall have the right to fill any vacancy of the office of the Directors including Chairman & Managing Director appointed by him, caused by removal, resignation, death or otherwise and to substitute any Director, including Chairman, in place of existing Director.

44. Matter reserved for President

Without prejudice to the generality of the other provisions contained in these Articles the Board shall reserve for the decision of the President any matter relating to:

(i) The Company's revenue budget in case there is an element of deficit which is proposed to be met by obtaining funds from the Government.

(ii) Winding up of the Company.

(iii) Sale, lease, disposal or otherwise of the whole or substantially the whole of the undertaking of the company.

(iv) The Annual and Five year Plans for Development.

(v) Any other matter which in the opinion of the Chairman and Managing Director be of such importance as to be reserved for the approval of the President.

45. Powers of President to issue directives

Notwithstanding anything contained in all these Articles the President may from time to time issue such directives or instructions as may be considered necessary in regard to conduct of business and affairs of the company and in like manner may vary and annul any such directive or instruction. The Directors shall give immediate effect to the directives or instructions so issued. In particular, the President will have the powers:

(i) To give directives to the Company as to the exercise and performance of its functions in matters involving national security or substantial public interest.

(ii) To call for such returns, accounts and other information with respect to the property and activities of the company as may be required from time to time.

(iii) To determine in consultation with the Board annual, short and long term financial and economic objectives of the company.

Provided that all directives issued by the President shall be in writing addressed to the Chairman. The Board shall except where the President considers that the interest of national security requires otherwise incorporate the contents of directives issued by the President in the annual report of the Company and also indicate its impact on the financial position of the company.

50. Who is to preside at meeting of the Board

All meetings of the Directors shall be presided over by the Chairman if present or in his absence by the Vice-Chairman if present. If at any meeting both the Chairman and Vice-Chairman are not present at the time appointed for holding the same, the Directors shall choose one of the Directors then present to preside at the meeting.

57. Division of Profits and Dividend

(i) The profits of the Company available for payment of dividend subject to any special rights relating thereto created or authorised to be created by these Articles of Association and subject to the provisions of the Act and Articles of Association as to the reserve fund and amortisation of capital shall be divisible among the members in proportion to the amount of capital paid-up by them respectively. Provided always that (subject as aforesaid) any capital paid-up on a share during the period in respect of which a dividend is declared shall only entitle the holder of such share to an apportioned amount of such dividend as from the date of payment.

(ii) No dividend shall be declared or paid by the company for any financial year except out of profits of the company for that year arrived after providing for the depreciation in accordance with the provisions of sub-section (2) of section 205 of the Act or out of profits of the company for any previous financial year or years arrived after providing for the depreciation in accordance with applicable laws and remaining undistributed or out of both or out of moneys provided by the government for the payment of dividend in pursuance of a guarantee given by the government. No dividend shall carry interest against the company.

(iii) For the purpose of the last preceding article, the declaration of the directors as to the amount of the profits of the company shall be conclusive.

(iv) Subject to the provisions of section 205 of the act as amended, no dividend shall be payable except in cash.

(v) A transfer of shares shall not pass the right to any dividend declared thereon after transfer and before the registration of the transfer.

(vi) Any one of the several persons who are registered as the joint holders of any share, may give effectual receipts for all dividends and payments on accounts of dividends in respect of such shares.

(vii) Unless otherwise directed any dividend may be paid by cheque or demand draft or warrant or such other permissible means to the registered address of the member or person entitled or in the case of joint holding, to the registered address of that one whose name stands first in the register in respect of joint holding and every cheque, demand draft or warrant so sent shall be made payable to the member or to such person and to such address as the shareholder or the joint shareholders in writing may direct.

59A. Unpaid or Unclaimed Dividend

There shall not be any forfeiture of unclaimed dividends and the company shall comply with the applicable provisions of the Act relating to transfer of unclaimed and unpaid dividend to the Investor Education and Protection Fund or to any such other fund as may be required under applicable laws.

67. Winding Up: Distribution of assets

If the Company shall be wound up, and the assets available for distribution among the members as such shall be insufficient to repay the whole of the paid up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up at the commencement of the winding up, on the shares held by them respectively and if in a winding up, the assets available for distribution among the members shall be more than sufficient to repay the whole of the paid up capital, such assets shall be distributed amongst the members in proportion to the original paid up capital as the shares held by them respectively. But this clause is to be without prejudice to the rights of the holders of shares issued upon special terms and conditions.

RESTATED UNCONSOLIDATED FINANCIAL STATEMENTS

AUDITORS' REPORT

The Board of Directors
National Thermal Power Corporation Limited
NTPC Bhawan
Scope Complex
New Delhi

A. a) We have examined the annexed financial information of National Thermal Power Corporation Limited (the 'company') for the five financial years ended 31st March 2004 being the last date to which the accounts of the Company have been made up. The financial information is based on the accounts audited by us for the year 2003-04 and by other auditors viz. M/s K.K. Soni & Co.,, Chartered Accountants, M/s S.K. Mittal & Co., Chartered Accountants, M/s Lakshminiwas & Jain, Chartered Accountants, M/s Vardhaman & Co., Chartered Accountants, M/s B.C. Jain & Co., Chartered Accountants for the year 2002-03 and M/s K.K. Soni & Co.,, Chartered Accountants, M/s S.K. Mittal & Co., Chartered Accountants, M/s Lakshminiwas & Jain, Chartered Accountants, M/s Vardhaman & Co., Chartered Accountants, M/s B.C. Jain & Co., Chartered Accountants and M/s Kishore & Kishore, Chartered Accountants for the years 1999-2000 to 2001-02.

The preparation and presentation of this financial information is the responsibility of the company's management. These financial information is proposed to be included in the Offer Document of the company in connection with proposed initial public issue of its equity shares.

b) We have performed such tests and procedures, which, in our opinion, were necessary for the examination. These procedures, which include comparison of the attached financial information with the company's audited financial statements.

Our audit of the financial statements for the period referred to in paragraph A(a) of this report comprises audit tests and procedures deemed necessary for the purpose of expressing an opinion on such financial statements taken as a whole. For none of the years 1999-2000 to the year 2002-03 referred in para (a) did we perform audit tests for the purpose of expressing an opinion on individual balances of account or summaries of selected transactions such as those enumerated above and accordingly, we express no opinion thereon.

c) In accordance with the requirements of;

(i) Paragraph B(1) of Part II of Schedule II to the Companies Act, 1956.

(ii) The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI on January 19, 2000 in pursuance of Section 11 of SEBI Act, 1992, "the SEBI Guidelines" and

(iii) Request dated 24th May 2004 received from the Company to carry out the work relating to the offer document being issued by the National Thermal Power

Corporation Ltd., in connection with the initial public offer of equity shares of the company.

Subject to non-adjustment of changes in accounting policies regarding depreciation (refer note no. IV.B.1.2), we report that

i) the restated profits of the Company for the above years are as set out below. These profits have been arrived at after charging all operating and management expenses, including depreciation and after making such adjustments and regroupings as in our opinion are appropriate and are subject to the Accounting Policies and notes thereon given below, and

ii) the restated assets and liabilities of the company for the above periods are as set out below after making such adjustments and regroupings as in our opinion are appropriate and are subject to Accounting Policies and Notes thereon given below.

d) In accordance with Para 6.18.3(ii) of the SEBI Guidelines, also attached are restated summary financial statements of subsidiaries of the Company i.e Pipavav Power Development Company Ltd., NTPC Electric Supply Company Ltd., NTPC Vidyut Vyapar Nigam Ltd., and NTPC Hydro Ltd., for the year ended 31st March 2004.

e) We further report that the dividends declared by the Company in respect of the five financial years ended 31st March 2004 are as set out below.

f) The financial statements of the subsidiaries have not been consolidated into the attached summary statements of the Company and are enclosed as Annexure I to IV to this report. The 100% beneficial ownership of these subsidiaries vests with the Company as on 31st March 2004. Accordingly, the assets and liabilities and profit or loss as applicable, of such subsidiaries in the aforementioned financial statements to the extent of beneficial interest concern the members of the Company.

I. SUMMARY OF PROFIT & LOSS ACCOUNT, AS RESTATED

Rs. Million

	For the year ended 31st March 2004	For the year ended 31st March 2003	For the year ended 31st March 2002	For the year ended 31st March 2001	For the year ended 31st March 2000
Income:					
Sales	188519	190288	177982	189648	160396
Energy Internally consumed	193	187	171	244	204
Provisions written back	9648	3988	107	3631	3525
Other Income	61282	4036	6725	9161	7084
Total	259642	198499	184985	202685	171209
Expenditure:					
Fuel	122150	110312	103991	99342	80051
Employees' remuneration and benefits	8835	8213	8036	7640	6212
Generation, Administration & other expenses	9813	10869	11640	10066	9545
Depreciation	20232	15291	13784	23223	20831
Provisions	5835	5555	1836	9959	7890
Interest and finance charges	33697	9916	8677	10918	9828
Total	200562	160156	147964	161148	134357
Profit before Tax, Prior period adjustments and Extraordinary Items	59080	38343	37021	41537	36852
Prior period income/ expenditure (net)	183	803	1	798	544
Extraordinary Item - Capital receipt		0	501	0	0
Profit before Tax	58897	37540	37521	40739	36308
Provision for current tax	8682	11255	10299	13437	10175
Less: Income Tax Recoverable	2393	9791	8174	10037	8111
	6289	1464	2125	3400	2063
Provision for deferred tax	7901	3545	0	0	0
Less:Deferred Tax Recoverable	7901	3544	0	0	0
	0	1	0	0	0
Net Taxation	6289	1465	2125	3400	2063
Profit after Tax as per audited statement of accounts(A)	52608	36075	35396	37338	34245
Adjustment on account of					
Changes in accounting policies (refer note IV.B.1 (i))	-21	16	5	0	11
Impact of material adjustments (refer note IV.B.1.(ii))	-12901	-4130	4572	-2993	2412
Prior period items (refer note IV.B.1.(iii))	183	681	-299	648	-431
Total Adjustments (B)	-12739	-3433	4278	-2345	1992
Adjusted Profit (A+B)	39869	32642	39674	34993	36237
Balance brought forward	681	1496	2808	117	1406

	For the year ended 31st March 2004	For the year ended 31st March 2003	For the year ended 31st March 2002	For the year ended 31st March 2001	For the year ended 31st March 2000
Write back from Reserves:					
Bonds Redemption Reserve	584	0	1250	1578	2500
Investment Allowance Reserve	0	0	0	7187	0
Balance available for appropriation	41134	34138	43732	43875	40143
Transfer to Bonds redemption reserve	2067	1815	373	175	400
Transfer to Foreign Project Reserve	0	0	0	0	
Transfer to Capital Reserve	30	100	506	5	34
Transfer to General Reserve *	26261	24067	34278	32655	31992
Interim dividend	0	4000	0	0	3000
Proposed dividend	10823	3080	7079	7470	3500
Tax on proposed dividend	1387	395	0	762	1100
Balance carried to Balance Sheet	566	681	1496	2808	117

* The impact of adjustments on profit for the year have been adjusted in General Reserve

The accompanying accounting policies and notes on accounts are an integral part of this statement.

II. SUMMARY OF ASSETS & LIABILITIES, AS RESTATED

Rs. Million

	As at 31st March 2004	As at 31st March 2003	As at 31st March 2002	As at 31st March 2001	As at 31st March 2000
Fixed Assets (A)					
Gross Block	400364	366189	325027	319169	280825
Depreciation	187808	167728	152492	138662	115401
Net Block	212556	198461	172535	180507	165424
Capital Work-in-Progress	56413	51543	52038	27896	41549
Construction stores and advances	18540	12320	13512	10265	9003
Investments (B)	173380	170266	167597	33639	9016
Current Assets, Loans & Advances (C):					
Inventories	17380	17712	20176	18356	20227
Sundry debtors	4699	8360	7102	94276	83896
Cash and bank balances	6091	5447	12048	3829	5602
Other Current Assets	80023	42273	9565	26955	32329
Loans and Advances	27275	30606	26546	36945	48726
Sub-total (C)	135468	104398	75437	180361	190780
Less: Liabilities & Provisions (D):					
Secured loans	45844	41226	16455	19655	24278
Unsecured loans	108684	90931	99357	78393	76495
Deferred Tax Liability	1	1	0	0	0
Deferred revenue on account of					
Advance against Depreciation	1591	271	0	0	0
Development Surcharge Fund	3784	2492	1241	0	0
Current Liabilities and Provisions	80941	74277	61430	64599	71704
Sub-total (D)	240845	209198	178483	162647	172477
NET WORTH (A+B+C-D))	**355512**	**327790**	**302636**	**270021**	**243295**
Represented by:					
Share Capital (E)	78125	78125	78125	78125	78125
Reserves and Surplus (Adjusted) (F)	277387	249752	224583	191987	165229
Miscellaneous Expenditure (to the extent					
not written off or adjusted) : G		87	72	91	59
NET WORTH (E+F-G)	**355512**	**327790**	**302636**	**270021**	**243295**

The accompanying accounting policies and notes on accounts are an integral part of this statement.

III. DIVIDENDS

Rs. Million

Particulars	For the Year ended March, 2004	For the Year ended March, 2003	For the Year ended March, 2002	For the Year ended March, 2001	For the Year ended March, 2000
Equity Share Capital	78125	78125	78125	78125	78125
Face Value (Rs)	10	10	1000	1000	1000
No's	7812549400	7812549400	78125494	78125494	78125494
Rate of Dividend (%)					
Interim	-	5.12	-	-	3.84
Final	13.85	3.94	9.06	9.56	4.48
Amount of Dividend					
Interim	-	4000	-	-	3000
Final	10823	3080	7079	7470	3500
Corporate Dividend Tax :					
Interim	-	-	-	-	-
Final	1387	395	-	762	1100

IV. ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

A.1 ACCOUNTING POLICIES

1. GRANTS-IN-AID

1.1 Grants-in-aid received from the Central Government or other authorities towards capital expenditure as well as consumers' contribution to capital works are treated initially as Capital reserve and subsequently adjusted as income in the same proportion as the depreciation written off on the assets acquired out of the grants.

1.2 Where the ownership of the assets acquired out of the grants vests with the government, the grants are adjusted in the carrying cost of such assets.

1.3 Development surcharge recoverable from customers towards capital expenditure for capacity additions is initially credited to Development Surcharge Fund and subsequently recognized as Capital Reserve to the extent utilized in new capacity addition as specified in Central Electricity Regulatory Commission tariff regulations .

2. FIXED ASSETS

2.1 Fixed Assets are shown at historical cost.

2.2 Intangible assets are recorded at their cost of acquisition.

2.3 Capital expenditure on assets not owned by the Company is reflected as a distinct item in Capital Work-in-Progress till the period of completion and thereafter in the Fixed Assets.

2.4 Deposits, payments/liabilities made provisionally towards compensation, rehabilitation and other expenses relatable to land in possession are treated as cost of land.

2.5 In the case of commissioned assets, where final settlement of bills with contractors is yet to be effected, capitalisation is done on provisional basis subject to necessary adjustment in the year of final settlement.

2.6 Assets and systems common to more than one generating unit are capitalised on the basis of engineering estimates/assessments.

3. CAPITAL WORK-IN-PROGRESS

3.1 In respect of supply-cum-erection contracts, the value of supplies received at site and accepted is treated as Capital Work-in-Progress.

3.2 Incidental Expenditure during Construction (net) including corporate office expenses (allocated to the projects pro-rata to the annual capital expenditure) for the year, is apportioned to Capital Work-in-Progress on the basis of accretions thereto.

3.3 Deposit work/cost plus contracts are accounted for on the basis of statements of account received from the contractors.

3.4 Claims for price variation/exchange rate variation in case of contracts are accounted for on acceptance.

4. FOREIGN CURRENCY TRANSACTIONS

4.1 TRANSLATION OF FINANCIAL STATEMENTS IN FOREIGN CURRENCIES

4.1.1 Items of income and expenditure except depreciation are translated at average rate for the year. Depreciation is converted at the rates adopted for the corresponding fixed assets.

4.1.2 Current assets and liabilities are translated at the closing rates, and fixed assets are translated at the rates in force when the transaction took place.

4.1.3 All translation differences are recognised as income/expense during the year in which they arise.

4.2 OTHER FOREIGN CURRENCY TRANSACTIONS

4.2.1 Foreign currency transactions are initially recorded at the rates of exchange ruling at the date of transaction.

4.2.2 Foreign Currency loans/deposits/liabilities are reported with reference to the rates of exchange ruling at the year-end and the difference resulting from such translation as well as due to payment/discharge of liabilities in foreign currency related to Fixed Assets/Capital Work-in-Progress is adjusted in their carrying cost and that related to current assets is recognised as revenue/expenditure during the year.

5. BORROWING COSTS

Borrowing costs attributable to the fixed assets during their construction/renovation and modernisation are capitalised. Such borrowing costs are apportioned on the average balance of capital work-in-progress for the year. Other borrowing costs are recognised as an expense in the period in which they are incurred.

6. INVESTMENTS

Investments are intended for long term and are carried at cost. Provision is made for diminution, other than temporary, in the value of such investments.

7. INVENTORIES

7.1 Inventories, other than scrap, are valued at cost, on weighted average basis.

7.2 Losses towards unserviceable and obsolete stores and spares identified on review of inventories are provided for in the accounts.

7.3 Steel scrap is valued at realisable value.

8. PROFIT AND LOSS ACCOUNT

8.1 INCOME RECOGNITION

8.1.1 Sale of energy is accounted for based on tariff rates approved by the Central Electricity Regulatory Commission. In case of power stations where the tariff rates are yet to be approved /agreed with beneficiaries, provisional rates are adopted.

8.1.2 The incentives/disincentives are accounted for based on the norms notified/approved by the Central Electricity Regulatory Commission or agreements with the beneficiaries. In cases of power stations where the same have not been notified/approved/agreed with beneficiaries, incentives/disincentives are accounted for on provisional basis.

8.1.3 Advance against depreciation, forming part of tariff to facilitate repayment of loans, is reduced from sales and considered as deferred revenue to be included in sales in subsequent years.

8..1.4 The surcharge on late payment/ overdue sundry debtors for sale of energy is not treated accrued due to uncertainty of its realisation and is, therefore, accounted for on receipt.

8.1.5 Interest/surcharge recoverable on advances to suppliers as well as warranty claims/liquidated damages are not treated accrued due to uncertainty of realisation/acceptance and are therefore accounted for on receipt/acceptances.

8.1.6 Income from Consultancy service is accounted for on the basis of actual progress/technical assessment of work executed or costs incurred, in line with the terms of respective consultancy contracts.

8.1.7 Scrap other than steel scrap is accounted for in the accounts as and when sold.

8.1.8 Insurance claims for loss of profit are accounted for in the year of acceptance. Other insurance claims are accounted for based on certainty of realisation.

8.2 EXPENDITURE

8.2.1 Depreciation is charged on straight line method at the rates specified in Schedule XIV of the Companies Act, 1956 except for the following assets in respect of which depreciation is charged at the rates mentioned below:

a) Kutcha Roads	47.50 %
b) Enabling works	
- residential buildings including their internal electrification	6.33 %
- non-residential buildings including their internal electrification, water supply, sewerage & drainage works, railway sidings aerodromes, helipads, and airstrips	19.00 %

8.2.2 Depreciation on additions to/deductions from fixed assets during the year is charged on pro-rata basis from/up to the month in which the asset is available for use/disposal.

8.2.3 Assets costing up to Rs.5000/- are fully depreciated in the year of capitalization.

8.2.4 Computer software recognized as intangible assets is amortised on straight line method over a period of 3 years.

8.2.5 Where the cost of depreciable assets has undergone a change during the year due to increase/decrease in long term liabilities on account of exchange fluctuation, price adjustment, change in duties or similar factors, the unamortised balance of such asset is depreciated prospectively over the residual life determined on the basis of the rate of depreciation.

8.2.6 Machinery spares which can be used only in connection with an item of fixed asset and whose use is expected to be irregular are capitalised and depreciated over the residual useful life of the related plant and machinery.

8.2.7 Capital expenditure referred to in Para 2.3 is amortised over a period of 4 years, from the year in which the first unit of project concerned comes into commercial operation and thereafter from the year in which the relevant asset becomes available for use. However, such expenditure for community development in case of stations fully under operation is charged off to revenue.

8.2.8 Leasehold buildings are amortised over the lease period or 30 years whichever is lower. Leasehold land and buildings, whose lease period is yet to be finalised, are amortised over a period of 30 years.

8.2.9 Expenses on training, recruitment, research and development and ex-gratia payments under Voluntary Retirement Scheme are charged to revenue in the year of incurrence.

8.2.10 Expenditure on Leave Travel Concession to employees is recognized in the year of availment due to uncertainties in accrual.

8.2.11 Expenses common to operation and construction activities are allocated to Profit and Loss Account and Incidental Expenditure during Construction in proportion of sales to annual capital outlay in the case of Corporate Office and sales to accretion to Capital Work-in-Progress in the case of projects.

8.2.12 Net pre-commissioning income/expenditure is adjusted directly in the cost of related assets and systems.

8.2.13 Prepaid expenses and prior period expenses/income of items of Rs.100,000/- and below are charged to natural heads of accounts.

8.2.14 Carpet coal is charged off to coal consumption. However, during pre-commissioning period, carpet coal is retained in inventories and charged off to consumption in the first year of commercial operation. Windage and handling losses of coal as per norms are included in cost of coal.

9. RETIREMENT BENEFITS

9.1 The liability for retirement benefits of employees in respect of Provident Fund and Gratuity, which is ascertained annually on actuarial valuation at the year end, are accrued and funded separately.

9.2 The liabilities for leave encashment and post retirement medical benefits to employees are accounted for on accrual basis based on actuarial valuation at the year end.

10. FINANCE LEASES

10.1 Assets taken on lease are capitalized at fair value or net present value of the minimum lease payments whichever is lower.

10.2 Depreciation on the assets taken on lease is charged at the rate applicable to similar type of fixed assets as per Accounting Policy 8.2.1. If the leased assets are returnable to the lessor on the expiry of the lease period, depreciation is charged over its useful life or lease period, whichever is shorter.

10.3 Lease payments made are apportioned between the finance charges and reduction of the outstanding liability in respect of assets taken on lease.

A.2 CHANGES IN ACCOUNTING POLICIES DURING THE YEARS ENDED 31ST MARCH 2000 TO 31ST MARCH 2004

i. During the year ended 31st March 2000, in line with Accounting Standard (AS)-2 'Valuation of Inventories' and Accounting Standard (AS) -10 'Accounting for Fixed Assets', the Company has capitalized machinery spares which can be used only in connection with an item of fixed asset and whose use is expected to be irregular and depreciated the same over the residual useful life of the related plant and machinery.

ii. Depreciation has been provided as under:

Year	Relevant Law	Reasons for change
Upto the year 2000-01	Under Section 75A of Electricity Supply Act, 1948 at rates notified by Government of India under section 43 A (2).	
2001-02 and 2002-03	Under Section 75A of Electricity Supply Act, 1948 at rates notified under CERC regulations.	Omission of section 43 A (2) by notification of the Government of India u/s 51 of the Electricity Regulatory Commissions Act, 1998.
2003-04 onwards	As per the Companies Act, 1956.	Repeal of the Electricity (Supply) Act, 1948 by the Electricity Act, 2003.

a) Up to the year ended 31st March 2003, the Company has been providing depreciation on fixed assets from the year following that in which the asset became available for use and thereafter depreciation has been provided on pro-rata basis.

b) During the year ended 31st March 2004, assets costing upto Rs.5,000/- are fully depreciated in the year of capitalization as against the earlier policy of fully depreciating plant and machinery costing Rs.5,000/- or less and such items with written down value of Rs.5,000/- or less at the beginning of the year.

iii. From the year ended 31st March 2003, Advance against depreciation, forming part of tariff to facilitate repayment of loans, is reduced from sales and considered as deferred revenue to be included in sales in subsequent years.

iv. Due to Accounting Standard (AS) - 26 'Intangible Assets' becoming mandatory w.e.f. 1st April 2003, the Company recognized the expenditure on software as 'Intangible Assets' to be amortised over a period of three years, as against earlier policy of charging such expenditure to revenue.

B. NOTES ON ACCOUNTS

1.0 Adjustments/Regroupings

Impact of changes in Accounting policies, Extraordinary and prior period items:

Rs. Million

Particulars	Financial year ended 31st March 2004	Financial year ended 31st March 2003	Financial year ended 31st March 2002	Financial year ended 31st March 2001	Financial year ended 31st March 2000
Profit after tax as per audited statement of accounts	52,608	36,075	35,396	37,338	34,245
Adjustment on account of:					
(i) Changes in Accounting Policies - Software and its amortization [note no.1.1.i]	-21	16	5	-	11
Total	-21	16	5	-	11
(ii) Material Adjustments					
Sale of energy [note no.1.1.ii]	13,963	-4,866	-3,405	-7,745	-3,463
Effect of Scheme for Settlement of SEB dues and return of bonds [note no.1.1.iii]	-26,532	2,666	8,750	1,921	2,645
Arrears of remuneration to employees [note no.1.1.iv]	9	202	94	1430	-440
Other income and expenditure items	-4,952	-3,035	-58	2,936	4,646
	-17,512	**-5,033**	**5,381**	**-1,458**	**3,388**
(iv) Tax impact of adjustments [note no.1.1.v]	4,611	903	-809	-1,535	-976
Total	-12,901	-4,130	4,572	-2,993	2,412
(iii) Prior Period items [note no.1.1.vi]	183	681	-299	648	-431
Total	183	681	-299	648	-431

1.1 Adjustments carried out

i. The expenditure on software, charged off to revenue in earlier years, has been recognized as intangible asset and amortised over a period of three years.

ii. The sale of energy has been accounted for based on tariff rates approved by the Central Electricity Regulatory Commission (CERC) and/or Government of India. CERC has issued orders in December 2000 with respect to the tariff norms, principles and Availability Based Tariff (ABT).

   CERC have directed by notifications that the billing of sales in case of the power stations where the tariff has not been determined shall continue to be done on the same basis as on 31st March 2001, subject to adjustment on final determination of tariff by the CERC. In respect of some stations, CERC has issued provisional tariff orders for billing which are subject to adjustment on final determination of tariff.

   Adjustments arising out of determination of tariff as aforesaid have been carried out in the respective years.

iii. Pursuant to the Government of India Scheme for Settlement of Dues of State Electricity Boards (Scheme) the Company received, with effect from 1st October 2001, 8.5% tax-free bonds amounting to Rs.157,884 Million against outstanding principal dues, late payment surcharge, conversion of bonds issued by SEBs after 1st March, 1998 and outstanding as on 30th September, 2001 and other amounts recoverable.

   In terms of the bi-partite agreement dated 17th February 2004 entered between the Government of India and the Government of National Capital Territory of Delhi, having similar terms as the aforesaid Scheme, outstanding dues for the period March 1997 to September 2001 and agreed late payment surcharge of Delhi Vidyut Board amounting to Rs.10,603 Million were converted into interest bearing long term advance with effect from 1st October, 2001

   Adjustment in respect of the aforesaid and rebate allowable under the Scheme have been carried out in the respective years.

iv) Arrears paid on account of revision of pay scales and other emoluments have been adjusted in respective years.

v) Impact of income tax on adjustments has been computed net of tax recoverable from beneficiaries.

vi) The prior period items in the profit and loss account have been re-allocated to respective years.

The accounts for the years 1999-00 to 2003-04 have been restated in accordance with the Guidance Note issued by the Institute of Chartered Accountants of India and other changes/adjustments referred above. The effect of these changes has been shown as separate line items. The effect of changes for the financial years prior to 1999-00 has been adjusted in the General Reserve as at 1st April 1999.

1.2 Adjustment not carried out

Since the Company has provided depreciation as per the statutory provisions applicable in the relevant years as stated above, no adjustment has been made for changes in the accounting policies regarding depreciation.

2.0 Contingent Liabilities

Rs. Million

	As at 31st March 2004	As at 31st March 2003	As at 31st March 2002	As at 31st March 2001	As at 31st March 2000
Claims against the Company not acknowledged as debt in respect of :					
Capital works	5,455	5,163	3,968	8,109	7,004
Land compensation cases	10,314	9,924	5,593	4,957	1,693
Others	2,438	3,828	3,309	10,503	9,881
Disputed Sales Tax demand	314	318	263	290	370
Letters of Credit other than for capital expenditure	965	1,205	1,030	149	-
Guarantee in favour of bankers of Joint Venture	24	24	24	24	24
Others	22	45	40	99	2,478
Total	**19,532**	**20,507**	**14,227**	**24,131**	**21,450**

3.0 Estimated amount of contracts remaining to be executed on capital account and not provided for

Rs. Million

As at 31st March 2004	As at 31st March 2003	As at 31st March 2002	As at 31st March 2001	As at 31st March 2000
87,465	61,836	60,092	44,122	42,632

4.0 The amounts of exchange differences (net) are as under

Rs. Million

Particulars	Financial year ended 31st March 2004	Financial year ended 31st March 2003	Financial year ended 31st March 2002	Financial year ended 31st March 2001	Financial year ended 31st March 2000
Recognised in the profit and loss account	25 (debit)	36 (debit)	4 (debit)	10 (credit)	5 (credit)
Adjusted to the carrying cost of fixed assets/construction work in progress	1,411 (debit)	4,550 (debit)	264 (debit)	1,167 (credit)	3,742 (debit)

5.0 Other significant notes on account as on 31st March 2004

a) The conveyancing of the title to **10,310** acres of freehold land of value **Rs. 4,145 Million** (Previous Year 9446 acres, value Rs.2914 Million) and execution of lease agreements for **6,984** acres of value Rs. **696 Million** (Previous Year 6,375 acres, value Rs. 771 Million) in favour of the Company are awaiting completion of legal formalities.

b) Land shown in the books does not include cost of **1,327** acres (Previous year 1,372 acres) of land in possession of the Company. This will be accounted for on settlement of the price thereof by the State Government Authorities.

c) Land includes amount of **Rs.2,334 Million** (Previous year Rs. 374 Million) deposited with various authorities in respect of land in possession which is subject to adjustment on final determination of price.

d) Balances shown under debtors, advances, creditors and material lying with contractors/ fabricators and material issued on loan in so far as these have not been since realised/ discharged or adjusted are subject to confirmation/reconciliation and consequential adjustment, if any.

e) In accordance with the Uttar Pradesh Electricity Reforms (Transfer of Tanda Generation Undertaking) Scheme 2000, the assets of Tanda Power Station (440 MW) of UP State Electricity Board (UPSEB) acquired for a total consideration of Rs.6,070 Million, were handed over to the company free from all encumbrances. However, the charge created by UPSEB in favour of Life Insurance Corporation of India before the assets were taken over is still to be vacated.

6.0 Interests in Joint Ventures

Name of the Company	Proportion of ownership interest as on 31st March 2004
Utility Powertech Limited	**50%**
NTPC-Alstom Power Services Private Limited	**50%**
Power Trading Corporation of India Ltd.	**8%**
NTPC-SAIL Power Company Private Limited	**50%**
Bhilai Electric Supply Company Private Limited	**50%**
NTPC Tamilnadu Energy Ltd.	**50%**

B. We have examined the following financial information relating to the company proposed to be included in the Offer Document, as annexed to this report.

i. Summary of accounting ratios based on the adjusted profits relating to earnings per share, net asset value and return on net worth enclosed as Annexure-A.

ii. Capitalisation Statement, as at 31st March 2004 of the company enclosed as Annexure-B.

iii. Statement of Tax Shelters enclosed as Annexure-C.

iv. Statement of Other Income enclosed as Annexure-D.

v. Statement of Sundry Debtors as at 31st March 2004 enclosed as Annexure-E.

vi. Statement of value of quoted investments as at 31st March 2004 enclosed as Annexure-F.

vii. Statement of Loans and Advances as at 31st March 2004 enclosed as Annexure-G.

viii. Statement of Tax Benefits enclosed as Annexure H.

ix. Statement of Secured and Unsecured Loans as at 31st March 2004 enclosed as Annexure-I.

x. Statement of Related Party Transactions for the year ended 31st March 2004, 31st March 2003 and 31st March 2002 enclosed as Annexure-J.

xi. Cash Flow Statements for the year ended 31st March 2004, 31st March 2003 and 31st March 2002 enclosed as Annexure-K.

C i) In our opinion, the financial information of the Company as stated in Part A an Part B above, read with respective significant accounting polices after making groupings and adjustments as were considered appropriate by us and subject to non-adjustment of depreciation as stated in note no.IV B.1.2 to accounts, have been prepared in accordance with Part II of Schedule II of the Companies Act,1956 and SEBI Guidelines.

ii) In our view, the Financial information as given in Part B above is true and correct and is in accordance with the relevant requirement of guidelines issued by SEBI.

iii) The statement of tax benefits states the tax benefits available to the Company and its shareholders under the provisions of the Income Tax Act, 1961 and other direct tax laws presently in force. The contents of this statement are based on information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company.

iv) This report is intended solely for your information and for inclusion in the Offer Document in connection with the Initial public issue of equity shares by the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For Kalani & Co., Chartered Accountants	For Amit Ray & Co., Chartered Accountants	For Umamaheswara Rao & Co., Chartered Accountants
(K.L. Jhanwar) Partner M. No. 14080	(Pradeep Mukherjee) Partner M. No. 70693	(L. Shyama Prasad) Partner M. No. 28224
For S.N.Nanda & Co., Chartered Accountants	For T.R. Chadha & Co. Chartered Accountants	
(S.N. Nanda) Partner M. No. 5909	(Sanjay Gupta) Partner M. No. 87563	

Place :New Delhi
Dated 18th June 2004

Annexure - A

Summary of Accounting Ratios

Key Ratios	Financial Year ended March,2004	Financial Year ended March,2003	Financial Year ended March,2002	Financial Year ended March,2001	Financial Year ended March,2000
Earning Per Share (Rs.)	5.10	4.18	5.08	4.48	4.64
Net Assets Value per share (Rs.)	45.51	41.96	38.74	34.56	31.14
Return on Net Worth (%)	11.21	9.96	13.11	12.96	14.89
Number of equity Share Outstanding at the end of the year (*)	7812549400	7812549400	7812549400	7812549400	7812549400

'(*) Face value of shares revised from Rs.1000/- to Rs.10/- in 2002-03

Formula:

Earning Per Share (Rs.) = $\dfrac{\text{Net Profit after tax}}{\text{No.of Equity Shares outstanding at the end of the year}}$

Net Assets Value per share (Rs) = $\dfrac{\text{Net worth excluding revaluation reserve}}{\text{No.of Equity Shares outstanding at the end of the year}}$

Return on Net worth % = $\dfrac{\text{Net Profit after tax}}{\text{Net worth Equity excluding revaluation reserve}}$

Annexure - B

Capitalisation Statement

Rs. Million

Sl.No.	Particulars	Pre- Issue as at 31-3-04
A.	Debt:	
a)	Short- term Debt	12310
b)	Long - term Debt	142218
	Total Debt:	154528
B.		
a)	Equity Share Capital	78125
b)	Reserves & Surplus	277387
	Total Equity (Net Worth):	355512
C.	Long -term Debt/ Equity:	0.4

Statement of Tax Shelter

Annexure – C

Rs. in Million

RATE OF TAX	**35.88%**	**36.75%**	**35.70%**	**39.55%**	**38.50%**	**35.00%**
Particulars	**2003-04**	**2002-03**	**2001-02**	**2000-01**	**1999-2000**	**1998-1999**
A PROFIT BEFORE TAX BUT AFTER EXTRAORDINARY ITEMS	58897	37540	37521	40738	36309	29161
a Gross Generation Profit	0	34685	30980	32133	29602	26573
b Gross Non Generation Profit	58897	2855	6540	8605	6707	2588
Total Profit Before Tax (a+b)	58897	37540	37521	40738	36309	29161
c Tax on Generation Income	0	20153	17201	21023	18531	14308
d Tax on Non Generation Profit	21129	1049	2335	3403	2582	906
TOTAL TAX ON BOOK PROFIT (c+d)	21129	21202	19536	24427	21113	15214
ADJUSTMENTS						
B PERMANENT DIFFERENCES (B)						
Dividend exempt U/S 10(33)/10(34)/80M	95	36	57	0	1	
Donations	0	-1	0	-1	0	-1
Wealth Tax	7	-3	-1	-1	-2	
Tax Holiday claim u/s 80IA/80I/80HH	1216	16434	14790	23897	24999	11201
Interest on 8.5% Tax Free Power Bonds	34854					
Others	0		501	1	195	33
Net Prior Period adjustments	12221	1255	-2374	4237	-1964	-261
TOTAL PERMANENT DIFFERENCES (B)	48392	17722	12972	28133	23230	10972
C TIMING DIFFERENCES						
Diff. Between book depreciation and Tax depreciation	8387	9762	8857	4883	-12964	-2973
Profit on sale of assets	47	147	8	19	3	18
Loss on sale of assets	-111	-77	-35	-46	-41	-5
Expenditure on assets not owned by the company	8	477	80	38	50	74
IDC/IEDC	0	4228	2928	2463	2609	1912
Net Provisions disallowed	2674	-1715	-1848	-6308	-4372	-3475
Tax, duty & other sums U/s 43B	-500	-497	-428	-4	-6	0
Expenditure on VRS u/s 35DDA		-43	0	0	0	0
TOTAL TIMING DIFFERENCES (C)	10505	12280	9562	1045	-14720	-4449
D NET ADJUTSMENT (B+C)	58897	30002	22534	29178	8510	6523
E TAX SAVINGS THEREON:						

Particulars	**2003-04**	**2002-03**	**2001-02**	**2000-01**	**1999-2000**	**1998-1999**
Generation Income (to be pass through to	0	16222	12233	18435	5327	3512

	beneficiaries)						
	Non Generation Income	19581	766	179	396	0	1
	TOTAL TAX SAVING	19581	16987	12412	18831	5327	3512
F	TAXABLE INCOME AS PER IT RETURN	0	7538	14987	11560	27799	22638
	Generation	0	6766	8947	3955	21092	20051
	Non Generation	0	772	6040	7605	6707	2586
	TOTAL TAXABLE INCOME	0	7538	14987	11560	27799	22638
G	TAX AS PER INCOME TAX RETURN						
	Generation Income	0	3931	4968	2588	13204	10797
	Non Generation Income	0	284	2156	3008	2582	905
	Tax U/S 115 JB @ 7.6875%	1548	0	0	0	0	0
	TOTAL TAX AS PER RETURN	1548	4215	7124	5596	15786	11702
H	Carry forward of Long Term Capital Loss	0	0	14	31	31	31

Note : In line with Power tariff agreements, tax liability on generation income is pass through to beneficiaries.

Details of Other Income

Annexure - D

Rs. in Millions

Particulars	For the Year ended 31st March, 2004	For the Year ended 31st March, 2003	For the Year ended 31st March, 2002	For the Year ended 31st March, 2001	For the Year ended 31st March, 2000	Nature of Income
Dividend from Investments	95	36	57	0	1	Recurring
Interest Income on:						
(a) Govt. Securities (8.5% Tax Free Bonds)	13950	13949	6955			Recurring
(b) Interest from Bonds	1002	1822	2800	2382	632	Recurring
(c) Loan to State Govt. in settlement of dues from customers	901	901	451			Recurring
(d) Public Deposits with Govt. of India	2751	1087	601			Recurring
(e) Deposits with Banks/Financial Institutions	61	159	28	34	4	Recurring
(f) Loans and Advances to Employees	296	284	262	186	196	Recurring
(g) Interest on Income Tax Refunds	12	27	279			Recurring
(h) Others	3	157	18	1683	3120	Recurring
Surcharge on late payment from customers	1900	5	3494	6319	5438	Non-Recurring
Miscellaneous Income	1057	997	530	479	338	Recurring
TOTAL	**22028**	**19424**	**15475**	**11083**	**9729**	

Sundry Debtors As On March 31,2004

Annexure – E

Rs Million

A	Debts outstanding over six months:	
	Unsecured- Considered good	3644
	Considered Doubtful	14287
		17931
B	Other debts	
	Unsecured- Considered good	1055
		18986
	Less: Provision for bad & doubtful debts	14287
	Total	4699

Market Value of Quoted Investment

Annexure –F

	Number of shares/ bonds	Face Value per share/ bond (Rs)	31.3.2004 (Rs. Million)
Bonds (Quoted)			
5.00% Reedemable, Unsecured, Non-Convertible Tax- Free Bonds, 1.10.2008 National Bank for Agriculture and Rural development (NABARD) Bonds IV G (b)	18500	10000	192
	18500	10000	192

Loans and Advances as at March 31, 2004 as Restated

Annexure – G

Rs Million

A	Loans			
		Secured considered good	4916	
		Considered doubtful	1	
			4917	
	Less:	Provision for bad and doubtful loans	1	
				4916
		Unsecured Considered good		13091
B	Advances to subsidiary Companies			
		Unsecured Considered good		94
C	Advances Recoverable in Cash or kind or Value to be received			
		Secured considered good		1
		Unsecured Considered good	4875	
		Considered doubtful	41	
			4916	
	Less:	Provision for bad and doubtful advances and claims	41	
				4875
		Deposits With customs /Port trusts & others etc.		453
		Advance tax deposit & tax deducted at source (Net of provision for tax)		3845
		Total		27275

Note

1 Out of the total loans and Advances outstanding as at March 31,2004 Rs. 1 million is outstanding from whole time Directors.

2 Advances outstanding as at March 31,2004 from Subsidiary Companies are as below.

		Rs Million
(i)	Pipavav Power Development Company Limited.	60
(ii)	NTPC Electric supply Company Limited.	18
(iii)	NTPC Vidyut Vyapar Nigam Limited.	14
(iv)	NTPC Hydro Limited.	2

Annexure - I

STATEMENT OF SECURED & UNSECURED LOANS

Rs. Million

	PARTICULARS	As At March 31, 2004	As At March 31, 2003	As At March 31, 2002	As At March 31, 2001	As At March 31, 2000
A	**SECURED LOANS**					
	BONDS :					
	9% (Tax free) Non-cumulative Secured Bonds of Rs. 1,000/- each redeemable at par on 20th March 2002 (Eight Issue-Private Placement)				2500	2500
	16.5% Regular Return Bonds of Rs.1,000/- each redeemable at par on 08th February 2001(Tenth issue)					1325
	16.5% Triple Money Bonds of Rs. 1,000/- each redeemable at par on 08th February 2001(Tenth Issue)					535
	15.5% Non-cumulative Secured Bonds of Rs. 1,000/- each redeemable at par on 26th February 2001 (Eleventh Issue-Private Placement)					23
	14% Non-cumulative Secured Bonds of Rs. 1,000/- each redeemable at par on 24th March 2001(Eleventh Issue-Private Placement					1262
	10.5% (Tax Free) Non-Cumulative Secured Bonds of Rs1,000/- each redeemed at par on 24th March, 2004 (Eleventh Issue - Private Placement) *1		1000	1000	1000	1000
	10% Secured Non-Convertible Taxable Bonds of Rs10,00,000/- each with five equal Separately Transferable Redeemable Principal Parts (STRPP) redeemable at par at the end of the 6th, 7th, 8th, 9th and 10th year respectively from 5th September, 2001 (Twelfth Issue - Private Placement) (shown as Unsecured in 2001-02) *2	5000	5000			
	9.55% Secured Non-Cumulative Non-Convertible Taxable Redeemable bonds of Rs10,00,000/- each redeemable at par in ten equal annual instalments commencing from the end of 6th year and upto the end of 15th year from 18th April, 2002 (Thirteenth Issue -Part A - Private Placement) *3	7500	7500			
	9.55% Secured Non-Cumulative Non-Convertible Taxable Redeemable bonds of Rs10,00,000/- each with ten equal Separately Transferable Redeemable Principal Parts (STRPP) redeemable at par at the end of the 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th and 15th year resepectively from 30th April, 2002 - (Thirteenth Issue - Part B - Private Placement) *3	7500	7500			
	8.05% Secured Non-Cumulative Non-Convertible Redeemable Taxable bonds of Rs10,00,000/- each with two equal Separately Transferable Redeemable Principal Parts (STRPP) redeemable at par at the end of 4th and 5th year respectively from 1st August, 2002 (Fourteenth issue - Private Placement) *4	5000	5000			

13.6% Secured Non-cumulative Non-convertible Redeemable Taxable Bonds of Rs1,00,000/- each redeemable at par in three annual instalments of 30%, 30% and 40% commencing from 28th September 2004 (Fifteenth Issue - Part C - Private Placement) *5	110				
8% Secured Non-cumulative Non-convertible Redeemable Taxable Bonds of Rs10,00,000/- each redeemable at par on 10th April 2018 (Sixteenth Issue - Private Placement) *6	1000				
8.48% Secured Non-cumulative Non-convertible Redeemable Taxable Bonds of Rs10,00,000/- each redeemable at par on 1st May, 2023 (Seventeenth Issue - Private Placement) *6	500				
5.95% Secured Non-cumulative Non-convertible Redeemable Taxable Bonds of Rs 10,00,000/- each with five equal Separately Transferable Redeemable Principal Parts (STRPP) redeemable at par at the end of 6th, 7th, 8th, 9th and 10th year respectively from 15th September 2003 (Eighteenth Issue - Private Placement) *7	5000				
7.5% Secured Non-cumulative Non-convertible Redeemable Taxable Bonds of Rs.10,00,000/- each redeemable at par on 12th January, 2019 (Nineteenth Issue - Private Placement) *8	500				
Loans and Advance from Banks :					
Foreign Currency Term Loans (Guaranteed by Government of India) *9	13730	15223	15455	15705	16256
Other Loans and Advances :					
Rupee Term Loan				450	1377
Assets taken on lease	4	3			
TOTAL (A)	**45844**	**41226**	**16455**	**19655**	**24278**

1 Secured by equitable mortgage / hypothecation of all the present and future fixed assets and movable assets of Korba Super Thermal Power Station as first charge, ranking pari-passu with charge already created, subject to, however, company's bankers first charge on certain movable assets hypothecated to them for working capital requirement.

2 Secured by (I) English mortgage of the office premises of the company at Mumbai, (II) Hypothecation of all the present and future movable assets of Singrauli Super Thermal Power Station as first charge, ranking pari-passu with charge already created, subject to, however, company's bankers' first charge on certain movable assets hypothecated to them for working capital requirement and (III) Equitable mortgage by deposit of title deeds of the immovable properties pertaining to Singrauli Super Thermal Power Station.

3 Secured by (I) English mortgage of the office premises of the company at Mumbai, (II) Hypothecation of all the present and future movable assets of Singrauli Super Thermal Power Station and National Capital Power Station as first charge, ranking pari-passu with charge already created, subject to, however, company's bankers' first charge on certain movable assets hypothecated to them for working capital requirement and (III) Equitable mortagage of the immovable properties pertaining to Singrauli Super Thermal Power Station by extension of charge already created.

4 Secured by (I) English mortgage of the office premises of the company at Mumbai, (II) Hypothecation of all the present and future movable assets of National Capital Power Station, Feroze Gandhi Unchahar Thermal Power Station and Dadri Gas Power Station as first charge, ranking pari-passu with charge already created, subject to, however, company's bankers' first charge on certain movable assets hypothecated to them for working capital requirement and (III) Equitable mortgage of the immovable properties pertaining to Singrauli Super Thermal Power Station by extension of charge already created.

5 Secured by (I) English mortgage of the office premises of the company at Mumbai, (II) Hypothecation of all the present and future movable assets of Dadri Gas Power Station as first charge, ranking pari-passu with charge already created, subject to, however, company's bankers' first charge on certain movable assets hypothecated to them for working capital requirement and (III) Equitable mortgage of the immovable properties pertaining to Singrauli Super Thermal Power Station by extension of charge already created.(secured during the year, shown as unsecured loan in previous year)

6 Secured by (I) English mortgage of the office premises of the company at Mumbai and (II) Equitable mortgage by deposit of title deeds of the immovable properties petaining to National Capital Power Station.

7 Secured by (I) English mortgage of the office premises of the company at Mumbai and (II) Equitable mortgage of the immovable properties pertaining to National Capital Power Station by extension of charge already created.

8 Secured by (I) English mortgage of the office premises of the company at Mumbai and (II) Hypothecation of all the present and future movable assets of Dadri Gas Power Station as first charge, ranking pari-passu with charge already created, subject to, however, company's bankers' first charge on certain movable assets hypothecated to them for working capital requirement.

9 Secured by English mortgage/hypothecation of all the present and future fixed and movable assets of Rihand Super Thermal Power Station as first charge, ranking pari-passu with charge already created, subject to, however, company's bankers' first charge on certain movable assets hypothecated to them for working capital requirement.

Annexure - I

Statement of secured & unsecured loans

Rs. million

	PARTICULARS	As At March 31, 2004	As At March 31, 2003	As At March 31, 2002	As At March 31, 2001	As At March 31, 2000
B	**UNSECURED LOANS**					
	Fixed Deposits	5113	5067	2651	1683	3253
	Bonds					
	10% Non-convertible Taxable Bonds of Rs10,00,000/- each with five equal Separately Transferable Redeemable Principal Parts (STRPP) redeemable at the end of the 6th,7th,8th,9th,10th year respectively from 5th September, 2001.(Twelfth issue-Private Placement) (shown under secured loan on creation of security)			5000		
	15% Secured Non-Cumulative Non-Convertible Redeemable Taxable Bonds of Rs1,00,000/- each redeemable at par in two equal instalments on 31st March 2005 and 31st March 2006 with put and call option on or after 31st March 2004 (Fifteenth Issue (Part B) – Private Placement (Redeemed by exercising call option)		403			
	13.6% Secured Non-Cumulative Non-Convertible Redeemable Taxable Bonds of Rs1,00,000/- each redeemable at par in three annual instalments of 30%, 30% and 40% commencing from 28th September 2004 (Fifteenth Issue (Part C) - Private Placement) (shown under 'secured loans' on creation of security)		110			
	5.5% Eurobonds due for repayment on 10th March 2011	8862				
	Other Loans and Advances					
	From Banks and Financial Institutions					
	Foreign Currency Term Loans (Guaranteed by Government of India)	26675	24531	20173	11151	12416
	Other Foreign Currency Term Loans	9375	16146	22531	24782	28452
	Rupee Term Loans	57675	43232	27059	16037	6300
	From Others					
	Loan from Government of India	984	1442	21943	24739	26075
	TOTAL (B)	**108684**	**90931**	**99357**	**78392**	**76496**

RELATED PARTY TRANSATIONS

Annexure - J

STATEMENT OF RELATED PARTY TRANSACTIONS
As per Accounting Standard (AS-18) effective from 1.4.

A) List of joint ventures (Excluding State controlled Entities)

1	**2003-04**
(i)	Utility Powertech Limited.
(ii)	NTPC-Alstom Power Services Private Ltd..
(iii)	Power Trading Corporation of India Ltd.
2	**2002-03**
(i)	Utility Powertech Limited.
(ii)	NTPC-Alstom Power Services Private Ltd..
3	**2001-02**
(i)	Utility Powertech Limited.
(ii)	NTPC-Alstom Power Services Private Ltd..

B) Key Management Personnel:

	2003-04	
(i)	Shri C.P. Jain.	Chairman and Managing Director
(ii)	Shri B.N. Ojha	Director(Operations) *
(iii)	Shri K.K. Sinha	Director(Human Resources)
(iv)	Shri P. Narasimharamulu	Director(Finance)
(v)	Shri T. Sankaralingam	Director(Projects)
(vi)	Shri S.L. Kapur	Director(Technical)
(vii)	Shri R.D. Gupta	Director(Commercial)**
(viii)	Shri Chandan Roy	Director(Operations)
	* Superannuated on December 31, 2003.	
	** Resigned on June 30, 2004.	
	2002-03	
(i)	Shri C.P. Jain.	Chairman and Managing Director
(ii)	Shri B.N. Ojha	Director(Operations)
(iii)	Shri A.Palit	Director(Technical)*

(iv)	Shri K.K. Sinha	Director(Human Resources)
(v)	Shri H.L Bajaj	Director(Commercial)
(vi)	Shri P. Narasimharamulu	Director(Finance)
(vii)	Shri T. Sankaralingam	Director(Projects)
(viii)	Shri S.L. Kapur	Director(Technical)
	* Superannuated on	

2001-02

(i)	Shri C.P. Jain.	Chairman and Managing Director
(ii)	Shri B.N. Ojha	Director(Operations)
(iii)	Shri A.Palit	Director(Technical)
(iv)	Shri K.K. Sinha	Director(Human Resources)
(v)	Shri H.L Bajaj	Director(Commercial)
(vi)	Shri P. Narasimharamulu	Director(Finance)
(vii)	Shri T. Sankaralingam	Director(Projects)

C) Transactions with the related parties at (A) above are as follows:

Rs. Million

Particulars	Transactions			Outstanding Amount		
	2003-04	2002-03	2001-02	2003-04	2002-03	2001-02
Contracts for Works/Services						
- Received by the Company	661	764	583	9*	67*	43*
				109**	122**	110**
- Provided by the Company	5	6	1	1*	1*	1*
						1**
Contribution towards equity	60		10	160	40	40
Deputation of employees	2	4	6	1*	1*	2

* Outstanding amount recoverable

** Outstanding amount payable

D) Remuneration to key management personnel

	Rs. Million
2003-04	8
2002-03	8
2001-02	5

E) Amount of Dues Outstanding

	Rs. Million
2003-04	1
2002-03	*
* (Rs 467792/-)	
2001-02	1

Annexure - K

Cash Flow Statement From The Restated Financial Statements For

The Years Ended 31st March 2002, 31st March 2003 And 31st March 2004

Rs. Million

	31ST MARCH 2004	31ST MARCH 2003	31ST MARCH 2002
A. CASH FLOW FROM OPERATING ACTIVITIES			
Net Profit before tax and Prior Period Adjustments	41547	33326	42407
Adjustment for:			
Depreciation	20246	15473	13877
Provisions	5835	5555	1836
Deferred revenue on account of Advance Against Depreciation	1320	271	-
Interest	10107	9003	8957
Interest on Bonds	(18769)	(15771)	(9755)
Prior Period Adjustments (Net)	-	(122)	(300)
Dividend Income	(95)	(36)	(57)
Development Surcharge Fund	1292	1251	1241
	19936	15624	15799
Operating Profit before Working Capital Changes	61483	48950	58206
Adjustment for:			
Trade and Other Receivables	(4153)	(6698)	(24133)
Inventories	222	2406	(1808)
Trade Payables and Other Liabilities	3650	14478	8380
Loans and Advances	(210)	(4904)	(2706)
Other Current Assets	(152)	(2234)	(1963)
Intangible Assets	-	(38)	(20)
	(643)	3010	(22250)
Cash generated from operations	60840	51960	35956
Direct Taxes Paid	(5115)	(14349)	(14426)

Income Tax Recoverable	2393	9791	8174
Net Cash from Operating Activities - A	58118	47402	29704
B. CASH FLOW FROM INVESTING ACTIVITIES			
Expenditure on Fixed Assets	(46654)	(32906)	(31366)
Purchase of Investments	(770)	-	(477)
Sale of Investment	-	-	110
Invesment in Subsidiaries	(216)	(3)	-
Loans & Advances to Subsidary	(36)	2	-
Interest on Bonds Received	22984	935	2522
Dividend on Investments Received	95	91	2
Extra Ordinary Item-Capital receipts	-	-	501
Net cash used in Investing Activities - B	(24597)	(31881)	(28708)
C. CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from Long Term Borrowings	37949	45421	27197
Repayment of Long Term Borrowings	(15578)	(30439)	(9432)
Interest Paid	(10023)	(9174)	(8903)
Dividend	(3080)	(11079)	(7470)
Tax on Dividend	(395)	-	(762)
Net Cash flow from Financing Activities - C	8873	(5271)	630
D. OTHERS			
Intangibles - D	63	(15)	18
Net Increase/Decrease in Cash and Cash equivalents (A+B+C+D)	42457	10235	1644
Cash and cash equivalents(Opening balance) *	23894	13659	**12015**
Cash and cash equivalents(Closing balance) *	66351	23894	**13659**
	42457	10235	1644

NOTES :Cash and Cash Equivalents consists of Cash in Hand, Balance with Banks, Public DepositAccount and interest accrued thereon

thereon.

Pipavav Power Development Company Limited

Financial Statements For Three Years Ended 31st March, 2004

Summary of Profit and Loss Account, As Restated

Rupees

	Financial Year ended March 31,2004	Financial Year ended March 31,2003	Financial Year ended March 31,2002
Expenditure			
Secretarial Audit Fee	4,320	-	-
Audit Fees	10,800	-	-
Survey & Investigation Expenses Written Off	2,810,162	-	-
Preliminary & Pre-operative written off	797,916	-	-
Miscellaneous Expense	50	-	-
Net Loss as per Audited Accounts	3,625,748	-	-
Impact of material adjustments			
-Preoperative expenses written off	(25,716)	21,201	4,515
Adjusted loss carried over to balance sheet	3,600,032	21,201	4,515

Summary of Assets and Liabilities, As Restated

	As At March 31, 2004	As At March 31, 2003	As At March 31, 2002
A. Current Assets, Loans & Advances			
Cash in hand	749	439	270
Balance with schedule Bank-Current Account	38,623	6,743	4,315
Advance to Gujarat Power Corporation Ltd.	60,500,000	60,500,000	60,500,000
Total	60,539,372	60,507,182	60,504,585
B. Current Liabilities			
Sundry Creditors	15,120	15,260	2,100
Others Liabilities	60,500,000	60,500,000	63,589,362
Total	60,515,120	60,515,260	63,591,462
Net Worth (A-B)	24,252	(8,078)	(3,086,877)
Net Worth Represented By			
C. Share Capital	3,650,000	3,600,000	500,000
D. Profit and Loss Account (Debit Balance)	3,625,748	25,716	4,515
E. Miscellaneous Expenditure to the extent not written off	-	3,582,362	3,582,362

A.) SIGNIFICANT ACCOUNTING POLICIES FOLLOWED ON 31.03.2004.

The accounts have been prepared under historical cost convention on accrual basis as per the applicable Accounting Standards.

B) MATERIAL NOTES TO ACCOUNTS

1. Pursuant to Presidential Directive received under Article of Association of National Thermal Power Corporation Limited (NTPC), NTPC had paid a sum of Rs. 6,05,00,000 for acquisition of 212 hectares of land in Amreli District of Gujarat to M/s Gujarat Power Corporation Ltd. (GPCL). The payment was made by NTPC on behalf of Pipavav Power Development Company Limited and accordingly is has been shown as advance to GPCL. The land is yet to be transferred in the name of the company.

2. GPCL has given NOC to Revenue Department of Government of Gujarat for transfer of 3.68 hectare of land (out of 212 hectare) to Railways for laying new rail line between Rajula and Pipavav port. The amount is yet to be received from railways in this regard.

Preliminary, pre-operative and Survey and Investigation expenses have been written off to Profit and Loss Account during the financial year 2003-04.

NTPC Electric Supply Company Ltd.

Financial Statements For The Financial Year Ended March 31,2004 & For The Year Ended March 31, 2003

Sumary Of Profit And Loss Account, As Restated (Rounded in Rupees)

Financial Year ended March 31	**2004**	**2003**
Income/Revenue		
Income from Consultancy,project management and supervision fee	14,630,513	0
Other Income	3,052,133	0
Total	**17,682,646**	**0**
Expenditure		
Employees' remuneration and benefits	13,141,022	30,484
Administration and other expenses	4,580,278	15,409
Finance Charges	13,447	100
Total	**17,734,747**	**45,993**
Loss before tax	**(52101)**	**(45993)**
Less : taxation - current	-	-
Less : taxation - Deferred	(18691)	(16500)
Loss after tax as per audited statement of accounts (A)	**(33,410)**	**(29,493)**
Adjustment on account of changes in accounting policies	0	0
Impact of material adjustments & prior period items	0	0
Total Adjustments (B)	0	0
Adjusted Loss (A+B)	**(33,410)**	**(29,493)**
Carried forward loss from previous year	(29493)	0

Balance carried forward to Balance Sheet	**(62,903)**	**(29,493)**

II SUMMARY OF ASSETS AND LIABILITIES, AS RESTATED

(Rounded in Rupees)

Financial year ended March 31	2004	2003
A Fixed Assets:		
Gross Block	0	0
Less Accumulated Depreciation	0	0
Net Block	0	0
Add: Capital work-in progress	0	0
Total	**0**	**0**
B Investments:	**0**	**0**
C Deferred Tax Assets	**35,191**	**16,500**
D Current Assets, Loans & Advances		
Sundry Debtors	18,853,087	0
Cash and Bank Balances	3,804,993	32,111
Total	**22,658,080**	**32,111**
E Liabilities & Provisions		
Current Liabilities	22,564,898	41,284
Total	**22,564,898**	**41,284**
F Net Worth (A+B+C+D-E)	**128,373**	**7,327**
Net Worth Represented By		
G Share Capital	**809,100**	**809,100**
H Reserve and Surplus		
Balance as per Profit & Loss Account	(62,903)	(29,493)
Total	**(62,903)**	**(29,493)**
I Miscellaneous Expenditure to the extent not written off	**617,824**	**772,280**
J Net Worth (G+H-I)	**128,373**	**7,327**

Significant Accounting Policies followed on 31st March 2004

i) Preliminary expenses have been carried forward and amortised over a period of five years from the year of incurrence.

ii) Income from Consultancy service is accounted for on the basis of actual progress/technical assessment of work executed or costs incurred, in line with the terms of respective consultancy contracts.

iii) Pre-paid expenses and prior period expenses/income of items of Rs. 10,000/- and below are charged to natural heads of accounts.

Changes in significant accounting policies

With the commencement of business activities of the company during the year, the accounting policies related to income from consultancy service and accounting of pre-paid expenses and prior period expenses/income have been adopted the company during the year ended 31.03.2004.

Material Notes on Accounts

i) The deferred tax asset of Rs. 18,691/- (previous year Rs. 16,500/-) is on account of carried forward loss for the year.

ii) Previous year's figures have been regrouped/ rearranged wherever necessary.

NTPC Vidyut Vypar Nigam Limited

Finanacial statements for year ended March 31,2004 and period ended March 31,2003

I.Summary of Profit And Loss Account,as Restated

Rupees

	Financial year ended 31st March,2004	**Period ended 31st March, 2003**
Income/Revenue		
Electricity Sale	2240284833	40465487
Rebate on Purchases	51004607	-
Interest	68947	-
Total	**2291358387**	**40465487**
Expenditure		
Electricity Purchase	2192164927	39410489
Employees' remuneration and benefits	9505905	-
Administration & Other Expenses	5282944	130365
Rebate on sales	50101745	975526
Depreciation	37295	-
Preliminary Expenses written off	618480	154620
Total	**2257711296**	**40671000**
Profit/(Loss) before Tax	**33647091**	(205513)
Less: Current Tax	12193301	-
Profit/(Loss) after current tax	**21453790**	-
Provision for deffered Tax	140178	73728
Profit/(Loss) after tax as per audited statement of accounts (A)	**21313612**	**(131785)**

Adjustment on account of changes in accounting policies	-	-
Impact of material adjustments and prior period items	-	-
Total adjustments (B)	-	-
Adjusted Profit/(Loss) (A+B)	**21313612**	**(131785)**
Balance brought forward	(131785)	-
Profit/(Loss) available for appropriation	**21181827**	**(131785)**
Transfer to general reserve	2118183	-
Proposed Dividend	6354548	-
Tax on Proposed Dividend	814176	-
Balance carried over to Balance Sheet	**11894920**	**(131785)**

II. Summary of Assets And Liabilities, As Restated

Rupees

		Financial year ended 31st March,2004	Period ended 31st March, 2003	
A	**Fixed Assets:**			
	Gross Block	845690	-	
	Less: Accumulated Depreciation	37295	-	
	Net Block	**808395**	-	
B	**Deferred Tax Asset/(Liability)**	(66450)	73728	
C	**Current Assets, Loans &**			
	Advances:			
	Sundry Debtors	228097028	8661618	
	Cash and Bank Balances	195795999	9220252	
	Total	**423893027**	**17881870**	
D	**Liabilities & Provisions:**			
	Current Liabilities & Provisions	210621869	17882763	
	Total	**210621869**	**17882763**	
E	**Net Worth (A+B+C-D)**	**214013103**	**72835**	
	Net Worth Represented By			
F	Share Capital	200000000	500000	
	Share Application Deposit Account	-	323100	
	Total	**200000000**	**823100**	
G	**Reserve and Surplus**			
	General Reserve	2118183	-	
	Balance as per Profit & Loss Account	11894920	(131785)	
	Total	**14013103**	**(131785)**	
H	**Miscellaneous Expenditure to the**			
	extent not written off	-	618480	
I	**Net Worth (F+G-H)**	**214013103**		**72835**

Accounting Policies and Notes to Accounts

A. Accounting Policies:

1. **Basis of Preparation of Financial Statements**
   The Company maintains its accounts on accrual basis following the historical cost convention.
2. **Fixed Assets:**
   i) Fixed Assets are shown at historical cost.
   ii) Intangible assets are recorded at their cost of acquisition.
3. **Profit And Loss Account**
   A. Income Recognition:
   i) Revenue from the sale of electricity is accounted for based on rates agreed with the customers.
   ii) The surcharge on late payment/overdue sundry debtors for sale of electricity is not treated accrued due to uncertainty of its realization and is, therefore, accounted for on receipt.

   B. **Expenditure:**

i) Depreciation is charged on straight-line method at the rates specified in Schedule XIV of the Companies Act, 1956.

ii) Depreciation on additions to/ deductions from fixed assets during the year is charged on pro-rata basis from/up to the month in which the asset is available for use/disposal.

iii) Assets costing up to Rs.5000/- are fully depreciated in the year of capitalization.

iv) Computer software recognized as intangible assets is amortized on straight-line method over a period of 3 years.

v) Expenses on training are charged to revenue in the year of incurrence.

vi) Expenditure on Leave Travel Concession to employees is recognized in the year of availment due to uncertainties in accrual.

vii) Prepaid expenses and prior period expenses/income of items of Rs.1, 00,000/- and below are charged to natural heads of accounts.

B. Notes on Accounts

1. The company was incorporated as on 1st November 2002 hence previous year figures represent the period from 1st November to 31st March 2003(5 months).
2. Sales and purchase both include Rs. 14,13,619/- pertaining to previous year in line with the agreements with buyer/sellers, based on the tariff orders issued by the CERC and applicable to the seller. It has no impact on Profit/loss.

3. Contingent liability:
Claims against the company not acknowledged as Debts is Rs.9, 07,772/-

4. AS-17 on segment reporting is not applicable as the company deals in single segment, company's principal business is trading of power. The company has not carried out any other business.

5. In compliance of Accounting Standard –22 on "Accounting for taxes on Income" issued by the Institute of Chartered Accountants of India, provision for deferred tax Liabilities for the year ended 31st March 2004 has been made as under:

	Rs.
Deferred Tax Asset as on 1st April 2003	73728
Less: I) Deferred Tax Asset created during the year 2002-03 on account of timing difference of Preliminary Expenses.	2953
ii) Deferred Tax Asset created during the year 2002-03,(Permanent disallowable for Tax purpose) .	61916
Deferred Tax Asset (Balance)	8859
Deferred Tax Liability	
Difference of Book depreciation and Tax depreciation	75309
Deferred Tax Liability (Net)	66450

NTPC Hydro Limited

Financial Statement For Year Ended 31st March, 2004 & For The Period From 12th December,2002 To 31st March,2003

I.Summary Of Profit And Loss Account , As Restated

Rupees

Year Ended March 31	**2004**	**2003**
Income/Revenue	-	-
Total	-	-
Expenditure		
Operating & Other Expenses	16,276,142	16,293
Interest & Finance Charges	2,164	100
Depreciation/Amortisation	177,616	-
Preliminary, Issue and Deferred	789,493	-
Total		
Net Profit/(Loss)before extraordinary	17,245,415	16,393
items & prior period adjustments		
Add:		
Prior period adjustments (Net)	-	-
Profit/(Loss) before tax	(17,245,415)	(16,393)
Profit/(Loss) after tax as per audited		
statement of accounts(A)	(17,245,415)	(16,393)
Adjustment on account of changes in		
accounting policies		

Impact of material adjustments and		
Prior period items	-	-
Total adjustments(B)	-	-
Adjusted Profit/(Loss) (A+B)	(17,245,415)	(16,393)
Carry forward profit/(Loss) from		-
previous year	-	
Accounting policy changes and prior period		
adjustments peraining to previous year	-	-
Profit/(Loss) available for appropriation	(17,245,415)	(16,393)
Balance carried forward to Balance Sheet	(17,245,415)	(16,393)

II.Summary Of Assets And Liabilities, As Restated

Rupees

	Year Ended March 31	2004	2003
A.	**Fixed Assets:**		
	Gross Block	1,216,459	-
	Less Accumulated Depreciation	177,616	-
	Net Block	1,038,843	-
	Add: Capital work-in-progress	-	-
	Total	1,038,843	-
B.	**Investments:**		
C.	**Deferred Tax Assets/(Liability)**	-	-
D.	**Current Assets, Loans &**	-	-
	Advances:		
	Cash and Bank Balances	1,226,034	49,400
	Loans and Advances	57,295	-
	Total	1,283,329	49,400
E.	**Liablities & Provisions:**		
	Current Liabilities & Provisions	2,019,487	15,793
	Share Capital Deposit	1,000,000	323,100
	Total	3,019,487	338,893
	Net Worth(A+B+C+D-E)	(697,315)	(289,493)
	Net Worth Represented By		
F.	Share Capital	16,548,100	500,000
G.	**Reserves and Surplus**		
	Balance as per Profit & Loss Account	(17,245,415)	-
	Total	(697,315)	500,000
H.	**Miscellaneous Expenditure to**	-	789,493
	the expent not written off		
	Net Worth(F+G-H)	(697,315)	(289,493)

Notes On Financial Statement For The Years Ended On 31st March, 2004 & For The Period From 12th December, 2002 To 31st March, 2003

A) Significant Accounting Policies

1. The accounts have been prepared on historical cost basis following accrual method of accounting
2. Fixed Assets are shown at historical cost.
3. Intangible assets are recorded at their cost of acquisition.
4. Depreciation is charged on straight line method at the rates specified in schedule XIV of the Companies Act, 1956.
5. Depreciation on additions to/deductions from fixed assets during the year is charged on pro-rata basis from/up to the month in which the asset is available for use/disposal
6. Assets costing up to Rs. 5000/- are fully depreciated in the year of capitalization.
7. Expenditure on Leave Travel Concession to employees is recognized in the year of availment due to uncertainties in accrual.

B) Others

1.Estimated amount of contracts remaining to be executed on capital account and not provided for Rs.313.47 Lakhs.

AUDITORS' REPORT

Board of Directors

NATIONAL THERMAL POWER CORPORATION LIMITED

1. We have audited the attached Balance Sheet of **NATIONAL THERMAL POWER CORPORATION LIMITED** as at 30th June, 2004, the Profit and Loss Account for the quarter ended 30th June, 2004 and also the Cash Flow Statement for the quarter ended 30th June, 2004. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with Auditing Standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. We draw attention to:

(i) Note No. 2(a) of Schedule 27 to the financial statements in respect of confirmation/reconciliation and consequential adjustment of balances shown under advances, debtors, creditors, material lying with contractors and issued on loan,

(ii) Note no. 3 of Schedule 27 to the financial statements in respect of accounting of sales on provisional basis pending final determination of tariff by Central Electricity Regulatory Commission, and

(iii) Figures for the quarter ended 30.06.2003 appearing in Profit and Loss account and schedules thereof and in Notes on Accounts - Schedule 27 are unaudited. Further, figures in Note No. 13 of Schedule 27 in respect of interest in Joint Ventures for the quarter ended 30.06.2004 are also unaudited.

4. Further, we report that:

   a) We have obtained all the information and explanations which to the best our knowledge and belief were necessary for the purpose of our audit;

b) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
e) In our opinion, and according to the best of our information and according to the explanations given to us, the said accounts read with the Accounting Policies and Notes thereon in Schedule 27, give the information required by the Companies Act, 1956 in the manner so required and gives a true and fair view in conformity with the accounting principles generally accepted in India:
    a. in the case of Balance Sheet, of the state of affairs of the company as at 30th June, 2004,
    b. in the case of Profit and Loss Account, of the profit for the quarter ended 30th June, 2004, and
    c. in the case of Cash Flow Statement, of the cash flows for the quarter ended 30th June, 2004.

For Kalani & Co. Chartered Accountants	For Amit Ray & Co. Chartered Accountants	For Umamaheshwara Rao & Co. Chartered Accountants
[K.L. Jhanwar] Partner M. No. 14080	[Amitava Ray] Partner M. No. 6947	[G. Sivarama Krishna Prasad] Partner M. No. 024860
For S. N. Nanda & Co. Chartered Accountants	For T. R. Chadha & Co. Chartered Accountants	
[S.N. Nanda] Partner M. No. 5909	[Sanjay Gupta] Partner M. No. 087563	

Place : New Delhi
Date : 29th July, 2004

NATIONAL THERMAL POWER CORPORATION LIMITED

ACCOUNTING POLICIES

1. GRANTS-IN-AID

1.1 Grants-in-aid received from the Central Government or other authorities towards capital expenditure as well as consumers' contribution to capital works are treated initially as Capital reserve and subsequently adjusted as income in the same proportion as the depreciation written off on the assets acquired out of the grants.

1.2 Where the ownership of the assets acquired out of the grants vests with the government, the grants are adjusted in the carrying cost of such assets.

1.3 Development surcharge recoverable from customers towards capital expenditure for capacity additions is initially credited to Development Surcharge Fund and subsequently recognized as Capital Reserve to the extent utilized in new capacity addition as specified in Central Electricity Regulatory Commission tariff regulations .

2. FIXED ASSETS

2.1 Fixed Assets are shown at historical cost.

2.2 Intangible assets are recorded at their cost of acquisition.

2.3 Capital expenditure on assets not owned by the Company is reflected as a distinct item in Capital Work-in-Progress till the period of completion and thereafter in the Fixed Assets.

2.4 Deposits, payments/liabilities made provisionally towards compensation, rehabilitation and other expenses relatable to land in possession are treated as cost of land.

2.5 In the case of commissioned assets, where final settlement of bills with contractors is yet to be effected, capitalisation is done on provisional basis subject to necessary adjustment in the year of final settlement.

2.6 Assets and systems common to more than one generating unit are capitalised on the basis of engineering estimates/assessments.

3. CAPITAL WORK-IN-PROGRESS

3.1 In respect of supply-cum-erection contracts, the value of supplies received at site and accepted is treated as Capital Work-in-Progress.

3.2 Incidental Expenditure during Construction (net) including corporate office expenses (allocated to the projects pro-rata to the annual capital expenditure) for the year, is apportioned to Capital Work-in-Progress on the basis of accretions thereto.

3.3 Deposit work/cost plus contracts are accounted for on the basis of statements of account received from the contractors.

3.4 Claims for price variation/exchange rate variation in case of contracts are accounted for on acceptance.

4. FOREIGN CURRENCY TRANSACTIONS

4.1 TRANSLATION OF FINANCIAL STATEMENTS IN FOREIGN CURRENCIES

4.1.1 Items of income and expenditure except depreciation are translated at average rate for the year. Depreciation is converted at the rates adopted for the corresponding fixed assets.

4.1.2 Current assets and liabilities are translated at the closing rates, and fixed assets are translated at the rates in force when the transaction took place.

4.1.3 All translation differences are recognised as income/expense during the year in which they arise.

4.2 OTHER FOREIGN CURRENCY TRANSACTIONS

4.2.3 Foreign currency transactions are initially recorded at the rates of exchange ruling at the date of transaction.

4.2.2 Foreign Currency loans/deposits/liabilities are reported with reference to the rates of exchange ruling at the year-end and the difference resulting from such translation as well as due to payment/discharge of liabilities in foreign currency related to Fixed Assets/Capital Work-in-Progress is adjusted in their carrying cost and that related to current assets is recognised as revenue/expenditure during the year.

5. BORROWING COSTS

Borrowing costs attributable to the fixed assets during their construction/renovation and modernisation are capitalised. Such borrowing costs are apportioned on the average balance of capital work-in-progress for the year. Other borrowing costs are recognised as an expense in the period in which they are incurred.

6. INVESTMENTS

Investments are intended for long term and are carried at cost. Provision is made for diminution, other than temporary, in the value of such investments.

7. INVENTORIES

7.1 Inventories, other than scrap, are valued at cost, on weighted average basis.

7.2 Losses towards unserviceable and obsolete stores and spares identified on review of inventories are provided for in the accounts.

7.3 Steel scrap is valued at realisable value.

8. PROFIT AND LOSS ACCOUNT

8.1 INCOME RECOGNITION

8.1.1 Sale of energy is accounted for based on tariff rates approved by the Central Electricity Regulatory Commission. In case of power stations where the tariff rates are yet to be approved /agreed with beneficiaries, provisional rates are adopted.

8.1.2 The incentives/disincentives are accounted for based on the norms notified/approved by the Central Electricity Regulatory Commission or agreements with the beneficiaries. In cases of power stations where the same have not been notified/approved/agreed with beneficiaries, incentives/disincentives are accounted for on provisional basis.

8.1.3 Advance against depreciation, forming part of tariff to facilitate repayment of loans, is reduced from sales and considered as deferred revenue to be included in sales in subsequent years.

8..1.4 The surcharge on late payment/ overdue sundry debtors for sale of energy is not treated accrued due to uncertainty of its realisation and is, therefore, accounted for on receipt.

8.1.5 Interest/surcharge recoverable on advances to suppliers as well as warranty claims/liquidated damages are not treated accrued due to uncertainty of realisation/acceptance and are therefore accounted for on receipt/acceptances.

8.1.6 Income from Consultancy service is accounted for on the basis of actual progress/technical assessment of work executed or costs incurred, in line with the terms of respective consultancy contracts.

8.1.7 Scrap other than steel scrap is accounted for in the accounts as and when sold.

8.1.8 Insurance claims for loss of profit are accounted for in the year of acceptance. Other insurance claims are accounted for based on certainty of realisation.

8.2 EXPENDITURE

8.2.1 Depreciation is charged on straight line method at the rates specified in Schedule XIV of the Companies Act, 1956 except for the following assets in respect of which depreciation is charged at the rates mentioned below:

c) Kutcha Roads	47.50 %
d) Enabling works - residential buildings including their internal electrification - non-residential buildings including their internal electrification, water supply, sewerage & drainage works, railway sidings aerodromes, helipads, and airstrips	 6.33 % 19.00 %

8.2.2 Depreciation on additions to/deductions from fixed assets during the year is charged on pro-rata basis from/up to the month in which the asset is available for use/disposal.

8.2.3 Assets costing up to Rs.5000/- are fully depreciated in the year of capitalization.

8.2.4 Computer software recognized as intangible assets is amortised on straight line method over a period of 3 years.

8.2.5 Where the cost of depreciable assets has undergone a change during the year due to increase/decrease in long term liabilities on account of exchange fluctuation, price adjustment, change in duties or similar factors, the unamortised balance of such asset is depreciated prospectively over the residual life determined on the basis of the rate of depreciation.

8.2.6 Machinery spares which can be used only in connection with an item of fixed asset and whose use is expected to be irregular are capitalised and depreciated over the residual useful life of the related plant and machinery.

8.2.7 Capital expenditure referred to in Para 2.3 is amortised over a period of 4 years, from the year in which the first unit of project concerned comes into commercial operation and thereafter from the year in which the relevant asset becomes available for use. However, such expenditure for community development in case of stations fully under operation is charged off to revenue.

8.2.8 Leasehold buildings are amortised over the lease period or 30 years whichever is lower. Leasehold land and buildings, whose lease period is yet to be finalised, are amortised over a period of 30 years.

8.2.9 Expenses on training, recruitment, research and development and ex-gratia payments under Voluntary Retirement Scheme are charged to revenue in the year of incurrence.

8.2.10 Expenditure on Leave Travel Concession to employees is recognized in the year of availment due to uncertainties in accrual.

8.2.11 Expenses common to operation and construction activities are allocated to Profit and Loss Account and Incidental Expenditure during Construction in proportion of sales to annual capital outlay in the case of Corporate Office and sales to accretion to Capital Work-in-Progress in the case of projects.

8.2.12 Net pre-commissioning income/expenditure is adjusted directly in the cost of related assets and systems.

8.2.13 Prepaid expenses and prior period expenses/income of items of Rs.100,000/- and below are charged to natural heads of accounts.

8.2.14 Carpet coal is charged off to coal consumption. However, during pre-commissioning period, carpet coal is retained in inventories and charged off to consumption in the first year of commercial operation. Windage and handling losses of coal as per norms are included in cost of coal.

9. RETIREMENT BENEFITS

9.1 The liability for retirement benefits of employees in respect of Provident Fund and Gratuity, which is ascertained annually on actuarial valuation at the year end, are accrued and funded separately.

9.2 The liabilities for leave encashment and post retirement medical benefits to employees are accounted for on accrual basis based on actuarial valuation at the year end.

10. FINANCE LEASES

10.1 Assets taken on lease are capitalized at fair value or net present value of the minimum lease payments whichever is lower.

10.3 Depreciation on the assets taken on lease is charged at the rate applicable to similar type of fixed assets as per Accounting Policy 8.2.1. If the leased assets are returnable to the lessor on the expiry of the lease period, depreciation is charged over its useful life or lease period, whichever is shorter.

10.3 Lease payments made are apportioned between the finance charges and reduction of the outstanding liability in respect of assets taken on lease.

NATIONAL THERMAL POWER CORPORATION LIMITED

BALANCE SHEET AS AT 30th JUNE 2004

Rs. million

	SCHEDULE NO.	30.06.2004	31.03.2004
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Capital	1	78,125	78,125
Reserves and surplus	2	287,917	277,376
		366,042	355,501
Deferred Revenue on account of Advance Against Depreciation	3	2,238	1,591
Development Surcharge Fund		5,487	3,784
LOAN FUNDS			
Secured loans	4	45,564	45,844
Unsecured loans	5	108,702	108,684
		154,266	154,528
Deferred Tax Liability (Net)		53,387	52,280
Less: Recoverable		53,386	52,279
		1	1
TOTAL		528,034	515,405
APPLICATION OF FUNDS			
FIXED ASSETS	6		
Gross Block		402,721	400,281
Less: Depreciation		192,540	187,736
Net Block		210,181	212,545
Capital Work-in-Progress	7	61,774	56,413
Construction stores and advances	8	21,554	18,540
		293,509	287,498
INVESTMENTS	9	173,780	173,380
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	10	16,720	17,380
Sundry debtors	11	7,437	4,699
Cash and bank balances	12	4,009	6,091
Other current assets	13	85,843	80,023
Loans and advances	14	27,636	27,275
		141,645	135,468
LESS: CURRENT LIABILITIES AND PROVISIONS			
Liabilities	15	65,017	65,244
Provisions	16	15,883	15,697
		80,900	80,941
Net current assets		60,745	54,527
TOTAL		528,034	515,405
Contingent liabilities	17		
Notes on accounts	27		

Schedules 1 to 27 and accounting policies form integral part of accounts.

For and on behalf of the Board of Directors

(A. K. BAJPAIE)
Company Secretary

(P. NARASIMHARAMULU)
Director(Finance)

(C. P. JAIN)
Chairman & Managing Director

As per our report of even date

For Kalani & Co.
Chartered Accountants

For Amit Ray & Co.
Chartered Accountants

For Umamaheswara Rao & Co.
Chartered Accountants

(K L Jhanwar)
Partner
M No. 14080

(Amitava Ray)
Partner
M No 6947

(G. Sivarama Krishna Prasad)
Partner
M No 24860

For S.N. Nanda & Co.
Chartered Accountants

For T.R. Chadha & Co.
Chartered Accountants

(S N Nanda)
Partner
M No 5909

(Sanjay Gupta)
Partner
M No 87563

Place : New Delhi
Dated :29th July,2004

NATIONAL THERMAL POWER CORPORATION LIMITED

PROFIT & LOSS ACCOUNT FOR THE QUARTER ENDED 30th JUNE 2004

Rs. million

	SCHEDULE NO.	Quarter ended 30.06.2004	Quarter ended 30.06.2003
INCOME			
Sales	18	51,867	47,872
Energy internally consumed		49	38
Provisions written back	19	1	-
Other income	20	5,379	1,694
Total		57,296	49,604
EXPENDITURE			
Fuel		31,883	27,337
Employees' remuneration and benefits	21	2,380	2,245
Generation, Administration & other expenses	22	2,624	2,764
Depreciation		4,785	4,804
Provisions	23	-	303
Interest and finance charges	24	4,511	2,578
Total		46,183	40,031
Profit before Tax and Prior Period Adjustments		11,113	9,573
Prior Period income/ expenditure (net)	25	5	-
Profit before tax		11,108	9,573
Provision for current tax		2,210	527
Less: Income Tax recoverable		1,643	-
		567	527
Profit after current tax		10,541	9,046
Provision for Deferred tax		1,107	1,975
Less: Deferred tax recoverable		1,107	1,975
		-	-
Profit after tax		10,541	9,046
Balance brought forward		566	681
Balance carried to Balance Sheet		11,107	9,727
Incidental expenditure during construction	26		
Earning Per Share (Equity shares, face value Rs10/- each) - Basic and Diluted		1.35*	1.16*

* Non annualised

For and on behalf of the Board of Directors

(A. K. BAJPAIE)
Company Secretary

(P. NARASIMHARAMULU)
Director(Finance)

(C. P. JAIN)
Chairman & Managing Director

As per our report of even date

For Kalani & Co.
Chartered Accountants

(K L Jhanwar)
Partner
M No. 14080

For Amit Ray & Co.
Chartered Accountants

(Amitava Ray)
Partner
M No 6947

For Umamaheswara Rao & Co.
Chartered Accountants

(G. Sivarama Krishna Prasad)
Partner
M No 24860

For S.N. Nanda & Co.
Chartered Accountants

(S N Nanda)
Partner
M No 5909

For T.R. Chadha & Co.
Chartered Accountants

(Sanjay Gupta)
Partner
M No 87563

Place : New Delhi
Dated : 29th July,2004

NATIONAL THERMAL POWER CORPORATION LIMITED

Schedule 1
CAPITAL

Rs. million

	30.06.2004	31.03.2004
AUTHORISED		
10,000,000,000 equity shares of Rs 10/- each (Previous year 10,000,000,000 equity shares of Rs 10/- each)	**100,000**	100,000
ISSUED, SUBSCRIBED AND PAID-UP		
7,812,549,400 equity shares of Rs 10/- each fully paid up (Previous year 7,812,549,400 equity shares of Rs. 10/- each fully paid up)	**78,125**	78,125

Schedule 2
RESERVES AND SURPLUS

	30.06.2004	31.03.2004
Capital Reserve	**1,259**	1,259
Bonds Redemption Reserve		
As per last Balance Sheet	**4,071**	2,588
Add: Transfer from Profit and Loss Account	–	2,067
Less : Write back during the period	–	584
	4,071	4,071
General Reserve		
As per last Balance Sheet	**271,476**	232,500
Add: Transfer from Profit and Loss Account	–	39,000
Less : Adjustment of Intangible items as on 1.4.2003	–	24
	271,476	271,476
Foreign Project Reserve	**4**	4
Surplus, balance in Profit & Loss Account	**11,107**	**566**
Total	**287,917**	277,376

Schedule 3
DEFERRED REVENUE - on account of Advance Against Depreciation

	30.06.2004	31.03.2004
As per last Balance Sheet	**1,591**	271
Add: Revenue deferred during the period	**647**	1342
Less: Revenue recognised during the period	–	22
	2,238	**1,591**

Schedule 4
SECURED LOANS

Rs. million

	30.06.2004	31.03.2004
Bonds		
10% Secured Non-Convertible Taxable Bonds of Rs10,00,000/- each with five equal Separately Transferable Redeemable Principal Parts (STRPP) redeemable at par at the end of the 6th, 7th, 8th, 9th and 10th year respectively from 5th September, 2001 (Twelfth Issue - Private Placement) *[1]	**5,000**	5,000
9.55% Secured Non-Cumulative Non-Convertible Taxable Redeemable bonds of Rs10,00,000/- each redeemable at par in ten equal annual instalments commencing from the end of 6th year and upto the end of 15th year from 18th April, 2002 (Thirteenth Issue -Part A - Private Placement) *[2]	**7,500**	7,500
9.55% Secured Non-Cumulative Non-Convertible Taxable Redeemable bonds of Rs10,00,000/- each with ten equal Separately Transferable Redeemable Principal Parts (STRPP) redeemable at par at the end of the 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th and 15th year resepectively from 30th April, 2002 - (Thirteenth Issue - Part B - Private Placement) *[2]	**7,500**	7,500
8.05% Secured Non-Cumulative Non-Convertible Redeemable Taxable bonds of Rs10,00,000/- each with two equal Separately Transferable Redeemable Principal Parts (STRPP) redeemable at par at the end of 4th and 5th year respectively from 1st August, 2002 (Fourteenth issue - Private Placement) *[3]	**5,000**	5,000
13.6% Secured Non-cumulative Non-convertible Redeemable Taxable Bonds of Rs1,00,000/- each redeemable at par in three annual instalments of 30%, 30% and 40% commencing from 28th September 2004 (Fifteenth Issue - Part C - Private Placement) *4	**110**	110
8% Secured Non-cumulative Non-convertible Redeemable Taxable Bonds of Rs10,00,000/- each redeemable at par on 10th April 2018 (Sixteenth Issue -Private Placement) *[5]	**1,000**	1,000

Schedule 4
SECURED LOANS

Rs. million

	30.06.2004	31.03.2004
8.48% Secured Non-cumulative Non-convertible Redeemable Taxable Bonds of Rs10,00,000/- each redeemable at par on 1st May, 2023 (Seventeenth Issue - Private Placement) *5	**500**	500
5.95% Secured Non-cumulative Non-convertible Redeemable Taxable Bonds of Rs 10,00,000/- each with five equal Separately Transferable Redeemable Principal Parts (STRPP) redeemable at par at the end of 6th, 7th, 8th, 9th and 10th year respectively from 15th September 2003 (Eighteenth Issue - Private Placement) *6	**5,000**	5,000
7.5% Secured Non-cumulative Non-convertible Redeemable Taxable Bonds of Rs.10,00,000/- each redeemable at par on 12th January, 2019 (Nineteenth Issue - Private Placement) *7	**500**	500
Loans and Advances from Banks		
Foreign Currency Term Loans (Guaranteed by Government of India) (Due for repayment within one year **Rs.1,657 million**, Previous year Rs.1,562 million)*8	**13,450**	13,730
Other Loans and Advances		
Assets taken on lease (Due for repayment within one year **Rs. 1 Million**, Previous Year Rs. 1 million)	**4**	4
TOTAL	**45,564**	45,844

Note:

1 Secured by (I) English mortgage of the office premises of the company at Mumbai, (II) Hypothecation of all the present and future movable assets of Singrauli Super Thermal Power Station as first charge, ranking pari-passu with charge already created, subject to, however, company's bankers' first charge on certain movable assets hypothecated to them for working capital requirement and (III) Equitable mortgage by deposit of title deeds of the immovable properties pertaining to Singrauli Super Thermal Power Station.

2 Secured by (I) English mortgage of the office premises of the company at Mumbai, (II) Hypothecation of all the present and future movable assets of Singrauli Super Thermal Power Station and National Capital Power Station as first charge, ranking pari-passu with charge already created, subject to, however, company's bankers' first charge on certain movable assets hypothecated to them for working capital requirement and (III) Equitable mortagage of the immovable properties pertaining to Singrauli Super Thermal Power Station by extension of charge already created.

Schedule 4
SECURED LOANS

3 Secured by (I) English mortgage of the office premises of the company at Mumbai, (II) Hypothecation of all the present and future movable assets of National Capital Power Station, Feroze Gandhi Unchahar Thermal Power Station and Dadri Gas Power Station as first charge, ranking pari-passu with charge already created, subject to, however, company's bankers' first charge on certain movable assets hypothecated to them for working capital requirement and (III) Equitable mortgage of the immovable properties pertaining to Singrauli Super Thermal Power Station by extension of charge already created.

4 Secured by (I) English mortgage of the office premises of the company at Mumbai, (II) Hypothecation of all the present and future movable assets of Dadri Gas Power Station as first charge, ranking pari-passu with charge already created, subject to, however, company's bankers' first charge on certain movable assets hypothecated to them for working capital requirement and (III) Equitable mortgage of the immovable properties pertaining to Singrauli Super Thermal Power Station by extension of charge already created.

5 Secured by (I) English mortgage of the office premises of the company at Mumbai and (II) Equitable mortgage by deposit of title deeds of the immovable properties petaining to National Capital Power Station.

6 Secured by (I) English mortgage of the office premises of the company at Mumbai and (II) Equitable mortgage of the immovable properties pertaining to National Capital Power Station by extension of charge already created.

7 Secured by (I) English mortgage of the office premises of the company at Mumbai and (II) Hypothecation of all the present and future movable assets of Dadri Gas Power Station as first charge, ranking pari-passu with charge already created, subject to, however, company's bankers' first charge on certain movable assets hypothecated to them for working capital requirement.

8 Secured by English mortgage/hypothecation of all the present and future fixed and movable assets of Rihand Super Thermal Power Station as first charge, ranking pari-passu with charge already created, subject to, however, company's bankers' first charge on certain movable assets hypothecated to them for working capital requirement.

Schedule 5
UNSECURED LOANS

Rs. million

	30.06.2004	31.03.2004
Fixed Deposits (Due for repayment within one year **Rs.2,737 million**, Previous year Rs. 1154 million)	**4,987**	5,113
Bonds		
5.5% Eurobonds due for repayment on 10th March 2011	**9,266**	8,862
Other Loans and Advances		
From Banks and Financial Institutions		
Foreign Currency Term Loans (Guaranteed by Government of India, Due for repayment within one year **Rs.1,236 million**, Previous year Rs. 1,200 million)	**26,914**	26,675
Other Foreign Currency Term Loans (Due for repayment within one year **Rs.1,717 million**, Previous year Rs. 1,690 million)	**9,314**	9,375
Rupee Term Loans (Due for repayment within one year **Rs.6,346 million**, Previous year Rs. 6,236 million)	**57,286**	57,675
From Others		
Loan from Government of India (Due for repayment within one year **Rs.434 million**, Previous year Rs. 434 million)	**935**	984
TOTAL	**108,702**	108,684

NATIONAL THERMAL POWER CORPORATION LIMITED

Schedule 6
FIXED ASSETS

Rs. million

	Gross Block				Depreciation				Net Block	
	As at 1.04.2004	Additions	Deductions/ Adjustments	As at 30.06.2004	As at 1.04.2004	For the Qrtr	Deductions/ Adjustments	Upto 30.06.2004	As at 30.06.2004	As at 31.3.2004
Land :										
(including development)										
Freehold	9,327	43	(3)	9,373	-			-	9,373	9,327
Leasehold	1,408	212	-	1,620	230	11	-	241	1,379	1,178
Roads,bridges, culverts & helipads	3,269	3	(2)	3,274	543	16	-	559	2,715	2,726
Building :										
Main plant	15,650	2	(17)	15,669	7,458	132	-	7,590	8,079	8,192
Others	14,325	74	(4)	14,403	3,408	93	-	3,501	10,902	10,917
Temporary erection	176	1	-	177	154	7	-	161	16	22
Water Supply drainage & sewerage	4,929	2	(7)	4,938	983	63	-	1,046	3,892	3,946
MGR track and signalling system	6,290	24	-	6,314	3,966	67	-	4,033	2,281	2,324
Railway Siding	2,337	-	(5)	2,342	444	27	-	471	1,871	1,893
Earth Dam Reservoir	1,533	2	(6)	1,541	199	19		218	1,323	1,334
Plant and machinery	331,642	548	(1,383)	333,573	164,357	4,236	6	168,587	164,986	167,285
Furniture, fixtures & other office equipment	2,897	45	-	2,942	1,945	31	-	1,976	966	952
EDP, WP machines and SATCOM equipment	1,979	24	1	2,002	1,456	34	-	1,490	512	523
Vehicles including speedboats	104	-	1	103	86	1	1	86	17	18
Construction equipment	823	16	-	839	548	10		558	281	275
Electrical Installations	1,722	6	(3)	1,731	825	18	-	843	888	897
Communication Equipments	560	3	-	563	311	5	-	316	247	249
Hospital Equipments	184	3	-	187	113	2	-	115	72	71
Laboratory and workshop equipments	117	-	-	117	91	-	-	91	26	26
Leased assets - Vehicles	4	-	-	4	1	-	-	1	3	3
Intangible Assets - Software	49	4	-	53	16	5	-	21	32	33
Capital expenditure on assets not owned by the Company	944	-	-	944	602	34	-	636	308	342
Unserviceable/Obsolete assets at net book value or net realisable value whichever is less	12	-	-	12	-	-	-	-	12	12
Assets of Government	26	-	-	26	-	-	-	-	26	26
Less:Grants from Government	26	-	-	26	-	-	-	-	26	26
Total	400,281	1,012	(1,428)	402,721	187,736	4,811	7	192,540	210,181	212,545
Previous year	366,106	29,639	(4,536)	400,281	167,456	20,325	45	187,736	212,545	198,650

NATIONAL THERMAL POWER CORPORATION LIMITED

Schedule 7 **Rs. million**

CAPITAL WORK IN PROGRESS

	As at 1.04.2004	Additions	Deductions & Adjustments	Capitalised	**As at 30.06.2004**
Development of land	498	164	–	–	**662**
Roads, bridges, culverts & helipads	358	28	–	1	**385**
Piling and foundation	77	78	–	–	**155**
Buildings :					
Main plant	2,658	250	–	2	**2,906**
Others	588	127	–	25	**690**
Temporary Erection	1	–	–	–	**1**
Water Supply, drainage and sewerage system	31	9	–	2	**38**
Dams, Spillways weirs, canals, reinforced concrete flumes and siphons	2,199	418	–	–	**2,617**
MGR track and signalling system	28	28	(23)	23	**56**
Railway siding	24	2	23	–	**3**
Earth Dam Reservoir	–	10	–	2	**8**
Plant and Machinery :					
On own account	144	26	–	2	**168**
On supply-cum-erection contract	48,266	3,330	34	451	**51,111**
Furniture, fixtures and other office equipment	14	3	–	8	**9**
EDP/WP Machines & SATCOM equipment	16	1	1	–	**16**
Electrical Installations	50	24	–	5	**69**
Communication Equipment	25	1	–	–	**26**
Intangible assets - soft ware	1	–	–	–	**1**
Capital Expenditure on assets not owned by the company	121	25	–	–	**146**
	55,099	4,524	35	521	**59,067**
Expenditure pending allocation					
Survey, investigation, consultancy and supervision charges	481	11	–	–	**492**
Difference in exchange on foreign Loans	(136)	1,226	896	–	**194**
Expenditure towards diversion of forest land	790	–	–	–	**790**
Pre-Commissioning expenses (net)	36	139		–	**175**
Incidental Expenditure During Construction	263	1,244	–	–	**1,507**
Less: Allocated to Capital Work-in-Progress	–	331	–	–	**331**
	56,533	6,813	931	521	**61,894**
Less: Provision for unserviceable CWIP	120		–	–	**120**
Total	56,413	6,813	931	521	**61,774**
Previous Year	51,543	35,493	3,152	27,471	56,413

NATIONAL THERMAL POWER CORPORATION LIMITED

Rs. million

Schedule 8
CONSTRUCTION STORES AND ADVANCES

	30.06.2004	31.03.2004
CONSTRUCTION STORES *		
(At cost)		
Steel	**1,986**	1,519
Cement	**104**	70
Others	**3,734**	4,811
	5,824	6,400
Less: Provision for shortages	**18**	18
	5,806	6,382
ADVANCES FOR CAPITAL EXPENDITURE		
Secured	**39**	35
Unsecured, considered good		
- covered by bank guarantees	**13,013**	9,352
- others	**2,696**	2,771
Considered doubtful	**56**	56
	15,804	12,214
Less:Provision for bad & doubtful advances	**56**	56
	15,748	12,158
Total	**21,554**	18,540
* includes material in transit, under inspection and with contractors	**3,983**	4,774

NATIONAL THERMAL POWER CORPORATION LIMITED

Schedule 9
INVESTMENTS

Rs. million

	Number of shares/ bonds Current Year/ (Previous Year)	Face value per share/bond (Rs)	30.06.2004	31.03.2004
TRADE INVESTMENTS (fully paid up, at cost Unquoted unless otherwise stated)				
Government Securities (a)				
8.5% Tax-free State Government Special Bonds of the Government of				
Andhra Pradesh	12606500 (12606500)	1000	**12,607**	**12,607**
Assam	514640 (51460)	1000	**515**	**515**
Bihar	14666600 (14666600)	1000	**14,667**	**14,667**
Chattisgarh	4832200 (4832200)	1000	**4,832**	**4,832**
Gujarat	8372400 (8372400)	1000	**8,372**	**8,372**
Haryana	10750000 (10750000)	1000	**10,750**	**10,750**
Himachal Pradesh	333880 (333880)	1000	**334**	**334**
Jammu and Kashmir	3673600 (3673600)	1000	**3,674**	**3,674**
Karnataka	1966100 (1966100)	1000	**1,966**	**1,966**
Kerala	10024000 (10024000)	1000	**10,024**	**10,024**
Madhya Pradesh	8308400 (8308400)	1000	**8,308**	**8,308**
Maharashtra	3814000 (3814000)	1000	**3,814**	**3,814**
Orissa	11028740 (11028740)	1000	**11,029**	**11,029**
Punjab	3462300 (3462300)	1000	**3,462**	**3,462**
Rajasthan	2900000 (2900000)	1000	**2,900**	**2,900**
Sikkim	341960 (341960)	1000	**342**	**342**
Tamil Nadu	4650660 (4650660)	1000	**4,651**	**4,651**
Uttar Pradesh	39899000 (39899000)	1000	**39,899**	**39,899**
Uttaranchal	3996500 (3996500)	1000	**3,996**	**3,996**
West Bengal	11742480 (11742480)	1000	**11,742**	**11,742**
Jharkhand	6222716 (6222716)	1000	**6,223**	**6,223**
			164107	**164107**
Equity Shares (Quoted)				
Power Trading Corporation of India Ltd. (b)	12000000 (12000000)	10	**120**	120
			120	120

NATIONAL THERMAL POWER CORPORATION LIMITED

Schedule 9
INVESTMENTS

Rs. million

	Number of shares/ bonds Current Year/ (Previous Year)	Face value per share/bond (Rs)	30.06.2004	31.03.2004
Equity Shares				
Utility Powertech Ltd.	1000000 (1000000)	10	**10**	**10**
NTPC Alstom Power Services Private Limited	3000000 (3000000)	10	**30**	**30**
NTPC-SAIL Power Company Private Limited	58650050 (58650050)	10	**587**	**587**
Bhilai Electric Supply Company Private Limited	16600000 (16600000)	10	**166**	**166**
NTPC Tamil Nadu Energy Company Limited	500000 (500000)	10	**5**	**5**
			798	798
Equity Shares of subsidiary companies				
Pipavav Power Development Company Limited	365000 (360000)	10	**4**	4
NTPC Electric Supply Company Limited *(Rs.8,09,100/- , previous year Rs.5,00,000/-)	80910 (50000)	10 *	–	–
NTPC Vidyut Vyapar Nigam Limited	20000000 (20000000)	10	**200**	200
NTPC Hydro Limited	1754810 (1654810)	10	**18**	17
Share application money pending allotment in NTPC Hydro Limited			**6**	1
			228	222

NATIONAL THERMAL POWER CORPORATION LIMITED

Schedule 9
INVESTMENTS

Rs. million

	Number of shares/ bonds Current Year/ (Previous Year)	Face value per share/bond (Rs)	30.06.2004	31.03.2004
Bonds (Quoted)				
5.00% Redeemable, Unsecured, Non-Convertible Tax-Free Bonds, 1.10.2008 National Bank for Agriculture and Rural Development (NABARD) Bonds IV G (c)	18500 (18500)	10000	192	192
6.66 % UTI ARS Tax Free 2009 Bonds (c)	49995 (0)	100	75	-
			267	192
Bonds				
12.5% Secured Non convertible Redeemable Western Electricity Supply Company (WESCO) bonds, Series - I/2000, 2007	10300 (10300)	100000	1,030	1,030
12.5% Secured Non convertible Redeemable North Eastern Electricity Supply Company (NESCO) bonds, Series - I/2000, 2007	16700 (16700)	100000	1,670	1,670
12.5% Secured Non convertible Redeemable Southern Electricity Supply Company (SOUTHCO) bonds, Series - I/2000, 2007	13000 (13000)	100000	1,300	1,300
10% Secured Redeemable Non-Convertible Non-Cumulative Grid Corporation of Orissa(GRIDCO) Power Bonds, Series-1/2003-02/02 to 11/02, 31.03.2005	34285 (34285)	100000	3,428	3,428
7.90% Secured Non-Convertible Redeemable Tax-Free Bonds 2002-03 (VIII Issue) North Eastern Electric Power Corporation Limited (NEEPCO) Bonds, 2010 (c)	447 (152)	1000000	482	163
5.15% Unsecured Redeemable Tax-Free Non Priority Sector Housing and Urban Development Corporation Limited (HUDCO) Bonds Series XXXIV, 31.03.2014 (c)	350 (350)	1000000	350	350
			8,260	7,941
Shares in Cooperative Societies			ß	ß
TOTAL			173,780	173,380
Quoted Investments				
Book Value			387	192
Market Value			828	192
Unquoted Investments				
Book Value			173,393	173,188

(a) These bonds can be transferred subject to prior approval of Reserve Bank of India

(b) Unquoted in previous year

(c) Development Surcharge Fund Investments

ß **Shares in Co-operative societies**

			Rs.	Rs.
NTPC Employees Consumers and Thrift Co-operative Society Ltd. Korba	500 (500)	10	5,000	5,000
NTPC Employees Consumers and Thrift Cooperative Society Ltd. Ramagundam	250 (250)	10	2,500	2,500
NTPC Employees Consumers Cooperative Society Ltd. Farakka	500 (500)	10	5,000	5,000
NTPC Employees Consumers Cooperative Society Ltd. Vindhyachal	108 (108)	25	2,700	2,700
NTPC Employees Consumers Cooperative Society Ltd. Anta	500 (500)	10	5,000	5,000
NTPC Employees Consumers Cooperative Society Ltd. Kawas	500 (500)	10	5,000	5,000
NTPC Employees Consumers Cooperative Society Ltd. Kaniha	250 (250)	20	5,000	5,000
			30,200	30,200

NATIONAL THERMAL POWER CORPORATION LIMITED

Rs. million

	30.06.2004	31.03.2004
Schedule 10		
INVENTORIES		
(Valuation as per Accounting Policy No 7)		
Components and spares	11,732	11,742
Loose tools	55	55
Coal	2,728	3,337
Fuel Oil	485	578
Naphtha	498	492
Chemicals & consumables	689	686
Others	664	619
Steel Scrap	41	44
	16,892	17,553
Less: Provision for shortages	25	26
Provision for obsolete/ unserviceable items	147	147
	16,720	17,380
Inventories include stores in transit	450	681
Schedule 11		
SUNDRY DEBTORS		
Debts outstanding over six months		
- Unsecured, considered good	4,242	3,644
- Considered doubtful	14,287	14,287
	18,529	17,931
Other debts		
- Unsecured, considered good	3,195	1,055
	21,724	18,986
Less: Provision for bad & doubtful debts	14,287	14,287
	7,437	4,699
Schedule 12		
CASH & BANK BALANCES		
Cash on hand (includes cheques, drafts, stamps on hand ofRs160 million , Previous year Rs 3653 million)	164	3,657
Remittances in transit	156	409
Balance with Reserve Bank of India earmarked for fixed deposits from public	308	308
Balances with scheduled banks (a)		
- Current Account	2,951	1,017
- Cash Credit Account	361	634
- Term Deposit Account (b)	10	10
Balance with other banks		
- Call Deposit Account		
West Merchant Bank Limited,London (maximum amount outstanding at any time during the quarter Rs. 59 million, previous year Rs.56 million)	59	56
	4,009	6,091

(a) Includes Rs.1899 million (previous year Rs317 million) in respect of Development Surcharge.

(b) Rs.10 million (Previous year Rs.10 million) deposited as security with Government authorities/as per court orders.

NATIONAL THERMAL POWER CORPORATION LIMITED

Rs. million

	30.06.2004	31.03.2004
Schedule 13		
OTHER CURRENT ASSETS		
Interest accrued on bonds	10,500	19,239
Public deposit account with Government of India	74,160	57,510
Interest accrued thereon	1,103	2,750
Others	80	524
	85,843	80,023
Schedule 14		
LOANS AND ADVANCES		
LOANS		
Employees (including accrued interest)		
- Secured	4,663	4,616
- Unsecured, considered good	1,192	1,238
- Considered doubtful	1	1
Government of India (for transfer of transmission systems)	1,061	1,043
- Unsecured, considered good		
Loan to State Government in settlement of dues from customers (including accrued interest)		
- Unsecured, considered good	10,828	10,603
Others		
- Secured	500	300
- Unsecured, considered good	207	207
ADVANCES TO SUBSIDIARY COMPANIES		
- Unsecured, considered good	96	94
ADVANCES RECOVERABLE IN CASH OR IN KIND OR FOR VALUE TO BE RECEIVED		
Contractors & suppliers,including material issued on loan		
- Secured	1	1
- Unsecured, considered good	691	317
- Considered doubtful	2	2
Employees (including imprest)		
- Unsecured, considered good	116	64
- Considered doubtful	1	1
Claims recoverable		
- Unsecured, considered good	853	812
- Considered doubtful	37	37
Development Surcharge Recoverable		
- Unsecured, considered good	2,489	2,762
Others		
- Unsecured, considered good	1,713	920
- Considered doubtful	1	1
	24,452	23,019
Less: Provision for bad and doubtful loans, advances and claims	42	42
	24,410	22,977

NATIONAL THERMAL POWER CORPORATION LIMITED

Rs. million

	30.06.2004	31.03.2004
Deposits with customs, port trust and others (@)	**489**	453
Advance tax deposit & tax deducted at source	**6,495**	5,393
Less: Provision	**3,758**	1,548
	2,737	3,845
	27,636	27,275
@ Sales Tax deposited under protest with sales tax authorities	**62**	118
Due from Directors & Officers of the company		
Directors	**_**	1
Officers	**250**	305
* Rs.467,792/-		
Maximum Amount		
Directors	**_**	1
Officers	**305**	346

NATIONAL THERMAL POWER CORPORATION LIMITED

Schedule 15
CURRENT LIABILITIES

Rs. million

	30.06.2004	31.03.2004
Sundry Creditors		
For capital expenditure		
- Small Scale Industrial Undertakings	-	1
- Others	10,245	10,854
For goods and services		
- Small Scale Industrial Undertakings	7	9
- Others	12,446	12,776
Deposits, retention money from contractors and others	8,755	8,445
Less: Investments held as security	91	91
	31,362	31,994
Advances from customers and others	31,627	30,676
Investor Education and Protection Fund shall be credited by		
- Unpaid matured Bonds	-	1
- Interest accrued on unpaid matured deposits/bonds	-	1
Other liabilities	604	888
Interest Accrued but not due :		
Loans from Government of India	51	36
Foreign currency loans/bonds	430	360
Term loans in Indian currency	218	236
Bonds	645	957
Fixed deposits from public	80	95
	65,017	65,244

Schedule 16
PROVISIONS

Proposed dividend	10,823	10,823
Tax on proposed dividend	1,387	1,387
Retirement benefits	3,379	3,193
Tariff adjustment	286	286
Others	8	8
	15,883	15,697

NATIONAL THERMAL POWER CORPORATION LIMITED

Schedule 17
CONTINGENT LIABILITIES

Rs. million

	30.06.2004	31.03.2004
Claims against the Company not acknowledged as debts in respect of:		
Capital Works	**5,593**	5,455
Land compensation cases	**10,822**	10,314
Others	**3,331**	2,438
Disputed Sales Tax demand	**314**	314
Letters of Credit other than for capital expenditure	**1,129**	965
Others	**22**	22
	21,211	19,508

NATIONAL THERMAL POWER CORPORATION LIMITED

Rs. million

		Quarter ended 30.06.2004	Quarter ended 30.06.2003
Schedule 18			
SALES			
Energy Sales (including Electricity Duty)		52,862	48,245
Less: Electricity Duty		398	301
Less : Advance against Depreciation deferred		647	144
Add: Revenue recognised out of Advance against Depreciation		–	5
		51,817	47,805
Consultancy, project management and supervision fees (including turnkey construction projects)		50	67
		51,867	47,872
Schedule 19			
PROVISIONS WRITTEN BACK			
Shortages in stores		1	–
		1	–
Schedule 20			
OTHER INCOME			
Interest (Gross) (Tax deducted at source **Rs.37 million**, Previous quarter Rs.3 million)			
Government Securities (8.5% Tax free Bonds)		3,478	–
Other Bonds		210	1,119
Loan to State Government in settlement of dues from customers		225	–
Public Deposit Account with Government of India		1,103	424
Indian banks		6	5
Foreign banks		2	–
Employees' loans		70	63
Others		17	3
Interest on Income Tax refunds	–		27
Less: Refundable to customers	–		16
		–	11
Hire charges for equipment		2	1
Profit on sale of fixed assets		1	–
Miscellaneous income		275	77
		5,389	1,703
Less:Income transferred to Incidental expenditure during construction Schedule 26 (E)		10	9
		5,379	1,694

NATIONAL THERMAL POWER CORPORATION LIMITED

Schedule 21
EMPLOYEES' REMUNERATION AND BENEFITS

Rs. million

	Quarter ended 30.06.2004	Quarter ended 30.06.2003
Employees' remuneration and benefits		
Salaries, wages, bonus, allowances & benefits	**1,809**	1,757
Contribution to provident and other funds	**263**	240
Welfare expenses	**518**	397
	2,590	2,394
Less: Transferred to incidental expenditure during construction - Schedule 26 (A)	**210**	149
	2,380	2,245

NATIONAL THERMAL POWER CORPORATION LIMITED

Schedule 22
GENERATION, ADMINISTRATION & OTHER EXPENSES

Rs. million

		Quarter ended 30.06.2004	Quarter ended 30.06.2003
Power charges	87		93
Less: Recovered from contractors/employees	15		11
		72	82
Water charges		97	145
Stores consumed		46	47
Rent		17	17
Repairs & Maintenance			
Buildings		97	108
Plant & Machinery			
Power station	1,247		1,169
Construction equipment	9		2
		1,256	1,171
Others		54	81
Insurance		270	296
Rates and taxes		19	23
Water Cess & Environment Protection Cess		73	75
Training & Recruitment expenses	37		35
Less: Fees for training and application	3		3
		34	32
Communication expenses		44	40
Travelling Expenses		202	198
Tender expenses	11		4
Less: Receipt from sale of tenders	2		1
		9	3
Remuneration to Auditors			
Audit fee	1		–
In other capacity	1		1
Out of pocket expenses	1		–
		3	1
Advertisement and publicity		8	9
Security expenses		193	199
Entertainment expenses		2	2
Expenses for guest house	11		8
Less:Recoveries	2		2
		9	6
Education expenses		27	35
Brokerage & commission		1	–
Community development and welfare expenses		11	26
Ash utilisation & marketing expenses	10		13
Less: Sale of ash products	3		–
		7	13

NATIONAL THERMAL POWER CORPORATION LIMITED

Schedule 22
GENERATION, ADMINISTRATION & OTHER EXPENSES

Rs. million

	Quarter ended 30.06.2004	Quarter ended 30.06.2003
Books and periodicals	**5**	5
Professional charges and consultancy fees	**44**	64
Legal Expenses	**4**	2
EDP hire and other charges	**16**	18
Printing and stationery	**15**	12
Miscellaneous expenses	**104**	120
Stores written off	**–**	1
Survey &Investigation expenses written off	**4**	–
	2,743	2,831
Less: Expenses transferred to incidental expenditure during construction - Schedule 26 (B)	**119**	67
	2,624	2,764
Stores consumption included in repairs and maintenance	**883**	867

NATIONAL THERMAL POWER CORPORATION LIMITED

Rs. million

	Quarter ended 30.06.2004	Quarter ended 30.06.2003
Schedule 23		
PROVISIONS		
Interest/Interest difference on Bonds	_	303
	_	303
Schedule 24		
INTEREST AND FINANCE CHARGES		
Interest on :		
Bonds	700	441
Loans from Government of India	28	93
Foreign Currency Term Loans	370	417
Rupee Term loans	1,212	1,439
Public deposits	106	43
Eurobonds	129	_
Others	27	16
	2,572	2,449
Finance Charges :		
Bonds servicing & public deposit expenses	3	5
Guarantee Commission	113	102
Rebate under Scheme for Settlement of SEB dues	1,747	_
Rebate to customers	961	513
Bank Charges	3	3
Bond Issue Expenses	5	_
Exchange differences	6	_
Others	1	9
	2,839	632
	5,411	3,081
Less: Interest and Finance charges capitalised by transfer to incidental expenditure during construction - Schedule 26 (D)	900	503
	4,511	2,578

NATIONAL THERMAL POWER CORPORATION LIMITED

Schedule 25 Rs. million

PRIOR PERIOD INCOME/EXPENDITURE (NET)

	Quarter ended 30.06.2004	Quarter ended 30.06.2003
INCOME		
Others	_	3
	_	3
EXPENDITURE		
Salary, wages,bonus, allowances & benefits	_	3
Repairs and Maintenance	_	1
Depreciation	(4)	(6)
Others	7	2
	3	_
	3	(3)
Less: Incidental expenditure during construction - Schedule 26 (F)	(2)	(3)
	5	_

NATIONAL THERMAL POWER CORPORATION LIMITED

Schedule 26

INCIDENTAL EXPENDITURE DURING CONSTRUCTION

Rs. million

		Quarter ended 30.06.2004	Quarter ended 30.06.2003
A. Employees remuneration and other benefits			
Salaries, wages, allowances and benefits		162	106
Contribution to provident and other funds		16	23
Welfare expenses		32	21
Total (A)		210	150
B. Other Expenses			
Power	13		6
Less: Recovered from contractors	1		_
		12	6
Rent		1	3
Repairs & maintenance			
Buildings	8		3
Construction equipment	7		_
Others	5		3
		20	6
Insurance		1	_
Rates and taxes		3	5
Communication expenses		2	4
Travelling expenses		16	16
Tender expenses		3	3
Advertisement and publicity		1	3
Security expenses		8	4
Books and periodicals		_	1
Professional charges and consultancy fee		10	4
Legal expenses		25	1
EDP Hire and other charges		1	1
Printing and stationery		1	1
Miscellaneous expenses		15	9
Total (B)		119	67
C. Depreciation		26	14
Total (A+B+C)		355	231
D. Interest and Finance Charges Capitalised			
Interest on			
Bonds		141	30
Foreign Currency Term Loans		_	100
Rupee Term loans		638	373
Eurobonds		106	_
Finance Charges			
Others		15	_
Total (D)		900	503

Schedule 26 Rs. million

INCIDENTAL EXPENDITURE DURING CONSTRUCTION

	Quarter ended 30.06.2004	Quarter ended 30.06.2003
E. Less Other Income		
Interest from		
Employees	5	4
Others	2	2
Hire Charges	1	–
Miscellaneous income	2	3
TOTAL (E)	10	9
F. Prior Period Adjustments	(2)	(3)
GRAND TOTAL (A+B+C+D-E+F)	1,243	722

NATIONAL THERMAL POWER CORPORATION LIMITED

SCHEDULE-27

NOTES ON ACCOUNTS

1 a) The conveyancing of the title to **10485** acres of freehold land of value **Rs.4269 Million** (As on 31.03.2004 - 10310 acres, value Rs.4145 Million) and execution of lease agreements for **6984** acres of value Rs.**696 Million** (As on 31.03.2004 - 6,984 acres, value Rs.696 Million) in favour of the Company are awaiting completion of legal formalities.

b) Land shown in the books does not include cost of **1327 acres** (As on 31.03.2004 - 1,327 acres) of land in possession of the Company. This will be accounted for on settlement of the price thereof by the State Government Authorities.

c) Land includes amount of **Rs.2437 Million** (As on 31.03.2004 - Rs.2,334 Million) deposited with various authorities in respect of land in possession which is subject to adjustment on final determination of price.

d) Claims for enhancement of compensation for land which are pending for decisions of the courts, are disclosed as contingent liabilities, except to the extent the possibility of a liability is considered remote.

2 a) Balances shown under debtors, advances, creditors and material lying with contractors/ fabricators and material issued on loan in so far as these have not been since realised/ discharged or adjusted are subject to confirmation/reconciliation and consequential adjustment, if any.

b) In the opinion of the management, the value of current assets, loans and advances on realisation in the ordinary course of business, will not be less than the value at which these are stated in the Balance Sheet.

3 a) CERC had issued orders in December 2000 with respect to the tariff norms, principles and Availability Based Tariff (ABT). The company filed an appeal against the orders of CERC before the Delhi High Court. Pending disposal of the appeal, CERC have notified, by regulations, the terms and conditions for determination of tariff, effective from 1st April, 2001 for the period upto 31st March, 2004.

CERC had directed by notification that the billing of sales in case of the power stations where the tariff has not been determined upto the period 31st March, 2004 shall continue to be done on the same basis as on 31st March, 2001, subject to adjustment on final determination of tariff by the CERC. Accordingly, for the stations where final tariff orders have not been issued by CERC, sales upto the period 31.03.2004 have been provisionally recognized based on the principles enunciated by the CERC in the tariff regulations and in the final tariff orders issued for other stations.

In case of stations for which tariff orders have been issued during July 2004, by CERC for the period upto 31st March, 2004, sales have been accounted for during the quarter resulting an increase of Rs. 383 million pertaining to earlier period. Further, pending determination of escalation in the tariff by CERC on account of elements of operation and maintenance expenditure, sales up to 31.3.2004 have been provisionally adjusted towards such escalation on the principle enunciated in the tariff Regulation, 2001.

b) Central Electricity Regulatory Commission (CERC) have issued tariff regulations, 2004 with respect to norms for determination of tariff applicable for a period of 5 years w.e.f. 1.4.2004. Further, pending final determination of tariff, CERC have directed by notification that on provisional basis, the annual fixed charges as applicable on 31.3.2004 shall be billed at the target availability and variable charges based on norms of operation notified in the Regulation, 2004. The amount billed for the period is Rs.54,745 million. Since the amount billed is subject to adjustment w.e.f. 1st April, 2004 on final determination of tariff, sales have been provisionally recognized for the quarter for an amount of Rs.51,115 million based on the norms enunciated by the CERC in the Tariff Regulation, 2004

4 In accordance with the Uttar Pradesh Electricity Reforms (Transfer of Tanda Generation Undertaking) Scheme 2000, the assets of Tanda Power Station (440 MW) of UP State Electricity Board (UPSEB) acquired for a total consideration of Rs.10,000 million, which was subsequently revised to Rs. 6,070 Million, were handed over to the Company free from all encumbrances. However, the charge created by UPSEB in favour of Life Insurance Corporation of India (LIC) before the assets were taken over is still to be vacated by LIC.

5 The effect of foreign exchange fluctuation during the quarter is as under :

i) The amount of exchange difference (net) debited to the Profit & Loss Account is **Rs.6 Million** (Quarter ended 30.6.2003 - Rs.1 Million - Credit)
ii) The amount of exchange difference adjusted to the carrying amount of fixed assets and Capital Work-in-Progress is **Rs.1395 Million** (Quarter ended 30.6.2003 - Rs.243 Million).

6 Borrowing costs capitalised during the quarter are **Rs.900 Million** (Quarter ended 30.6.2003 - Rs.503 Million)

7. Segment information

a) Business Segments:
The Company's principal business is generation and sale of bulk power to SEBs/State utilities. Other business includes providing consultancy, training and management development services.

b) Segment Revenue and Expense
Revenue directly attributable to the segments is considered as Segment Revenue. Expenses directly attributable to the segments and common expenses allocated on a reasonable basis are considered as Segment

Expenses.

c) Segment Assets and Liabilities

Segment assets include all operating assets in respective segments comprising of net fixed assets and current assets, loans and advances. Construction work-in-progress, construction stores and advances are included in unallocated corporate and other assets. Segment liabilities include operating liabilities and provisions.

Rs. Million

		Quarter ended 30.06.04	Quarter ended 30.06.03	Year ended 31.03.04
1	Segment Revenue (Net Sales/Income):			
	- Generation	**51866**	47854	188371
	-Others	**50**	56	341
D.	E. -Total	**51916**	47910	188712
2	Segment Result (Profit before Tax and interest)			
	-Generation	**8497**	10334	29179
	-Others	**2**	19	90
F.	G. -Total	**8499**	10353	29269
H.	I. Less			
	(i) Unallocated Interest and Finance Charges	**1803**	1651	7276
	(ii)Other Unallocated expenditure net of unallocated income	**-4412**	-871	-36904
	Total profit before Tax	**11108**	9573	58897
3	Capital Employed (Segment Assets – Segment Liabilities)			
	-Generation	**202315**	330651	186879
	-Others	**332**	173	320
	-Total	**202647**	330824	187199

The Company has power stations located within the country and therefore, geographical segments are not applicable.

8 Related Party disclosures

a) Related parties:

i) List of joint ventures:

Utility Powertech Limited, NTPC-Alstom Power Services Private Ltd., Power Trading Corporation of India Ltd.

ii) Key Management Personnel:

Shri C.P. Jain	Chairman and Managing Director
Shri K.K. Sinha	Director(Human Resources)
Shri P. Narasimharamulu	Director(Finance)
Shri T. Sankaralingam	Director(Projects)
Shri S.L. Kapur	Director(Technical)
Shri R.D.Gupta	Director (Commercial)
Shri Chandan Roy	Director(Operations)

b) Transactions with the related parties at a(i) above are as follows:

Rs. Million

Particulars	Transactions		Outstanding Amount	
	Quarter ended 30.6.2004	Quarter ended 30.6.2003	**As at 30.6. 2004**	As at 31.3.2004
Contracts for Works/Services				
- Received by the Company	**23**	108	**6***	9*
			31**	109**
- Provided by the Company	**1**	-	**1***	1*
Contribution towards equity	**-**	-	**160**	160
Deputation of employees	**1**		**1***	1*

* Outstanding amount recoverable

** Outstanding amount payable

c) Remuneration to key management personnel is **Rs. 2 million** (Quarter ended 30.6.2003 - Rs.2 million) and amount of dues outstanding as on 30th June 2004 are **Rs. 1 million** (As on 31.03.2004 – Rs. 1 Million)

9 Disclosure regarding Leases

a) Finance Leases

The Company has taken on lease certain vehicles and has the option to purchase the vehicles as per terms of the lease agreements, details of which are as under:

Rs. Million

		As at	
		30.06.04	30.06.03
a)	Outstanding balance of minimum lease payments		
	• Not later than one year	**1**	1
	• Later than one year and not later than five years	**3**	3
	Total	**4**	4
b)	Present value of (a) above		
	• Not later than one year	**1**	1
	• Later than one year and not later than five years	**2**	2
	Total	**3**	3
c)	Finance Charges	**1**	1

b) Operating leases

The company's significant leasing arrangements are in respect of operating leases of premises for residential use of employees, offices and guest houses/transit camps. These leasing arrangements are usually renewable on mutually agreed terms but are not non-cancellable. Employees' remuneration and benefits include **Rs 37 Million** (Quarter ended 30.6.2003 - Rs.24 Million) towards lease payments, net of recoveries, in respect of premises for residential use of employees. Lease payments in respect of premises for offices and guest house/transit camps are shown as Rent in Schedule 23 – Generation, Administration and other expenses. Miscellaneous income in schedule 21 – Other Income, include **Rs10 Million** (Quarter ended 30.6.2003 - Rs.8 Million) towards sub-lease payments received/recoverable.

10 Earnings Per Share

The elements considered for calculation of Earning Per Share (Basic and Diluted) are as under:

	For the quarter ended 30.06.2004	For the quarter ended 30.06.2003	For the year ended 31.03.2004
Net Profit after Tax used as numerator (Rs. Million)	**10541**	9046	52608
Weighted Average number of equity shares used as denominator	**7,812,549,400**	7,812,549,400	7,812,549,400
Earning Per Share (Basic and Diluted) Rupees –	**1.35***	1.16*	6.73
Face value per share (Rupees)	**10/-**	10/-	10/-

* Non annulaized

11 The item-wise details of Deferred tax liability (net) are as under:

(Rs. Million)

	30.06.2004	31.03.2004
Deferred Tax Liability		
i) Difference of Book depreciation and Tax depreciation	**62,913**	60,901
ii) Others	**-**	787
	62,913	61,688
Less: Deferred Tax Assets		
i) Provisions disallowed for tax purposes	**8,625**	8,582
ii) Disallowed u/s 43B of the Income Tax Act,1961	**901**	826
	9,526	9,408
Deferred Tax Liability (Net)	**53,387**	52,280

The net increase in the deferred tax liability of Rs.1,107 million has been charged to Profit and Loss Account. However, the same is recoverable from customers.

12 Research and Development expenditure charged to revenue during the quarter is **Rs.13 Million** (Quarter ended 30.6.2003 - Rs. 14 million).

13 Interests in Joint Ventures:

Company	Proportion of ownership interest as on	
	30.06.2004	31.03.2004
Utility Powertech Limited	**50%**	50%
NTPC-Alstom Power Services Private Limited	**50%**	50%
Power Trading Corporation of India Ltd.	**8%**	8 %
NTPC-SAIL Power Company Private Limited	**50%**	50%
Bhilai Electric Supply Company Private Limited	**50%**	50%
NTPC Tamilnadu Energy Ltd.	**50%**	50%

The above joint venture companies are incorporated in India. The Company's share of the assets and liabilities as on 30th June, 2004 and income and expenses for the period ended 30th June, 2004 in respect of joint venture entities are given below:

Rs. Million

		30.06.2004	31.03.2004
A	Assets		
	Long Term Assets	**2,020**	2,056
	Current Assets	**1,491**	1,591
	Total	**3,511**	3,647
B	Liabilities		
	Long Term Liabilities	**1,702**	1,749
	Current Liabilities and Provisions	**776**	848
	Total	**2,478**	2,597
C	Contingent Liabilities	**32**	25
D	Capital Commitments	**127**	130
		Quarter ended 30.6.2004	Quarter ended 30.6.2003
E	Income	**831**	795
F	Expenses	**774**	738

The Company has given guarantee in favour of bankers of Utility Powertech Ltd for an amount of **Rs.24 Million** (As on 31.03.2004 - Rs.24 Million) for bank guarantee limits.

14 The pre-commissioning expenses during the quarter amounting to **Rs.146 Million** (Quarter ended 30.06.2003 - Rs.745 Million) have been included in Fixed Assets/Capital work-in-progress after adjustment of pre-commissioning sales of **Rs.6 Million** (Quarter ended 30.06.2003 - Rs 436 Million) during the corresponding period, resulting in a net pre-commissioning expenditure of **Rs.140 Million** (Quarter ended 30.06.2003 - Rs.309 Million).

15 List of Small Scale Industrial undertaking to whom payment is outstanding for more than 30 days as on 30th June, 2004, to the extent available to the Company, is as under:
Aditya Air Products Pvt Ltd., Agromore (P) Ltd., Aki Industrial Engineers, Aki Industries, Amio Engg Concern, Angel Eng. Co, Aryan Engineering, Ashutosh Castings Ltd., Balaji Alum Industries, Balaji Industrial Product, Bhavesh Corporation, Central India Engineers, Chemco Rubber Liners, Cyclo Electric Devices, Dahyaalal Karia & Co., Dassnagar Engg Concern, Dheeraj Engg Works, Dresser Valve India Pvt., Eldee Mechanical Works,Elastomeric Engineers, Flu Tef Insulation, Hyderabad Castings Ltd., India Oil Seals & Synthetic Products, Industrial Instrumentation, Insha Plastic Industries, Integral Pneumatic Co Pvt. Ltd., Just Machine Tools, Jyothi Industries, Kalpana Gears Pvt Ltd., Kay Bee Salts, Makers, Maruti Techno Rubber Pvt. Ltd., Metal & Engg Ent, Niki Chemical Industries, Osic,Paitandi Fluorocabon Seales, Poweraid (India) Pvt Ltd., Prabhu Industries, R.K.Engg., Radiant Cables Pvt. Ltd., Raju Gas Co. Pvt. Ltd., Rameswar Iron Foundry, Rasyantrik Udyog, S.D.Fine Chemical Ltd., Sap Industries, Smap Enginnering Pvt Ltd, Sri Durga Sundara Govinda, Steam & Mining Industries, Technofab India, The Coimbatore Combustion, Vishaka Machine Spares and Welfit Flexibles

16 Estimated amount of contracts remaining to be executed on capital account and not provided for is **Rs.119587 Million** (As on 31.03.2004 - Rs.87465 Million).

17 Managerial Remuneration paid/ payable to Directors

(Rs. Million)

	Quarter ended 30.06.2004	**Quarter ended 30.6.2003**
Salaries & Allowances	**2**	2
Contribution to Provident Fund & Other funds including Gratuity & Group Insurance	**0*** ***(Rs243466)**	0* *(Rs161549)
Other benefits	**0*** ***(Rs230806)**	0* *(Rs115048)
Directors' fees		

* **Rs.1,20,000/-** (Quarter ended 30.06.2003 - Rs.20,000/-)

In addition to the above remuneration the whole time Directors have been allowed the use of staff car including for private journeys on payment of Rs.780/- per month, as contained in the Ministry of Finance (BPE) Circular No.2 (18)/pc/64 dt.29.11.64, as amended.

18 Licensed and Installed Capacities: (As certified by Management)

	As at 30.06.2004	**As at 31.03.2004**
Installed Capacity (MW Commercial units)	**21,497**	21,497

19 Quantitative information in respect of Generation and Sale of Electricity (in MUs):

	Quarter ended 30.6.2004		Quarter ended 30.6.2003	
a) Pre-commissioning period :				
Generation		**22.98**		--
Sales		**7.46**		--
b) Commercial period :				
Generation		**38847**		34872
Sales		**36203**		32452
c) Value of imports calculated on CIF basis (Rs. Million):				
i) Capital goods		**88**		62
ii) Spare parts		**216**		257
d) Expenditure in foreign currency (Rs. Million):				
i) Professional and Consultancy fee		**6**		6
ii) Interest		**437**		240
iii) Others		**1473**		4541
e) Value of Components, Stores and Spare parts consumed (Rs. Million):				
	%age	**Amount**	%age	Amount
i) Imported	**0.30**	**99**	0.50	186
ii) Indigenous (including fuel)	**99.70**	**32713**	99.50	37258
f) Earnings in foreign exchange (Rs. Million):				
i) Consultancy		**-**		-
ii) Interest		**1**		(*) * Rs.4,28,783
iii) Others		(*) * Rs.1,02,963		(*) * Rs.4,28,935

20. The company has followed the same accounting policies as that of year 2003-04 for the quarter ended 30.06.2004.

21. Previous year's figures as at 31.03.2004 are audited and figures for the quarter ended 30.06.2003 are unaudited. Previous year's figures have been regrouped/rearranged wherever necessary.

For and on behalf of the Board of Directors

A.K.Bajpaie	P.Narasimharamulu	C. P. Jain
Company Secretary	Director (Finance)	Chairman & Managing Director

As per our report of even date

For Kalani & Co., Chartered Accountants	For Amit Ray & Co., Chartered Accountants	For Umamaheswara Rao & Co., Chartered Accountants
(K.L. Jhanwar) Partner M. No. 14080	(Amitava Ray) Partner M. No. 6947	(G. Sivarama Krishna Prasad) Partner M. No. 24860
For S.N.Nanda & Co., Chartered Accountants	For T.R. Chadha & Co. Chartered Accountants	
(S.N. Nanda) Partner M. No. 5909	(Sanjay Gupta) Partner M. No. 87563	

Place : New Delhi
Dated : 29th July 2004

NATIONAL THERMAL POWER CORPORATION LIMITED

CASH FLOW STATEMENT FOR THE QUARTER ENDED 30TH JUNE 2004

		QUARTER ENDED 30th June 2004	30th June 2003
A. CASH FLOW FROM OPERATING ACTIVITIES			
Net Profit before tax and Prior Period Adjustments		11113	9573
Adjustment for:			
Depreciation	4785		4804
Deferred revenue on account of Advance Against Depreciation	647		139
Interest & Guarantee Commision	2685		2551
Interest on Bonds	(3688)		(1119)
Prior Period Adjustments (Net)	(5)		0
Development Surcharge Fund	1703		0
Interest on Loans to state Govt.	225		
Others (Bonds issue and Servicing Expenses)	8		5
		6360	6380
Operating Profit before Working Capital Changes		17473	15953
Adjustment for:			
Trade and Other Receivables	(2738)		(3669)
Inventories	660		(7936)
Trade Payables and Other Liabilities	829		19927
Loans and Advances	(91)		(2649)
Other Current Assets	444		363
		(896)	6036
Cash generated from operations		16577	21989
Direct Taxes Paid		-1060	2632
Net Cash from Operating Activities - A		15517	24621
B. CASH FLOW FROM INVESTING ACTIVITIES			
Expenditure on Fixed Assets	(11406)		(12471)
Purchase of Investments	(394)		(20)
Invesment in Subsidiaries	(6)		0
Loans & Advances to Subsidary	(2)		(4)
Interest on Bonds Received	12427		425
Net cash used in Investing Activities - B		619	(12070)
C. CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from Long Term Borrowings		724	1976
Repayment of Long Term Borrowings		(986)	(1181)
Interest & Guarantee Commission Paid		(2945)	(2893)
Others (Bonds issue and Servicing Expenses)		(8)	(5)
Net Cash flow from Financing Activities - C		(3215)	(2103)
D. OTHERS			
Intangibles - D		0	35
Net Increase/Decrease in Cash and Cash equivalents (A+B+C+D)		12921	10483
Cash and cash equivalents(Opening balance) *		66351	23894
Cash and cash equivalents(Closing balance) *		79272	34377
		12921	10483

NOTES :Cash and Cash Equivalents consists of Cash in Hand, Balance with Banks, Public DepositAccount and interest accrued thereon

*** Includes Rs. 10 Million deposited as security with Government Authorities as per court orders.**

For and on behalf of the Board of Directors

(A. K. Bajpaie)
Company Secretary

(P. Narasimharamulu)
Director (Finance)

(C.P.Jain)
Chairman & Managing Director

As per our report of even date

For Kalani & Co.
Chartered Accountants

(K.L.Jhanwar)
Partner
M.No.14080

For Amit Ray & Co.
Chartered Accountants

(Amitava Ray)
Partner
M.No. 6947

For Umamaheswara Rao & Co.
Chartered Accountants

(G.Sivarama Krishna Prasad)
Partner
M.No. 24860

For S.N.Nanda & Co.
Chartered Accountants

(S.N.Nanda)
Partner
M.No.5909

For T.R.Chadha & Co.
Chartered Accountants

(Sanjay Gupta)
Partner
M.No. 87563

Place : New Delhi
Dated : 29 July 2004

RESTATED CONSOLIDATED FINANCIAL STATEMENTS

Summary of Consolidated Financial Statements as restated

AUDITORS' REPORT

The Board of Directors
National Thermal Power Corporation Limited
NTPC Bhawan
Scope Complex
NEW DELHI

A. We have examined the attached summary of Consolidated Assets and Liabilities (as restated) of National Thermal Power Corporation Ltd. (the 'Company'), its subsidiaries and joint ventures as at 31st March, 2004, 31st March, 2003, 31st March, 2002 and the summary of consolidated Profit & Loss Account (as restated) for the periods ended on those dates, annexed thereto, which we have signed under reference to this report.

The Accounts of the Company for the year ended 31st March 2004 have been audited and reported upon by us. For our examination we have accepted relevant accounts and statements audited by other auditors, as under:

(i) financial statements of the Company for the year 2002-03 audited by M/s K.K. Soni & Co., Chartered Accountants, M/s S.K. Mittal & Co., Chartered Accountants, M/s Laxminiwas & Jain, Chartered Accountants, M/s Vardhaman & Co., Chartered Accountants and M/s B. C. Jain & Co., Chartered Accountants.

(ii) financial statements of the Company for the year 2001-02 audited by M/s K.K. Soni & Co., Chartered Accountants, M/s S.K. Mittal & Co., Chartered Accountants, M/s Kishore & Kishore, Chartered Accountants, M/s Laxminiwas & Jain, Chartered Accountants, M/s Vardhaman & Co., Chartered Accountants and M/s B. C. Jain & Co., Chartered Accountants

(iii) financial statements of the below mentioned Subsidiaries of the Company for the period of three years ending 31st March 2004 or from the date of incorporation which have been audited and reported upon by their auditors mentioned thereagainst.

Sl. No.	Name of Subsidiary	Name of the Auditor
1.	NTPC Electric Supply Company Ltd.	M/s Kanwalia & Co., New Delhi
2.	NTPC Hydro Ltd.	M/s S. R. Kapur & Co., New Delhi
3.	NTPC Vidyut Vyapar Nigam Ltd.	M/s Tiwari & Associates, New Delhi
4.	Pipavav Power Development Co., Ltd.	M/s Krishan K. Gupta & Co. for the financial year ended 31st March 2002 and M/s Sanjeev Chopra & Co., New

		Delhi for subsequent years.

(iv) financial statements which are not restated of the below mentioned Joint Ventures of the Company for the period of three years ending 31st March 2004 or from the date of incorporation which have been audited and reported upon by their auditors mentioned there against.

Sl. No.	Name of the Joint Ventre	Name of the Auditor
1.	Utility Powertech Limited	M/s Haribhakti & Co., Mumbai
2.	NTPC Alstom Power Services Pvt.Ltd.	M/s Arthur Andersen & Associates, New Delhi for the financial year ended 31st March 2002 and M/s S.R. Batliboi & Co., New Delhi for subsequent years.
3.	Power Trading Corporation of India Ltd.	M/s D. C. G. & Co., New Delhi
4.	NTPC Sail Power Company Pvt.Ltd	M/s Bhagi Bhardwaj Gaur & Co., New Delhi for the financial years ended 31st March 2002 and 31st March 2003 and M/s B. R. Maheswari & Co., New Delhi for the financial year ended 31st March 2004.
5.	Bhilai Electric Supply Company Pvt.Ltd.	M/s Kumar Arora & Associates, New Delhi.
6.	NTPC Tamil Nadu Energy Ltd.	M/s Jitendra Nath & Co., New Delhi for the financial year ended 31st March 2004.

The preparation and presentation of these financial information is the responsibility of the Company's management. This financial information is proposed to be included in the offer document of the Company in connection with the proposed initial public issue of its equity shares.

B) We have performed such tests and procedures, which in our opinion were necessary for the examination. These procedures include comparison of the attached financial information with the Company's/ Subsidiaries/Joint Ventures audited financial statements.

Our audit of the financial statements for the period referred to in Para A of this report comprises audit tests and procedures deemed necessary for the purpose of expressing an opinion on such financial statements taken as whole. For none of the years 2002-03 and 2001-02 referred in Para A (i) & (ii), in respect of the Company, referred in Para A (iii) in respect of the Subsidiaries and referred in Para A (iv) in respect of joint ventures for the years 2003-04, 2002-03 and 2001-02 did we perform audit tests for the purpose of expressing an opinion on individual balances of account or summaries of selected transactions, such as those enumerated above and accordingly, we express no opinion thereon.

C) In accordance with the requirements of;

(i) Paragraph B (1) of Part II of Schedule II to the Companies Act 1956.
(ii) The Securities and Exchange Board of India (Disclosures and Investor Protection) Guidelines, 2000 issued by SEBI on January 19, 2000 in pursuance of Section II of SEBI Act, 1992 "the SEBI Guidelines" and
(iii) Request dated 24th May 2004 received from the Company to carry out the work relating to the offer document being issued by the National Thermal Power Corporation Limited in connection with the initial public offer of equity shares of the Company.

Subject to non-adjustment of changes in accounting policies regarding depreciation (refer Note no. III.B.1.2) and non-restatement of financial statements of joint venture companies as stated in para A(iv) above, we report that

1. The Summary of Consolidated Financial Statements as restated have been prepared by the Company in accordance with the requirements of Accounting Standard 21 'Consolidated Financial statements' and Accounting Standard 27 'Financial Reporting of Interest in Joint Ventures' issued by The Institute of Chartered Accountants of India on the basis of the separate audited financial statements of the Company, its Subsidaries and joint Ventures included in the Summary of Consolidated Financial Statement as restated.

2. i) Consolidated profits of the Company as restated for the years ended on 31st March 2004, 31st March 2003 and 31st March 2002 as set out in the attached summary of Consolidated Profit & Loss Account as restated in our opinion, are appropriate and are subject to the Accounting Policies and Notes thereon.

   ii) The position of consolidated assets and liabilities of the Company as restated as on 31st March 2004, 31st March 2003 and 31st March 2002 as set out in the attached summary of Consolidated Assets & Liabilities as restated in our opinion, are appropriate and are subject to the Accounting Policies and Notes thereon.

D) This report is solely for your information and for inclusion in the offer document being issued by the Company in connection with the initial public offer of equity shares.

For Kalani & Co.,	For Amit Ray & Co.,	For Umamaheswara Rao & Co.,
Chartered Accountants	Chartered Accountants	Chartered Accountants
(K.L. Jhanwar)	(Pradeep Mukherjee)	(G. Sivaramakrishna Prasad)
Partner	Partner	Partner
M. No. 14080	M. No. 70693	M. No. 24860
For S.N.Nanda & Co.,	For T.R. Chadha & Co.	
Chartered Accountants	Chartered Accountants	

(S.N. Nanda)	(Sanjay Gupta)
Partner	Partner
M. No. 5909	M. No. 87563

Place : New Delhi
Dated : 12th July 2004

NATIONAL THERMAL POWER CORPORATION LIMITED

I. SUMMARY OF CONSOLIDATED PROFIT & LOSS ACCOUNT, AS RESTATED

Rs. Million

	For the year ended 31st March 2004	For the year ended 31st March 2003	For the year ended 31st March 2002
Income:			
Sales	194,650	192,671	179,989
Energy Internally consumed	193	187	171
Provisions written back	9,648	3,988	107
Other Income	61,325	4,072	6,749
Total	265,816	200,918	187,016
Expenditure:			
Fuel	122,178	110,403	104,020
Electricity Purchased	4,004	729	872
Cost of Material and Other Direct Expenditure	862	476	339
Employees' remuneration and benefits	9,002	8,361	8,157
Generation, Administration & other expenses	10,239	11,150	11,775
Depreciation	20,456	15,533	13,934
Provisions	5,835	5,555	1,836
Interest and finance charges	33,905	10,158	8,892
Total	206,481	162,365	149,825
Profit before Tax, Prior period adjustments and Extraordinary Items	59,335	38,553	37,191
Prior period income/ expenditure (net)	182	803	-
Extraordinary Item - Capital receipt	-	-	501
Profit before Tax	59,153	37,750	37,692
Provision for current tax	8,733	11,288	10,321
Less: Income Tax Recoverable	2,405	9,802	8,185
	6,328	1,486	2,136
Provision for deferred tax	7,961	3,598	-
Less:Deferred Tax Recoverable	7,949	3,591	-
	12	7	-
Net Taxation	6,340	1,493	2,136
Profit after Tax as per audited statement of accounts(A)	52,813	36,257	35,556
Adjustment on account of			
Changes in accounting policies (refer note IV.B.1 (i))	-21	16	5
Impact of material adjustments (refer note IV.B.1.(ii))	-12,901	-4,130	4,572
Prior period items (refer note IV.B.1.(iii))	183	681	-299
Total Adjustments (B)	-12,739	-3,433	4,278
Adjusted Profit (A+B)	40,074	32,824	39,834
Balance brought forward	771	1,528	2,802
Write back from Reserves:			
Bonds Redemption Reserve	584	-	1,250
Balance available for appropriation	41,429	34,352	43,886
Transfer to Bonds redemption reserve	2,067	1,815	373
Transfer to Capital Reserve	30	100	506
Transfer to General Reserve*	26,276	24,081	34,298
Interim dividend	0	4,000	55
Proposed dividend	10,941	3,177	7,111
Tax on proposed dividend	1,402	407	6
Balance carried to Balance Sheet	713	772	1,537

* The Impact of adjustment in profit on restatment upto the year 2000-01 has been adjusted in the opening balance of General Reserve.

The accompanying accounting policies and notes on accounts are an integral part of this statement.

NATIONAL THERMAL POWER CORPORATION LIMITED

II. SUMMARY OF CONSOLIDATED ASSETS & LIABILITIES, AS RESTATED

Rs./Million

	As at 31st March 2004	As at 31st March 2003	As at 31st March 2002
Goodwill on consolidation (A)	6	22	22
Fixed Assets (B)			
Gross Block	403,001	368,787	327633
Depreciation	188,435	168,131	152654
Net Block	214566	200,656	174979
Capital Work-in-Progress	56,454	51,557	52040
Construction stores and advances	18,547	12,320	13513
Investments (C)	172,347	169,408	166746
Current Assets, Loans & Advances (D):			
Inventories	17,557	17,871	20295
Sundry debtors	5,491	8,696	7356
Cash and bank balances	7,028	6,012	12511
Other Current Assets	80,036	42,286	9577
Loans and Advances	27,364	30,689	26581
Sub-total (D)	137,476	105,554	76320
Less: Liabilities & Provisions (E):			
Secured loans	47,386	42,892	18234
Unsecured loans	108,892	91,070	99507
Deferred Tax Liability	25	13	-
Deferred revenue on account of Advance against Depreciation	1,591	271	-
Development Surcharge Fund	3,784	2,492	1241
Current Liabilities and Provisions	81,994	74,869	61950
Sub-total (E)	243,672	211,607	180932
NET WORTH (A+B+C+D-E)	**355724**	**327910**	**302688**
Represented by:			
Share Capital (F)	78,125	78,125	78125
Reserves and Surplus (Adjusted) (G)	277,615	249,909	224672
Less: Miscellaneous Expenditure (to the extent not written off or adjusted) : (H)	16	124	109
NET WORTH (F+G-H)	**355724**	**327910**	**302688**

The accompanying accounting policies and notes on accounts are an integral part of this statement.

III. ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

A. SIGNIFICANT ACCOUNTING POLICIES

1. PRINCIPLES OF CONSOLIDATION

1.1 The Summary of Consolidated Financial Statements, as restated, relate to the Company (National Thermal Power Corporation Ltd.), its subsidiaries and joint ventures. The Consolidated Financial Statements have been prepared on the following basis:

a) The Financial Statements of the Company and its subsidiaries are combined on a line by line basis by adding together the book value of like items of assets, liabilities, income and expenses after fully eliminating intra group balances and intra group transactions resulting in unrealised profit or losses in accordance with the Accounting Standard- 21 on Consolidated Financial Statements.

b) The Financial Statements of the Company and its Joint Venture are consolidated by proportionate consolidation method for its interests in assets, liabilities, income and expenses as enumerated in Accounting Standard-27 on Financial Reporting of Interests in Joint Ventures.

c) The Summary of Consolidated Financial Statements, as restated, are prepared using uniform Accounting Policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the company's separate Financial Statements or otherwise these are not material.

d) The difference between the cost of investment in the Joint venture and the share of net assets at the time of acquisition of shares in the Joint Venture is identified in the financial statements as Goodwill or Capital Reserve as the case may be.

1.2 Investment other than in subsidiary and Joint Ventures has been accounted for as per Accounting Standard-13 on "Accounting for Investments".

2. OTHER SIGNIFICANT ACCOUNTING POLICIES:

These are set out under "Accounting Policies" as given in the respective Financial Statements of the Company and its subsidiary appearing elsewhere in the offer Document.

B. NOTES ON ACCOUNTS

1.0 Adjustments/Regroupings

Impact of changes in Accounting policies, Extraordinary and prior period items:

Rs. Million

Particulars	Financial year ended 31st March 2004	Financial year ended 31st March 2003	Financial year ended 31st March 2002
Profit after tax as per audited statement of accounts	52,608	36,075	35,396
Adjustment on account of:			
(i) Changes in Accounting			

Policies - Software and its amortization [note no.1.1.i]	-21	16	5
Total	-21	16	5
(ii) Material Adjustments Sale of energy [note no.1.1.ii]	13,963	-4,866	-3,405
Effect of Scheme for Settlement of SEB dues and return of bonds [note no.1.1.iii]	-26,532	2,666	8,750
Arrears of remuneration to employees [note no.1.1.iv]	9	202	94
Other income and expenditure items	-4,952	-3,035	-58
Total	-17,512	-5,033	5,381
(iii) Tax impact of adjustments [note no.1.1.v]	4,611	903	-809
Total	-12,901	-4,130	4,572
(iv) Prior Period items [note no.1.1.vi]	183	681	-299
Total	183	681	-299

1.1 Adjustments carried out

i. The expenditure on software, charged off to revenue in earlier years, has been recognized as intangible asset and amortised over a period of three years in terms of AS 26.

ii. The sale of energy has been accounted for based on tariff rates approved by the Central Electricity Regulatory Commission (CERC) and/or Government of India. CERC has issued orders in December 2000 with respect to the tariff norms, principles and Availability Based Tariff (ABT).

CERC have directed by notifications that the billing of sales in case of the power stations where the tariff has not been determined shall continue to be done on the same basis as on 31st March 2001, subject to adjustment on final determination of tariff by the CERC. In respect of some stations, CERC has issued provisional tariff orders for billing which are subject to adjustment on final determination of tariff.

Adjustments arising out of determination of tariff as aforesaid have been carried out in the respective years.

iii. Pursuant to the Government of India Scheme for Settlement of Dues of State Electricity Boards (Scheme) the Company received, with effect from 1st October 2001, 8.5% tax-free bonds amounting to Rs.157,884 Million against outstanding principal dues, late payment surcharge, conversion of bonds issued by SEBs after 1st March, 1998 and outstanding as on 30th September, 2001 and other amounts recoverable.

In terms of the bi-partite agreement dated 17th February 2004 entered between the Government of India and the Government of National Capital Territory of Delhi, having similar terms as the aforesaid Scheme, outstanding dues for the period March 1997 to September 2001 and agreed late payment surcharge of Delhi Vidyut Board amounting to Rs.10,603 Million were converted into interest bearing long term advance with effect from 1st October, 2001

Adjustment in respect of the aforesaid and rebate allowable under the Scheme have been carried out in the respective years.

iv. Arrears paid on account of revision of pay scales and other emoluments have been adjusted in respective years.

v. Impact of income tax on adjustments has been computed net of tax recoverable from beneficiaries.

vi. The prior period items in the profit and loss account have been re-allocated to respective years.

Stand alone financial statements of the Company and its subsidiaries wherever applicable were restated for the year 1999-2000 to 2003-04 in accordance with Guidance Note issued by the Institute of Chartered Accountant of India. The effect of change for the financial years prior to 1999-2000 has been adjusted in the General Reserve as at 1st April 1999. The Summary of Consolidated Financial Statements, as restated, have been prepared for the year 2001-02 to 2003-04, since the company did not have any subsidiary prior to 1.4.2001.

1.2 Adjustment not carried out

Since the Company has provided depreciation as per the statutory provisions applicable in the relevant years as stated below, no adjustment has been made for changes in the accounting policies regarding depreciation.

Changes in Accounting Policies during the years ended 31st March 2002 to 31st March 2004 with regard to Depreciation.

Year	Relevant Law	Reason for Change
2001-02 and 2002-03	Under Section 75A of Electricity Supply Act, 1948 at rates notified under CERC regulations.	Omission of section 43 A (2) by notification of the Government of India u/s 51 of the Electricity Regulatory Commission Act, 1998
2003-04 onwards	As per Companies Act, 1956	Repeal of the Electricity (Supply) Act, 1948 by the Electricity Act, 2003.

Upto the year ended 31st March 2003, the company has been providing depreciation on fixed assets from the year following that in which the assets became available for use and thereafter depreciation has been provided on pro-rata basis.

During the year ended 31st March 2004, assets costing upto Rs. 5000/- are fully depreciated in the year of capitalization as against the earlier policy of fully depreciating plant and machinery costing Rs. 5000/- or less and such items with written down value of Rs. 5000/- or less at the beginning of the year.

2.0 The summary of consolidated Financial Statements represents consolidation of accounts of the Company (National Thermal Power Corporation Limited) and its subsidiaries as detailed below:-

Name of the Subsidiaries	Country of Incorporation	Proportion of ownership Interest		
		31.03.2004	31.03.2003	31.03.2002
Pipavav Power Development Company Limited	India	100 %	100 %	100 %
NTPC Vidyut Vyapar Nigam Limited	India	100 %	100 %	N/A
NTPC Hydro Limited	India	100 %	100 %	N/A
NTPC Electric Supply Company Limited	India	100 %	100 %	N/A

3.0 The consolidated Financial Statements also represents consolidation of accounts of the Joint Venture as detailed below: -

Name of the Company
Country of Incoporation
Proportion of ownership interest as on 31st March 2004
Proportion of ownership interest as on 31st March 2003
Proportion of ownership interest as on 31st March 2002

Utility Powertech Limited
India
50 %
50 %
50 %

NTPC-Alstom Power Services Private Limited
India
50 %
50 %
50 %

Power Trading Corporation of India Ltd.
India
8 %
8.28 %
25 %

NTPC-SAIL Power Company Private Limited
India
50 %
50 %
50 %

Bhilai Electric Supply Company Private Limited
India
50 %

50 %

50 %

NTPC Tamilnadu Energy Ltd.

India

50 %

-

-

4.0 Contingent Liabilities

Rs. Million

	As at 31st March 2004	As at 31st March 2003	As at 31st March 2002
Proportionate Share in Joint Venture	25	2	9
In respect of other than JVs: Claims against the Company not acknowledged as debt in respect of :			
Capital works	5,455	5,163	3,968
Land compensation cases	10,314	9,924	5,593
Others	2,438	3,828	3,309
Disputed Sales Tax demand	314	318	263
Letters of Credit other than for capital expenditure	965	1,205	1,030
Guarantee in favour of bankers of Joint Venture	24	24	24
Others	23	45	40
Total	**19,558**	**20,509**	**14,236**

5.0 Estimated amount of contracts remaining to be executed on capital account and not provided for :

	As at 31st March 2004	As at 31st March 2003	As at 31st March 2002
Proportionate Share in Joint Venture	130	16	15
In respect of other than Joint Ventures	87,496	61,836	60,092
Total	87626	61852	60107

6.0 The amounts of exchange differences (net) are as under:

Rs./Millions

Particulars	Financial year ended 31st March 2004	Financial year ended 31st March 2003	Financial year ended 31st March 2002
Recognised in the profit and loss account	25 (debit)	36 (debit)	4 (debit)

Adjusted to the carrying cost of fixed assets/construction work in progress	1,411 (debit)	4,550 (debit)	264 (debit)

7.0 Other significant notes on account as on 31st March 2004

a) The conveyancing of the title to **10,310** acres of freehold land of value **Rs. 4,145 Million** (Previous Year 9446 acres, value Rs.2914 Million) and execution of lease agreements for **6,984** acres of value Rs. **696 Million** (Previous Year 6,375 acres, value Rs. 771 Million) in favour of the Company are awaiting completion of legal formalities.

b) Land shown in the books does not include cost of **1,327** acres (Previous year 1,372 acres) of land in possession of the Company. This will be accounted for on settlement of the price thereof by the State Government Authorities.

c) Land includes amount of **Rs.2,334 Million** (Previous year Rs. 374 Million) deposited with various authorities in respect of land in possession which is subject to adjustment on final determination of price.

d) Balances shown under debtors, advances, creditors and material lying with contractors/ fabricators and material issued on loan in so far as these have not been since realised/ discharged or adjusted are subject to confirmation/reconciliation and consequential adjustment, if any.

e) In accordance with the Uttar Pradesh Electricity Reforms (Transfer of Tanda Generation Undertaking) Scheme 2000, the assets of Tanda Power Station (440 MW) of UP State Electricity Board (UPSEB) acquired for a total consideration of Rs.6,070 Million, were handed over to the company free from all encumbrances. However, the charge created by UPSEB in favour of Life Insurance Corporation of India before the assets were taken over is still to be vacated.

8.0 Segment Information, as restated:

a) Business Segments:

The Company's principal business is generation and sale of bulk power to SEB's/ State utilities. Other business includes providing consultancy, training, management development services, power trading and distribution of bulk power.

b) Segment Revenue and Expense

Revenue directly attributable to the segments is considered as Segment Revenue. Expenses directly attributable to the segments and common expenses allocated on a reasonable basis are considered as Segment expenses.

c) Segment Assets and Liabilities

Segment assets include all operating assets in respective segments comprising of net fixed assets and current assets, loans and advances and goodwill. Construction work-in-progress, construction stores and advances are included in unallocated corporate and other assets. Segment liabilities include operating liabilities and provisions.

Consolidated Segment Information as restated **Rs.in million**

	2003-04			2002-03			2001-02		
	Generation	Others	Total	Generation	Others	Total	Generation	Others	Total

Revenue Sale of energy/Consultancy, Project management and Supervision fees	203,197	5,416	208,613	186,224	1,581	187,805	175009	1575	176584
Internal consumption	193		193	187		187	171		171
Total	203,390	5,416	208,806	186,411	1,581	187,992	175,180	1,575	176,755
Segment result	30,488	209	30,697	22,797	103	22,900	41,327	166	41,493
Unallocated Corporate Interest and other income			20,859			20,740			11,284
Unallocated Corporate Expenses, interest and finance charges			9,753			10,226			10,499
Income Tax/Deferred Tax (Net)			1,729			590			2,945
Extraordinary Items									501
Profit after tax			40,074			32,824			39,834
Other Information									
Segment assets	242,375	1,775	244,150	231,466	1,110	232,576	211,096	850	211,946
Unallocated Corporate and other assets			355,264			307,065			271,783
Total Assets			599,414			539,641			483,729
Segment Liabilities	52,882	1,072	53,954	19,450	714	20,164	19,013	584	19,597
Unallocated Corporate and other liabilities			184,343			188,680			160,094
Total Liabilities			238,297			208,844			179,691
Depreciation	20,278	7	20,285	15349	5	15354	13,768	4	13,772
Non cash expenses other than depreciation	5,834	0	5,834	4295	0	4295	788	0	788
Capital expenditure	45,676	2	45,678	41667	-30	41637	31,520	53	31,573

The Company has business activities located within the country and therefore Geographical segments are not applicable.

For Kalani & Co., Chartered Accountants	For Amit Ray & Co., Chartered Accountants	For Umamaheswara Rao & Co., Chartered Accountants
(K.L. Jhanwar) Partner M. No. 14080	(Pradeep Mukherjee) Partner M. No. 70693	(G. Sivaramakrishna Prasad) Partner M. No. 24860
For S.N.Nanda & Co., Chartered Accountants	For T.R. Chadha & Co. Chartered Accountants	
(S.N. Nanda) Partner M. No. 5909	(Sanjay Gupta) Partner M. No. 87563	

Place : New Delhi
Dated : 12th July 2004

NATIONAL THERMAL POWER CORPORATION LIMITED

CASH FLOW STATEMENT FOR THE QUARTER ENDED 30TH JUNE 2004

		QUARTER ENDED 30th June 2004	30th June 2003
A. CASH FLOW FROM OPERATING ACTIVITIES			
Net Profit before tax and Prior Period Adjustments		11113	9573
Adjustment for:			
Depreciation	4785		4804
Deferred revenue on account of Advance Against Depreciation	647		139
Interest & Guarantee Commision	2685		2551
Interest on Bonds	(3688)		(1119)
Prior Period Adjustments (Net)	(5)		0
Development Surcharge Fund	1703		0
Interest on Loans to state Govt.	225		
Others (Bonds issue and Servicing Expenses)	8		5
		6360	6380
Operating Profit before Working Capital Changes		17473	15953
Adjustment for:			
Trade and Other Receivables	(2738)		(3669)
Inventories	660		(7936)
Trade Payables and Other Liabilities	829		19927
Loans and Advances	(91)		(2649)
Other Current Assets	444		363
		(896)	6036
Cash generated from operations		16577	21989
Direct Taxes Paid		-1060	2632
Net Cash from Operating Activities - A		15517	24621
B. CASH FLOW FROM INVESTING ACTIVITIES			
Expenditure on Fixed Assets	(11406)		(12471)
Purchase of Investments	(394)		(20)
Invesment in Subsidiaries	(6)		0
Loans & Advances to Subsidary	(2)		(4)
Interest on Bonds Received	12427		425
Net cash used in Investing Activities - B		619	(12070)
C. CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from Long Term Borrowings		724	1976
Repayment of Long Term Borrowings		(986)	(1181)
Interest & Guarantee Commission Paid		(2945)	(2893)
Others (Bonds issue and Servicing Expenses)		(8)	(5)
Net Cash flow from Financing Activities - C		(3215)	(2103)
D. OTHERS			
Intangibles - D		0	35
Net Increase/Decrease in Cash and Cash equivalents (A+B+C+D)		12921	10483
Cash and cash equivalents(Opening balance) *		66351	23894
Cash and cash equivalents(Closing balance) *		79272	34377
		12921	10483

NOTES :Cash and Cash Equivalents consists of Cash in Hand, Balance with Banks, Public DepositAccount and interest accrued thereon

*** Includes Rs. 10 Million deposited as security with Government Authorities as per court orders.**

For and on behalf of the Board of Directors

(A. K. Bajpaie)
Company Secretary

(P. Narasimharamulu)
Director (Finance)

(C.P.Jain)
Chairman & Managing Director

As per our report of even date

For Kalani & Co.
Chartered Accountants

For Amit Ray & Co.
Chartered Accountants

For Umamaheswara Rao & Co.
Chartered Accountants

(K.L.Jhanwar)
Partner
M.No.14080

(Amitava Ray)
Partner
M.No. 6947

(G.Sivarama Krishna Prasad)
Partner
M.No. 24860

For S.N.Nanda & Co.
Chartered Accountants

For T.R.Chadha & Co.
Chartered Accountants

(S.N.Nanda)
Partner
M.No.5909

(Sanjay Gupta)
Partner
M.No. 87563

Place : New Delhi
Dated : 29 July 2004

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN INDIAN GAAP AND U.S. GAAP

The following is a general summary of certain significant differences between Indian GAAP and U.S. GAAP so far as they are relevant to the financial statements of the Issuer.

The differences identified below are limited to those significant differences that are appropriate to the Issuer's financial statements. However, they should not be construed as exhaustive, and no attempt has been made to identify possible future differences between Indian GAAP and U.S. GAAP as a result of prescribed changes in accounting standards nor to identify future differences that may affect the Issuer's financial statements as a result of transactions or events that may occur in the future.

The Company has not prepared financial statements in accordance with U.S. GAAP. Accordingly, there can be no assurance that the table below is complete or that the differences described would give rise to the most material differences between Indian and U.S. GAAP. In addition, the Company cannot presently estimate the net effect of applying U.S. GAAP on its results of operations or financial position.
The effect of such differences may be material for the net results and shareholder's equity prepared on the basis of U.S. GAAP compared to Indian GAAP.

Particulars	Indian GAAP	U.S. GAAP
1.Content and Form of Financial Statement s.	• Companies are required to present balance sheets, profit and loss accounts and, if listed, proposing listing or having turnover grater than Rs. 500 million, cash flows, for two years together with accounting policies, schedules and notes. The format of the financial statements generally follows the requirements of the Companies Act, 1956.	• All companies are required to present balance sheets, income statements, statements of shareholder's equity, comprehensive income and cash flows, together with accounting policies and notes to the financial statements. Disclosures in the notes to financial statements generally are far more extensive than under Indian Accounting Standards. • No specific format is mandated; generally items are presented on the face of the balance sheet in decreasing order of liquidity. Income statement items may be presented using a single-step or a multiple-step format. • Securities Exchange Commission ("SEC") registrants are generally required to present two years of balance sheets and three years for all other statements.
2. Fixed Assets	• Capital expenditure incurred on assets not owned is capitalized and depreciated over useful life of the	• Capital expenditure incurred on fixed assets not owned is capitalized and depreciated its

Particulars	Indian GAAP	U.S. GAAP
	assets. • Abandoned fixed assets are generally written off when abandoned.	estimated useful life. • Abandoned assets would be treated as impaired (see below).
3. Investments in securities	• Investments are classified as long-term or current. • Current investments are readily realisable, not intended to be held for more than one year from the date of purchase and are carried at the lower of cost or fair market value. Unrealized losses are charged to the income statement; unrealized gains are not recorded except to restore previously recorded unrealized gains that may have reversed. • A long-term investment is an investment other than a current investment and is valued at cost, subject to a write-down for impairment on permanent diminution in value. Long term investments are classified as trade and other.	• Investments in marketable equity securities and all debt securities are classified according to management's holding intent, into one of the following categories: trading, available for sale, or held to maturity. • Trading securities are marked to fair value, with the resulting unrealized gain or loss recognised currently in the income statement. • Available-for-sale securities are marked to fair value, with the resulting unrealized gain or loss recorded directly in a separate component of equity until realized, at which time the gain or loss is reported in income. • Held on maturity debt securities are carried at amortised cost. • Other than temporary impairments in the value of HTM and AFS investments are accounted for as realised losses.
4. Investment in Subsidiaries	• Consolidation of financial statements is not mandatory. In accordance with Section 212 of Companies Act, 1956, Subsidiary company's accounts are attached to annual reports of holding company. However company shall be required to publish consolidated financial statements on listing of its share in terms of clause 32 of the listing agreement. • In separate financial statements of holding company, equity shares of subsidiary companies are accounted as Investments.	• Consolidated Financial Statements are required to be presented.
5. Investments in associates or affiliates	• If companies are required to prepare consolidated financial statements, the equity method of accounting for investments in associates is required. The definition of associates and	• Investments over which the investor can exert significant influence, generally presumed when the investor owns between 20% and 50% of the

Particulars	Indian GAAP	U.S. GAAP
	equity accounting are similar to U.S. GAAP. • There is no requirement to apply the equity method of accounting in the standalone financial statements of the parent and associates are accounted for in the same manner as other investments in the standalone financial statements of a parent.	voting stock, are required to be accounted for using the equity method. • The equity method requires investors to record their investment in the associate as a one-line asset and reflect their share of the investee`s net income / loss in their earnings. Dividends received reduce the investment account.
6. Interest in Joint Ventures or jointly controlled assets	• AS 27, Financial reporting of interests in Joint ventures, applies to the company and requires interests in Jointly controlled operations of a venturer to be recognized in its separate and consolidated financial statements on a proportionate consolidation basis	• A joint venture is treated as either a subsidiary or affiliate , depending on the level of control of the Joint venturer , and consolidated or accounted for using the equity method, respectively. • The SEC, as an accommodation, permits foreign companies that use proportional consolidation under home country GAAP for joint ventures that would be equity accounted (but not those that are consolidated) under US GAAP to continue this basis of accounting, provided summarized footnote disclosure of the amounts proportionately consolidated are disclosed.
7.Intangible Assets	• AS-26 on Intangible Assets became effective in respect of expenditure incurred on intangible items during accounting periods commencing on or after April 1, 2003, in respect of listed public companies. The standard differentiates between intangible items and intangible assets, whereby intangible items are expensed and intangible assets should be recognized if, and only if (a) it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise, and (b) the cost of the asset can be measured reliably.	• Purchased intangibles are capitalized at their fair value. Costs relating to internally developed intangible assets are expensed when incurred. • Intangible assets with definite lives are amortized over the expected period of benefit. Intangible assets with indefinite lives are not amortized but are subject to an annual impairment test, or more frequently in the event of a triggering event.

Particulars	Indian GAAP	U.S. GAAP
8. Borrowing costs and interest capitalized	• Borrowing costs directly attributable to the acquisition, construction, or production of a qualifying asset are capitalised as a cost of that asset. Other borrowings cost are recognised as an expense in the period in which they are incurred. • Foreign exchange gains or losses relating to borrowings incurred to construct fixed assets are treated as a part of borrowing costs during the construction period.	• Interest cost is capitalized as part of the cost of an asset that is constructed or produced for an enterprise's own use. The capitalization period begins when activities commence to make ready of the assets, and ends when the asset is ready for use. The capitalized interest is expensed over the estimated useful life of the asset as part of the depreciation charge. • All foreign exchange gains and losses are included in net income. • Origination or commitment fees incurred to obtain a borrowing are treated as a deferred charge and amortised using the effective interest method over the life of the debt.
9.Asset impairment	• Applicable for accounting periods beginning from April 1, 2004 onwards. Companies must assess whether there is any indication that an asset (cash generating unit) is impaired at each balance sheet date. If such an indication exists, the company is required to estimate the recoverable amount of the asset. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset should be reduced to its recoverable amount and reported as an impairment loss	• SFAS No. 144 develops one accounting model for long- lived asset other than goodwill that are to be disposed of by the sale, as well as addresses the principal implementation issues. • SFAS No. 144 requires that long-lived assets that are to be disposed of by sale be measured at the lower of book value or fair value less cost to sell. • The impairment Review is based on undiscounted cash flows at the lowest level of independent cash flows. If the undiscounted cash flows less than the carrying amount, the impairment loss must be measured using discounted cash flows.
10. Depreciation	• Depreciation is generally charged at rates prescribed by the Companies Act 1956 other than for some assets which are depreciated at higher rate	• Depreciation is provided in a systematic and rational manner over the useful economic life of the assets.
11.Retirement Benefits	• The liability for defined benefit plans like gratuity and pension is determined as per actuarial valuation. The actuarial gains or shortfall are	• The liability of defined benefit scheme is determined using the projected unit actuarial method. The discount rate for obligations is

Particulars	Indian GAAP	U.S. GAAP
	recognized immediately in the Profit & Loss account. • Liabilities for leave encashment to employees are accounted for on accrual basis based on actuarial valuation at the year end.	based on market yields of high quality corporate bonds. The plan assets are measured using fair value or using discounted cash flows if market prices are unavailable. The actuarial gains or losses are not recognised immediately in the statement of income. As a minimum, amortisation of an unrecognized net gain or loss is included as a component of net pension cost for a year if, as of the beginning of the year, that unrecognized net gain or loss exceeds 10% of the greater of the projected benefit obligation or the market –related value of plan assets. The balance, if any, is amortized over the average remaining service period of active employees expected to receive benefits under the plan. • Leave salary benefit is provided on actual basis.
12. Prior period items and changes in accounting policies	• Impact of change in accounting policies and prior period items are reported on a prospective basis beginning with year of change.	• Prior period items are accounted by adjusting to prior years and retained profits.
13.Proposed dividend.	• Proposed dividends are reflected in the financial statements of the year to which they relate evn though proposed or declared after the year end.	• Dividends are charged to retained earnings at the point of time that they are formally declared by the Board of Directors.
14. Deferred taxes	• Deferred tax liability or asset is recognized for all the timing differences, subject to the consideration of prudence in respect of deferred tax assets. Deferred tax assets are recognised and carried forward to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.	• A deferred tax liability or asset is recognised for the estimated future tax effects attributable to temporary differences and carry forwards. A valuation allowance is raised against a deferred asset where it is more likely than not that some portion of deferred tax assets will not be realised.
15.Foreign exchange	• Transactions in foreign currency are recorded at the exchange rate	• All gains and losses arising from foreign currency transaction are

Particulars	Indian GAAP	U.S. GAAP
	prevailing on the date of the transaction. Monetary items are restated at year-end exchange rates. Exchange differences arising on transactions of monetary items are recognised as income or expense in the year in which they arise, except in respect of liabilities for the acquisition of fixed assets, where such exchange difference is adjusted in the carrying cost of the fixed assets.	included in determining net income.
16.Off-balance sheet items	• An enterprise should disclose for each class of contingent liability at balance sheet date, a brief description of the nature of the contingent liability in terms of accounting standard 29. Amount of capital commitment is also to be disclosed.	• SEC registrants are required to provide extensive disclosures of material off-balance sheet items, contingent liabilities and financial guarantees. Commitments and contingencies are required to be disclosed. • FASB interpretation No. 45(or FIN 45), guarantor's accounting and disclosure requirements for guarantees, including indirect guarantees of Indebtness of others, requires that at the time a company issues a guarantee, the company must recognise an initial liability for the fair value, market value, of the obligations it assumes under that guarantee. FIN 45 applicable on a prospective basis to guarantees issued or modified after December 31, 2002.
17. Related party disclosures	• Disclosures by public sector companies of related party transactions with other public sector companies do not need to be provided.	• Related parties would include all entities under common control (including government departments), and there is no specific exemption for public sector or government owned entities.
18. Segments	• Specified segment disclosures are provided which could either be business segments or geographical segments.	• Segments information is provided for reportable segments based on the segments for which the chief operating decision maker allocates resources and measures performance. The amount to be disclosed correspond to the

Particulars	Indian GAAP	U.S. GAAP
		measures of performance used by the chief operating decision maker.

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by our Company or entered into more than two years before the date of this Draft Red Herring Prospectus) which are or may be deemed material have been entered or to be entered into by our Company. These contracts, copies of which have been attached to the copy of this Draft Red Herring Prospectus, delivered to the Registrar of Companies, Delhi & Haryana for registration and also the documents for inspection referred to hereunder, may be inspected at the corporate office of our Company situated at NTPC Bhawan, Scope Complex, 7, Institutional Area, Lodi Road, New Delhi-110003 from 10.00 am to 4.00 pm on working days from the date of this Draft Red Herring Prospectus until the Bid Closing Date/Issue Closing Date.

Material Contracts

1. Letters of appointment dated May 5, 2004 and August 20, 2004 to ICICI Securities Limited, Enam Financial Consultants Private Limited and Kotak Mahindra Capital Company Limited from our Company appointing them as BRLMs.

2. Letters of appointment dated June 18, 2004 and August 20, 2004 to CLSA from our Company appointing them as one of the CBRLMs.

3. Letter of appointment dated August 21, 2004 to HSBC from our Company appointing them as one of the CBRLMs.

4. Memorandum of Understanding amongst our Company, the Selling Shareholder, BRLMs and the CBRLMs dated August 21, 2004.

5. Memorandum of Understanding executed by our Company and the Selling Shareholderwith Registrar to the Issue.

6. Escrow Agreement dated [ ], 2004 between the Company, the Selling Shareholder, the BRLMs, the CBRLMs, [Escrow Collection Banks], and the Registrar to the Issue.

7. Syndicate Agreement dated [ ], 2004 between the Company, the Selling Shareholder, the BRLMs, the CBRLMs and Syndicate Members.

8. Underwriting Agreement dated [ ], 2004 between the Company, the Selling Shareholder, the BRLMs, the CBRLMs and Syndicate Members.

Material Documents

1. Our Memorandum and Articles of Association as amended till date.
2. Our certification of incorporation dated November 7, 1975.
3. Letter no. 4(28)/2002-MODI dated July 13, 2004 from the Department of Disinvestment, Ministry of Finance to the Company and letter no.3/3/2004-Th.1dated July 26, 2004from the MoP to the Company, the Government of India has approved the Offer for Sale by the Selling Shareholder.
4. Shareholders' resolutions dated May 31, 2004 and [] in relation to this Issue and other

related matters.

5. Resolutions of the Board dated March 31, 2004 and [].

6. Reports of the statutory Auditors dated June 18, 2004 and July 29, 2004 prepared as per Indian GAAP and mentioned in this Draft Red Herring Prospectus.

7. Copies of annual reports of our Company and our subsidiaries for the past five financial years.

8. Consents of the Auditors being (1) Kalani & Co. (2) Amit Ray & Co (3) Umamaheswara Rao & Co. (4) S.N. Nanda & Co.and (5) T.R. Chadha & Co. for inclusion of their report on accounts in the form and context in which they appear in this Draft Red Herring Prospectus.

9. General Power of Attorney executed by the Directors of our Company in favour of person(s) for signing and making necessary changes to this Draft Red Herring Prospectus and other related documents.

10. Consents of Auditors, Bankers to the Company, BRLMs, the CBRLMs, Syndicate Members, Registrar to the Issue, Escrow Collection Bank(s), Banker to the Issue, Domestic Legal Counsel to the Issue, International Legal Counsel to the Issue, Directors of the Company, Company Secretary and Compliance Officer, as referred to, in their respective capacities.

11. Initial listing applications dated June 21, 2004 filed with NSE and BSE.

12. In-principle listing approval dated June 28, 2004 and June 30, 2004 from NSE and BSE respectively.

13. Agreement between NSDL, our Company and the Registrar to the Issue dated [ ], 2004.

14. Agreement between CDSL, our Company and the Registrar to the Issue dated [ ], 2004.

15. Due diligence certificate dated [ ], 2004 to SEBI from ICICI Securities Limited, Enam Financials Consultants Private Limited and Kotak Mahindra Capital Company Limited.

16. Gazette notifications for the Tripartite Agreement between the Government of India, state government and the RBI and the issuance of bonds.

17. SEBI letter CFD/DIL/YG/11140/2004 dated May 28, 2004 which has granted its approval for exemption of the requirements of Rule 19(2)(b) of the Securities Contract Regulation Rules, 1957 as regards the requirements of size of the issue of minimum public offerings of 10% of the post issue capital and also the percentage allocation to QIBs.

18. Approval from the FIPB pursuant to its letter no [] dated [], for the transfer of Equity Shares in this Issue to eligible NRIs, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions.

19. Approval from the RBI stating that the RBI has no objection for non-resident Bidders to acquire Equity Shares in the Offer for Sale, pursuant to its letter no. [] dated [].

20. Letters of allotment of electricity issued by the Government for respective states, in respect of each of our power stations.

21. SEBI observation letter [ ] dated [ ].

Any of the contracts or documents mentioned in this Draft Red Herring Prospectus may be amended or modified at any time if so required in the interest of the Company or if required by the other parties, without reference to the shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

DECLARATION

All the relevant provisions of the Companies Act 1956, and the guidelines issued by the Government of India or the guidelines issued by Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, the Securities and Exchange Board of India Act, 1992 or rules made thereunder or guidelines issued, as the case may be. We further certify that all statements in this Draft Red Herring Prospectus are true and fair.

SIGNED BY THE SELLING SHAREHOLDER

Joint Secretary (Thermal), Ministry of Power, Government of India.

SIGNED BY ALL DIRECTORS

Mr. Chandra Prakash Jain
Mr. Kishore Kumar Sinha
Mr. Pantam Narasimharamulu
Mr. Thiagarajan Sankaralingam
Prof. Ashok Misra*
Mr. Shivdarshan Lal Kapur*
Mr. Mrutunjay Sahoo*
Dr. Rajendra Kumar Pachauri*
Mr. Arvind Jadhav
Mr. Chandan Roy

* Through their constituted attorney Mr. Anjan Kumar Bajpaie.

Date: August 23, 2004

Place: New Delhi.