



## LETTER TO SHAREHOLDERS



Dear Shareholders,

Known for its strong fundamentals and consistent performance, your Company had another remarkable year in fiscal 2006-07. We posted robust financial results and achieved all time high physical performance levels. The top line of the Company (gross revenue) for the year increased by 20.59% to Rs. 353,766 million from Rs. 293,370 million. The bottom line (net profit after tax) registered a growth of nearly 18%, from Rs. 58,202 million to Rs. 68,647 million. Our cash flow continued to be strong with 100% realization of our billing for the fourth consecutive year. The Company enjoys high investor confidence.

The Company recorded its highest ever generation of 188,674 billion units, an increase of 10.41% over the previous year's generation of 170,880 billion units. With about 20% of the country's capacity, your Company generated 28.50% of the total power in India.

The coal stations of NTPC achieved highest ever capacity utilization (PLF) of 89.43% as compared to 87.54% during the previous year. Capacity utilization at the gas stations improved substantially from 65.81% in the previous year to 71.90%. Seven coal stations achieved more than 90% PLF and twelve stations achieved more than 85% PLF. Your Company's Unchahar Station won the Asian Plant of the Year Award, 2006 instituted by Asian Power Magazine, Hong Kong. Unit #3 (210 MW) of the Vindhyachal Super Thermal Power Station of your Company has set a new national record by logging 559 days of uninterrupted running. We are engaged in our efforts to continuously improve our efficiency in operations through technological upgradation, modernization, adoption of best practices and global benchmarking to remain sectoral leader.

The Company's total installed capacity is 27,904 MW (including 1,054 MW from JV route). During the Tenth Plan, the Company added 7,155 MW out of which 3,155 MW was added during 2006-07 (including 1,445 MW by way of acquisition and JV).

The economy of our country is on a roll with 8-10% GDP growth and will enable power sector to drive an unprecedented growth. NTPC will be adding nearly 22,000 MW against the country's Eleventh Plan capacity addition target of 78,000 MW. We are poised to play a key role in national power development and make a major contribution to the unprecedented growth of the power sector, and the economy in the coming years. At the end of Eleventh Plan, your Company is likely to have 25% of the total installed capacity in India. In a vibrant macro-economic scenario, the Company will be leveraging its strength to move into a higher trajectory of growth.

We have taken concrete steps towards achieving the Eleventh Plan capacity addition target. Main Plant orders have been placed and work has already commenced for 13,360 MW. For the remaining over 9,000 MW, main plant orders are going to be placed within the year which will enable us to achieve our growth targets in time.

The Company is aware of the challenges of sustaining growth, retaining cost and performance leadership in the context of emerging market competition, ensuring fuel supply, and other factors emanating out of the envisaged growth and related diversification. And the Company is ready with an array of well conceived strategies and measures to deal with the challenges and issues. We are re-engineering our business processes as part of our change management strategy, adopting global best practices in the process of revamping our working and implementing ERP as a tool for facilitating enterprise-wide change. We have initialed a model long term coal supply agreement for a period of twenty years with Coal India Limited to ensure adequacy, reliability, quality and appropriate pricing of coal supplies to our power stations. While continuously setting new benchmarks in all aspects of power project development and power station operations, both on quantitative and qualitative parameters, the Company is ready with the strategies to remain the power supplier of choice. It is moving ahead to become an integrated power major, with presence across entire energy value-chain through backward and forward integration into areas such as coal mining in India and abroad, gas and oil exploration, LNG Value-Chain, power trading, distribution, etc. We are also taking steps to add to our portfolio 1,000 MW of capacity based on non-conventional energy sources by 2017 by way of promoting the cause of sustainable energy development.

and also moving on the way to energy security. The Company has signed a Business Collaboration and Shareholders' Agreement with Transformers and Electricals Kerala Limited (TELK) for synergy in the field of manufacturing and repair of power transformers and has decided to acquire 44.6% of stake which would enable your Company to acquire management control of TELK.

Your Company has also begun to mark global footprints with an office in Dubai. We have signed an agreement with the Government of Sri Lanka and Ceylon Electricity Board under which we will set up a 500 MW coal based power station in Sri Lanka. We have signed an MoU with the Government of Nigeria, under which, Nigeria has agreed to supply at least 3 million tons of LNG per annum, on a long term basis for a period of 25 years, to be used by your Company in its power stations in India at reasonable prices and, in return, NTPC has agreed to set up a 700 MW gas based power station and a 500 MW coal fired power station in Nigeria. This would be a win-win arrangement with the Company augmenting gas supplies for its operations and Nigeria benefiting from the proven project implementation competence of NTPC. We seek to become globally comparable and visible in order to strengthen our business brand equity.

With firm conviction that a stronger sector means better business environment for the Company, we are contributing to the sectoral reform and development initiatives of the Government. Under the Accelerated Power Development and Reform Programme (APDRP) and the Rajiv Gandhi Grameen Vidyuteekaran Yojana, the Company is providing major support in achieving sectoral targets. Under the 'Partners in Excellence (PIE) Programme' launched by the Ministry of Power to improve the performance of underperforming power stations of State utilities through peer interaction, NTPC has brought about performance turnaround in 13 stations that were entrusted to it, having operating capacity of 5,050 MW. Additional generation of 2,833 million units in the NTPC assisted stations corresponds to equivalent capacity addition of 430 MW at 75% average PLF.

Our people, our 'Team NTPC' is the key to our success. Competency and commitment are our key competitive advantages. Since the year 2003, the Company has been recognized among the best employers and work places due to the strong loyalty and pride demonstrated by our globally comparable team of power professionals. The HR philosophy and interventions align the values and skills of the employees to the organizational requirements. We are engaged in augmenting our human resource base, develop the reservoir of skills to support our new businesses and to deal with new challenges in our existing businesses.

We are in a good position to leverage our proven strengths and our capability to deliver. We are well prepared to deal with the demands of competition, growth, diversification and change. We will achieve our growth while ensuring highest priority to the corporate governance, environment and corporate social responsibility.

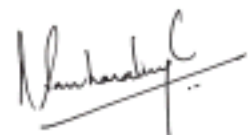
Corporate Social Responsibility is an article of faith for NTPC. This spirit of giving back to society has led NTPC to transform the socio-economic status of Project Affected Persons (PAPs) and undertake community development programmes in and around its projects. The NTPC Foundation for Corporate Social Responsibility not only addresses the niche domain of socio-economic reliance for physically challenged persons but also promotes Distributed Generation Schemes for overall societal benefit.

NTPC has been a catalyst of change in the power sector. We are catalysts of development. We will be catalysts of growth in the future.

We firmly believe that we will continue to maximize the returns of NTPC's key stakeholders – its shareholders, customers, associates and employees.

With best wishes,

Yours sincerely,



(T. Sankaralingam)  
Chairman & Managing Director