

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, seigniorage 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, 2001 granted 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 Commissioner, 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 cost 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:

<u>SL.</u>	<u>CASE NO.</u>	<u>PARTICULARS OF LITIGATION</u>	<u>FACTS OF THE CASE</u>	<u>CURRENT STATUS</u>
<u>ANTA</u>				
01.	62/200 2	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.
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KAHALGAON

07.	27/2001 DATE D 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.
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	03/02/2003	UPL, Shri Manoj Mishra, Contractor of UPL, Before the Labour Court at Kahalgaon.	starting operations at Kahalgaon. Reply has been filed on behalf of UPL stating the applicants are not the employees of UPL and the liability of payment is of Mr.Manoj Kumar Mishra, the contractor.	
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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 employment 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.
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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-bailable 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 Magistrate, Ambedkarnagar	Next hearing is on 18/10/2004
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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		
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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 towards 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.
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B. UNCHAHAR

15.	Notice from RPFCLucknow, No. 18267/ E	Regional Provident Fund Commissioner, Lucknow Vs. NTPC and UPL	RPFCL, 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 Muinuddin & Sons on the basis of limited tender enquiry. The petitioner has claimed that the 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.
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	19/12/2003	Before the Court of Sr.Civil Judge, Gajuwaka, Vishakhapatnam, Andhra Pradesh.	for attachment of the bill amount from NTPC.	
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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 Bhubaneswar, 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 80 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. **Non Resident Indians/Members other than FIIs and Foreign Venture Capital investors)**

- 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.

Tax on Investment Income and Long Term Capital Gain

- 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 XIII A 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. Foreign Institutional Investors (FIIs)

- 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, all Venture 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 Populaires 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.

*** In case 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.

ISSUE PROCEDURE

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 within 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 as 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 Shareholder or 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) We reserve 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 DEMATERIALIZED 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 and the 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.

GROUND 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 Depository 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 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 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

STATUTORY AND OTHER INFORMATION

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:

<u>Fiscal Year</u>	<u>Statutory Auditors</u>
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 supernauation, 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
<i>Net Block</i>	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
<i>Sub-total (C)</i>	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
<i>Sub-total (D)</i>	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/expense 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:

Particulars	Rs. Million				
	Financial year ended 31 st March 2004	Financial year ended 31 st March 2003	Financial year ended 31 st March 2002	Financial year ended 31 st March 2001	Financial year ended 31 st 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 31 st March 2004	As at 31 st March 2003	As at 31 st March 2002	As at 31 st March 2001	As at 31 st 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 31 st March 2004	As at 31 st March 2003	As at 31 st March 2002	As at 31 st March 2001	As at 31 st 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 31 st March 2004	Financial year ended 31 st March 2003	Financial year ended 31 st March 2002	Financial year ended 31 st March 2001	Financial year ended 31 st 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 and Part B above, read with respective significant accounting policies 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 requirements 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

(K.L. Jhanwar)
Partner
M. No. 14080

For Amit Ray & Co.,
Chartered Accountants

(Pradeep Mukherjee)
Partner
M. No. 70693

For Umamaheswara Rao & Co.,
Chartered Accountants

(L. Shyama Prasad)
Partner
M. No. 28224

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 18th June 2004

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.) = $\frac{\text{Net Profit after tax}}{\text{No.of Equity Shares outstanding at the end of the year}}$ Net Assets Value per share (Rs) = $\frac{\text{Net worth excluding revaluation reserve}}{\text{No.of Equity Shares outstanding at the end of the year}}$ Return on Net worth % = $\frac{\text{Net Profit after tax}}{\text{Net worth Equity excluding revaluation reserve}}$					

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 ADJUSTMENT (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
TAXABLE INCOME AS PER IT						
F 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% Redeemable, 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

Out of the total loans and Advances outstanding as at March 31,2004 Rs. 1 million is outstanding from 1 whole time Directors.

2 Advances outstanding as at March 31,2004 from Subsidiary Companies are as below.

	<u>Rs Million</u>
(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
UNSECURED 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 reselectively 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 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 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 pertaining 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	As At	As At	As At	As At
	March 31, 2004	March 31, 2003	March 31, 2002	March 31, 2001	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 TRANSACTIONS

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	<ul style="list-style-type: none"> (i) Utility Powertech Limited. NTPC-Alstom Power Services Private (ii) Ltd.. (iii) Power Trading Corporation of India Ltd.
2	2002-03	<ul style="list-style-type: none"> (i) Utility Powertech Limited. NTPC-Alstom Power Services Private (ii) Ltd..
3	2001-02	<ul style="list-style-type: none"> (i) Utility Powertech Limited. NTPC-Alstom Power Services Private (ii) 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:

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
CASH FLOW FROM OPERATING			
A. 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
CASH FLOW FROM INVESTING			
B. ACTIVITIES			
Expenditure on Fixed Assets	(46654)	(32906)	(31366)
Purchase of Investments	(770)	-	(477)
Sale of Investment	-	-	110
Investment in Subsidiaries	(216)	(3)	-
Loans & Advances to Subsidiary	(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)
CASH FLOW FROM FINANCING			
C. 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 Equivalent consists of Cash in Hand, Balance with Banks, Public Deposit Account 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
<u>Expenditure</u>			
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	-	-
<u>Impact of material adjustments</u>			
-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
<u>A. Current Assets, Loans & Advances</u>			
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
<u>B. Current Liabilities</u>			
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)
<u>Net Worth Represented By</u>			
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

Summary 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

Financial 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		
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 1 st 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

Year Ended March 31	2004	2003	Rupees
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 items & prior period adjustments	17,245,415	16,393	
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 pertaining 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. Liabilities & 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 the extent not written off		-	789,493
	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.

QUARTERLY UNCONSOLIDATED FINANCIAL STATEMENTS

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/expense 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	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.
- 10.3 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.	<u>30.06.2004</u>	<u>31.03.2004</u>
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Capital	1	78,125	78,125
Reserves and surplus	2	<u>287,917</u>	<u>277,376</u>
		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	<u>108,702</u>	<u>108,684</u>
		<u>154,266</u>	<u>154,528</u>
Deferred Tax Liability (Net)		53,387	52,280
Less: Recoverable		<u>53,386</u>	<u>52,279</u>
		1	1
TOTAL		<u>528,034</u>	<u>515,405</u>
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	6	402,721	400,281
Less: Depreciation		<u>192,540</u>	<u>187,736</u>
Net Block		210,181	212,545
Capital Work-in-Progress	7	61,774	56,413
Construction stores and advances	8	<u>21,554</u>	<u>18,540</u>
		<u>293,509</u>	<u>287,498</u>
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	<u>27,636</u>	<u>27,275</u>
		<u>141,645</u>	<u>135,468</u>
LESS: CURRENT LIABILITIES AND PROVISIONS			
Liabilities	15	65,017	65,244
Provisions	16	<u>15,883</u>	<u>15,697</u>
		<u>80,900</u>	<u>80,941</u>
Net current assets		60,745	54,527
TOTAL		<u>528,034</u>	<u>515,405</u>
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

For Kalani & Co.
Chartered Accountants

(P. NARASIMHARAMULU)
Director (Finance)
As per our report of even date
For Amit Ray & Co.
Chartered Accountants

(C. P. JAIN)
Chairman & Managing Director

For Umamaheswara Rao & Co.
Chartered Accountants

(K. L. Jhanwar)
Partner
M No. 14080

(Amitava Ray)
Partner
M No 6947
For S.N. Nanda & Co.
Chartered Accountants

(G. Sivarama Krishna Prasad)
Partner
M No 24860
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	
		Quarter ended 30.06.2004	Quarter ended 30.06.2003
SCHEDULE NO.			
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

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

Schedule 1	Rs. million	
CAPITAL	<u>30.06.2004</u>	<u>31.03.2004</u>
AUTHORISED		
10,000,000,000 equity shares of Rs 10/- each (Previous year 10,000,000,000 equity shares of Rs 10/- each)	<u>100,000</u>	<u>100,000</u>
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)	<u>78,125</u>	<u>78,125</u>
Schedule 2		
RESERVES AND SURPLUS		
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
	<u>4,071</u>	<u>4,071</u>
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
	<u>271,476</u>	<u>271,476</u>
Foreign Project Reserve	4	4
Surplus, balance in Profit & Loss Account	11,107	566
Total	<u><u>287,917</u></u>	<u><u>277,376</u></u>
Schedule 3		
DEFERRED REVENUE - on account of Advance Against Depreciation		
As per last Balance Sheet	1,591	271
Add: Revenue deferred during the period	647	1342
Less: Revenue recognised during the period		22
	<u>2,238</u>	<u>1,591</u>

NATIONAL THERMAL POWER CORPORATION LIMITED

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 reselectively 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

NATIONAL THERMAL POWER CORPORATION LIMITED

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 1 st 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 12 th 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 mortgage 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 pertaining 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.

NATIONAL THERMAL POWER CORPORATION LIMITED

Schedule 5

UNSECURED LOANS

	30.06.2004	31.03.2004
		Rs. million
	<u>30.06.2004</u>	<u>31.03.2004</u>
Fixed Deposits	4,987	5,113
(Due for repayment within one year Rs.2,737 million , Previous year Rs. 1154 million)		
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	<u>108,702</u>	<u>108,684</u>

NATIONAL THERMAL POWER CORPORATION LIMITED

Schedule 6
FIXED ASSETS

	Gross Block				Depreciation				Net Block	
	As at	Additions	Deductions/	As at	As at	For	Deductions/	Upto	As at	As at
	1.04.2004		Adjustments	30.06.2004	1.04.2004	the Qtr	Adjustments	30.06.2004	30.06.2004	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
	<u>55,099</u>	<u>4,524</u>	<u>35</u>	<u>521</u>	<u>59,067</u>
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
	<u>56,533</u>	<u>6,813</u>	<u>931</u>	<u>521</u>	<u>61,894</u>
Less: Provision for unserviceable CWIP	120	-	-	-	120
Total	<u>56,413</u>	<u>6,813</u>	<u>931</u>	<u>521</u>	<u>61,774</u>
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	Face value per share/bond	<u>30.06.2004</u>	<u>31.03.2004</u>
	Current Year/ (Previous Year)	(Rs)		
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				
	12606500 (12606500)	1000	12,607	12,607
Andhra Pradesh				
	514640 (514640)	1000	515	515
Assam				
	14666600 (14666600)	1000	14,667	14,667
Bihar				
	4832200 (4832200)	1000	4,832	4,832
Chattisgarh				
	8372400 (8372400)	1000	8,372	8,372
Gujarat				
	10750000 (10750000)	1000	10,750	10,750
Haryana				
	333880 (333880)	1000	334	334
Himachal Pradesh				
	3673600 (3673600)	1000	3,674	3,674
Jammu and Kashmir				
	1966100 (1966100)	1000	1,966	1,966
Karnataka				
	10024000 (10024000)	1000	10,024	10,024
Kerala				
	8308400 (8308400)	1000	8,308	8,308
Madhya Pradesh				
	3814000 (3814000)	1000	3,814	3,814
Maharashtra				
	11028740 (11028740)	1000	11,029	11,029
Orissa				
	3462300 (3462300)	1000	3,462	3,462
Punjab				
	2900000 (2900000)	1000	2,900	2,900
Rajasthan				
	341960 (341960)	1000	342	342
Sikkim				
	4650660 (4650660)	1000	4,651	4,651
Tamil Nadu				
	39899000 (39899000)	1000	39,899	39,899
Uttar Pradesh				
	3996500 (3996500)	1000	3,996	3,996
Uttaranchal				
	11742480 (11742480)	1000	11,742	11,742
West Bengal				
	6222716 (6222716)	1000	6,223	6,223
Jharkhand			<u>6,223</u>	<u>6,223</u>
			<u>164107</u>	<u>164107</u>
Equity Shares (Quoted)				
Power Trading Corporation of India Ltd. (b)	12000000 (12000000)	10	120	120
			<u>120</u>	<u>120</u>

NATIONAL THERMAL POWER CORPORATION LIMITED

Schedule 9 INVESTMENTS

Rs. million

	Number of shares/ bonds	Face value per share/bond	Rs. million	
			30.06.2004	31.03.2004
	Current Year/ (Previous Year)	(Rs)		
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	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	Face value per share/bond	Rs. million	
			30.06.2004	31.03.2004
	Current Year/ (Previous Year)	(Rs)		
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	-
			<u>267</u>	<u>192</u>
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
			<u>8,260</u>	<u>7,941</u>
			<u>₹</u>	<u>₹</u>
			<u>173,780</u>	<u>173,380</u>
Shares in Cooperative Societies				
TOTAL				
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				
₹ 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
			<u>30,200</u>	<u>30,200</u>

NATIONAL THERMAL POWER CORPORATION LIMITED

Rs. million

	<u>30.06.2004</u>	<u>31.03.2004</u>
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
	<u>16,892</u>	<u>17,553</u>
Less: Provision for shortages	25	26
Provision for obsolete/ unserviceable items	147	147
	<u>16,720</u>	<u>17,380</u>
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
	<u>18,529</u>	<u>17,931</u>
Other debts		
- Unsecured, considered good	3,195	1,055
	<u>21,724</u>	<u>18,986</u>
Less: Provision for bad & doubtful debts	14,287	14,287
	<u>7,437</u>	<u>4,699</u>
Schedule 12		
CASH & BANK BALANCES		
Cash on hand	164	3,657
(includes cheques, drafts, stamps on hand of Rs 160 million, Previous year Rs 3653 million)		
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	59	56
(maximum amount outstanding at any time during the quarter Rs. 59 million, previous year Rs.56 million)		
	<u>4,009</u>	<u>6,091</u>

(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

	<u>30.06.2004</u>	<u>31.03.2004</u>
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
	<u>85,843</u>	<u>80,023</u>
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
	<u>24,452</u>	<u>23,019</u>
Less: Provision for bad and doubtful loans, advances and claims	<u>42</u>	<u>42</u>
	<u>24,410</u>	<u>22,977</u>

NATIONAL THERMAL POWER CORPORATION LIMITED

Rs. million

	<u>30.06.2004</u>	<u>31.03.2004</u>
Deposits with customs, port trust and others (@)	489	453
Advance tax deposit & tax deducted at source	6,495	5,393
Less: Provision	<u>3,758</u>	<u>1,548</u>
	<u>2,737</u>	<u>3,845</u>
	<u>27,636</u>	<u>27,275</u>
@ 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	Rs. million	
CURRENT LIABILITIES	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

Rs. million

CONTINGENT LIABILITIES

	<u>30.06.2004</u>	<u>31.03.2004</u>
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
	<u>21,211</u>	<u>19,508</u>

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

Rs. million

EMPLOYEES' REMUNERATION AND BENEFITS

	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
	<u>2,590</u>	<u>2,394</u>
Less: Transferred to incidental expenditure during construction - Schedule 26 (A)	210	149
	<u>2,380</u>	<u>2,245</u>

NATIONAL THERMAL POWER CORPORATION LIMITED

Schedule 22

Rs. million

GENERATION, ADMINISTRATION & OTHER EXPENSES

	Quarter ended 30.06.2004	Quarter ended 30.06.2003
Power charges	87	93
Less: Recovered from contractors/employees	<u>15</u>	<u>11</u>
	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	<u>9</u>	<u>2</u>
	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	<u>3</u>	<u>3</u>
	34	32
Communication expenses	44	40
Travelling Expenses	202	198
Tender expenses	11	4
Less: Receipt from sale of tenders	<u>2</u>	<u>1</u>
	9	3
Remuneration to Auditors		
Audit fee	1	-
In other capacity	1	1
Out of pocket expenses	<u>1</u>	<u>-</u>
	3	1
Advertisement and publicity	8	9
Security expenses	193	199
Entertainment expenses	2	2
Expenses for guest house	11	8
Less: Recoveries	<u>2</u>	<u>2</u>
	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	<u>3</u>	<u>-</u>
	7	13

NATIONAL THERMAL POWER CORPORATION LIMITED

Schedule 22

Rs. million

GENERATION, ADMINISTRATION & OTHER EXPENSES

	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

Rs. million

INCIDENTAL EXPENDITURE DURING CONSTRUCTION

	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

NATIONAL THERMAL POWER CORPORATION LIMITED

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:

Particulars	Transactions		Rs. Million	
	Quarter ended	Quarter ended	As at	As at
	30.6.2004	30.6.2003	30.6.2004	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., Agomore (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 Fluorocarbon 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:	<u>As at 30.06.2004</u>	As	at
	(As certified by Management)		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 <u>30.6.2003</u>
	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):			
		<u>%age</u>	Amount	<u>%age</u>
	i) Imported	0.30	99	0.50
	ii) Indigenous (including fuel)	99.70	32713	99.50
	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
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
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 Commission	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	0
Others (Bonds issue and Servicing Expenses)	8	5
	<u>6360</u>	<u>6380</u>
Operating Profit before Working Capital Changes	17473	13933
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
	<u>(896)</u>	<u>6036</u>
Cash generated from operations	16577	21989
Direct Taxes Paid	-1060	2632
Net Cash from Operating Activities - A	<u>15517</u>	<u>24621</u>
B. CASH FLOW FROM INVESTING ACTIVITIES		
Expenditure on Fixed Assets	(11406)	(12471)
Purchase of Investments	(394)	(20)
Investment in Subsidiaries	(6)	0
Loans & Advances to Subsidiary	(2)	(4)
Interest on Bonds Received	12427	425
Net cash used in Investing Activities - B	<u>619</u>	<u>(12070)</u>
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	<u>(3215)</u>	<u>(2103)</u>
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
	<u>12921</u>	<u>10483</u>

NOTES :Cash and Cash Equivalents consists of Cash in Hand, Balance with Banks, Public Deposit Account 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. Narasimhamulu)
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 Rav)
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

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 31 st March 2002 and M/s Sanjeev Chopra & Co., New

	Delhi for subsequent years.
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- (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 31 st 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 31 st March 2002 and 31 st March 2003 and M/s B. R. Maheswari & Co., New Delhi for the financial year ended 31 st 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 31 st 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 Subsidiaries 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., Chartered Accountants (K.L. Jhanwar) Partner M. No. 14080	For Amit Ray & Co., Chartered Accountants (Pradeep Mukherjee) Partner M. No. 70693	For Umamaheswara Rao & Co., Chartered Accountants (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
I. SUMMARY OF CONSOLIDATED PROFIT & LOSS ACCOUNT, AS RESTATED

	For the year ended 31st March 2004	For the year ended 31st March 2003	Rs. Million 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 restatement 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

	As at 31st March 2004	As at 31st March 2003	Rs./Million 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
<i>Net Block</i>	<u>214566</u>	<u>200,656</u>	<u>174979</u>
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
<i>Sub-total (D)</i>	<u>137,476</u>	<u>105,554</u>	<u>76320</u>
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
<i>Sub-total (E)</i>	<u>243,672</u>	<u>211,607</u>	<u>180932</u>
NET WORTH (A+B+C+D-E)	<u><u>355724</u></u>	<u><u>327910</u></u>	<u><u>302688</u></u>
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)	<u><u>355724</u></u>	<u><u>327910</u></u>	<u><u>302688</u></u>

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 31 st March 2004	Financial year ended 31 st March 2003	Financial year ended 31 st 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 Incorporation

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 31 st March 2004	As at 31 st March 2003	As at 31 st 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 31 st March 2004	As at 31 st March 2003	As at 31 st 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 31 st March 2004	Financial year ended 31 st March 2003	Financial year ended 31 st 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)
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7.0 Other significant notes on account as on 31st March 2004

- 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.
- 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.
- 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.
- 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.
- 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:

- 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.
- 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.
- 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	175,009	1,575	176,584
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	15,349	5	15,354	13,768	4	13,772
Non cash expenses other than depreciation	5,834	0	5,834	4,295	0	4,295	788	0	788
Capital expenditure	45,676	2	45,678	41,667	-30	41,637	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

(K.L. Jhanwar)
Partner
M. No. 14080

For Amit Ray & Co.,
Chartered Accountants

(Pradeep Mukherjee)
Partner
M. No. 70693

For Umamaheswara Rao & Co.,
Chartered Accountants

(G. Sivaramakrishna 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 : 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 Commission	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
	<u>6360</u>	<u>6380</u>
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
	<u>(896)</u>	<u>6036</u>
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)
Investment in Subsidiaries	(6)	0
Loans & Advances to Subsidiary	(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
	<u>12921</u>	<u>10483</u>

NOTES :Cash and Cash Equivalents consists of Cash in Hand, Balance with Banks, Public Deposit/Account 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. Bajpale)
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 Rav)
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
<p>1. Content and Form of Financial Statements.</p>	<ul style="list-style-type: none"> Companies are required to present balance sheets, profit and loss accounts and, if listed, proposing listing or having turnover greater 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. 	<ul style="list-style-type: none"> 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.
<p>2. Fixed Assets</p>	<ul style="list-style-type: none"> Capital expenditure incurred on assets not owned is capitalized and depreciated over useful life of the 	<ul style="list-style-type: none"> Capital expenditure incurred on fixed assets not owned is capitalized and depreciated its

Particulars	Indian GAAP	U.S. GAAP
	assets. <ul style="list-style-type: none"> Abandoned fixed assets are generally written off when abandoned. 	estimated useful life. <ul style="list-style-type: none"> Abandoned assets would be treated as impaired (see below).
3. Investments in securities	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Consolidated Financial Statements are required to be presented.
5. Investments in associates or affiliates	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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
	<p>equity accounting are similar to U.S. GAAP.</p> <ul style="list-style-type: none"> 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. 	<p>voting stock, are required to be accounted for using the equity method.</p> <ul style="list-style-type: none"> 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.
<p>6. Interest in Joint Ventures or jointly controlled assets</p>	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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.
<p>7.Intangible Assets</p>	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Depreciation is generally charged at rates prescribed by the Companies Act 1956 other than for some assets which are depreciated at higher rate 	<ul style="list-style-type: none"> • Depreciation is provided in a systematic and rational manner over the useful economic life of the assets.
11.Retirement Benefits	<ul style="list-style-type: none"> • The liability for defined benefit plans like gratuity and pension is determined as per actuarial valuation. The actuarial gains or shortfall are 	<ul style="list-style-type: none"> • 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
	<p>recognized immediately in the Profit & Loss account.</p> <ul style="list-style-type: none"> Liabilities for leave encashment to employees are accounted for on accrual basis based on actuarial valuation at the year end. 	<p>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.</p> <ul style="list-style-type: none"> Leave salary benefit is provided on actual basis.
12. Prior period items and changes in accounting policies	<ul style="list-style-type: none"> Impact of change in accounting policies and prior period items are reported on a prospective basis beginning with year of change. 	<ul style="list-style-type: none"> Prior period items are accounted by adjusting to prior years and retained profits.
13. Proposed dividend.	<ul style="list-style-type: none"> Proposed dividends are reflected in the financial statements of the year to which they relate even though proposed or declared after the year end. 	<ul style="list-style-type: none"> Dividends are charged to retained earnings at the point of time that they are formally declared by the Board of Directors.
14. Deferred taxes	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Transactions in foreign currency are recorded at the exchange rate 	<ul style="list-style-type: none"> All gains and losses arising from foreign currency transaction are

Particulars	Indian GAAP	U.S. GAAP
	<p>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.</p>	<p>included in determining net income.</p>
<p>16. Off-balance sheet items</p>	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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.
<p>17. Related party disclosures</p>	<ul style="list-style-type: none"> Disclosures by public sector companies of related party transactions with other public sector companies do not need to be provided. 	<ul style="list-style-type: none"> 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.
<p>18. Segments</p>	<ul style="list-style-type: none"> Specified segment disclosures are provided which could either be business segments or geographical segments. 	<ul style="list-style-type: none"> 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 Shareholder with 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.1 dated July 26, 2004 from 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.