

## DIRECTORS' REPORT

Dear Members,

Your Directors are pleased to present the 31st Annual Report and the audited accounts for the year ended March 31, 2007.

### FINANCIAL RESULTS

	Rs. Million	
	2006-07	2005-06
<b>Income</b>		
Sale of Energy	325344	266564
Consultancy	608	452
Other income (Including energy internally consumed)	27814	26354
<b>Gross Income</b>	<b>353766</b>	<b>293370</b>
<b>Expenditure</b>		
Fuel	198181	163947
Employees Remuneration & Benefits	11580	9684
Generation, Administration & other expenses	15619	12721
Interest	9746	4845
Finance charges	8848	12787
Depreciation	20754	20477
<b>Total Expenditure</b>	<b>264728</b>	<b>224461</b>
<b>Profit before tax, provisions and prior period adjustments</b>	<b>89038</b>	<b>68909</b>
Tax	20427	7885
<b>Profit after tax but before provisions and prior period adjustments</b>	<b>68611</b>	<b>61024</b>
Less		
Prior Period Adjustments (Net)	(109)	2488
Provisions (Net)	73	334
<b>Net Profit after tax</b>	<b>68647</b>	<b>58202</b>

### Appropriations:

	2006-07	2005-06
Transfer to Bonds Redemption Reserve	3487	2926
Interim Dividend	19789	16491
Proposed Dividend	6596	6596
Tax on Dividend	3896	3238
Transfer to General Reserve	36000	29000
Transfer to Capital Reserve	4	29

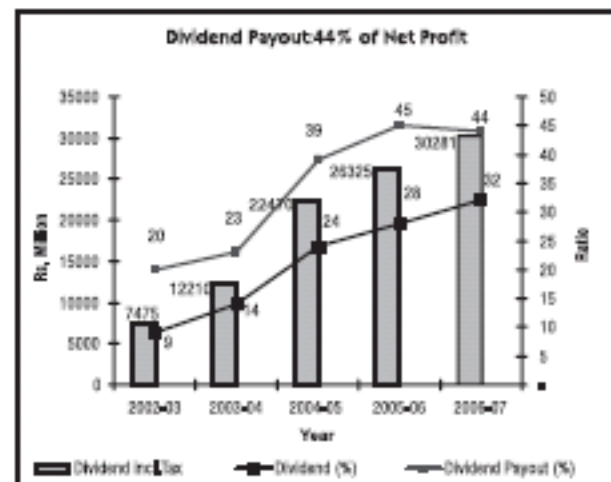
### FINANCIAL PERFORMANCE

Total income of the company for the year increased by 20.59% to Rs. 353,766 million from Rs. 293,370 million during the previous year. Profit after tax but before

provisions and prior period adjustments increased by 12.43% to Rs. 68,611 million from Rs. 61,024 million. Net profit after tax increased to Rs. 68,647 million from Rs. 58,202 million registering a growth of 17.95% over last year.

### DIVIDEND

Your Directors have recommended a final dividend of Rs. 0.80 per share in addition to Rs. 2.40 per share of interim dividend paid in February 2007. The dividend for the year thus aggregates to Rs 3.20 per share as against Rs. 2.80 per share paid last year. The final dividend shall be paid after your approval at the Annual General Meeting. The total dividend pay-out for the year amounting to Rs. 26,385 million represents 38.43 % of the profit after tax as against a dividend pay-out of 39.67% in the previous year. The total dividend pay-out including tax accounts for 44.11% of profit after tax. The dividend has been recommended in accordance with the Company's policy of balancing dividend pay-out with the requirement of deployment of internal accruals for its growth plans. Your Directors believe that growth of the company through capacity addition and also by way of backward and forward integration and strategic diversification of its operations would lead to increase in shareholders value.



### OPERATIONAL PERFORMANCE

During the year, the power stations of the company generated 188.674 billion units of electricity which was 28.5% of the total power generated in India. The power generated by the company has registered an increase of 10.41% over the previous year's generation of 170.880 billion units. During the year, the coal stations of the company operated at a plant load factor of 89.43% as compared to 87.54% during the previous year. Gas stations



of the company operated at a plant load factor of 71.90% as compared to 65.81% in the previous year. The average availability for coal and gas stations for the year was 90.09% and 85.09% respectively.

A detailed discussion on the operations and performance for the year is given in the "Management Discussion and Analysis" included as a separate section in the annual report.

#### COMMERCIAL PERFORMANCE

During the year, your Company realized in full, the amounts due from customers against bills raised for sale of power. For the fourth consecutive year, the Company has been able to achieve 100% realization of current bills.

All the states have opened and are maintaining LC equal to or more than 105% of average monthly billing as per One-time Settlement Scheme.

#### INSTALLED CAPACITY

During the year, a total capacity of 3155 MW was added to NTPC's installed capacity. Out of the above, 1710 MW was commissioned as expansion projects including 2X500 MW at Vindhyachal, 210 MW at Unchahar and 500 MW at Kahalgaon. Further, Ministry of Power, Govt of India transferred Badarpur Thermal Power Station (BTPS) having an installed capacity of 705 MW w.e.f. 1.6.2006. In addition, 740 MW was added through its Joint Venture, Ratnagiri Gas and Power Private Limited at Dabhol.

Recently, in fiscal 2008, a 500 MW unit at Sipat Super Thermal Power Project – Stage – II was commissioned on 27.05.2007. Thus, the total installed capacity of the NTPC Group has increased from 24249 MW to 27904 MW. Details of the capacities are given below:

Owned by NTPC	MW
Coal	22,895
Gas	3,955
<b>Sub-total</b>	<b>26,850</b>
<b>Joint ventures</b>	
SAIL (Coal)	314
Ratnagiri (Gas)	740
<b>Sub-total</b>	<b>1,054</b>
<b>Total</b>	<b>27,904</b>

#### CAPACITY ADDITION PROGRAM

Your Company has adopted multi-pronged growth strategy to become 50000 MW plus company by the year 2012 and to have 75000 MW plus installed capacity by 2017. This is a huge capacity addition programme. The strategy, inter-alia includes capacity addition through green field projects, expansion of existing stations, joint venture and takeover of stations.

Besides developing thermal capacity in a major way, your Company is setting up hydro capacity of 1920 MW by 2012.

To foray into nuclear power generation business, the Company has amended its Object Clause of the Memorandum of Association through the process of postal ballot, which received overwhelming support from you. The company plans to add 2000 MW of nuclear capacity by 2017.

Efforts are also being made to add at least 1000 MW capacity through Non-conventional Energy Resources by 2017. A Memorandum of Understanding was signed with Asian Development Bank on July 23, 2007 to set up as a Joint Venture, a generating Company with equity contribution by your company, ADB and other strategic investors. The company shall, over next three years, establish and hold a portfolio of about 500 MW of renewable generation.

#### PROJECTS PLANNED

Your Company has envisaged a capacity addition programme of about 22600 MW in XI Plan (2007-2012). After the commissioning of a unit of 500 MW of Sipat stage-II, the balance capacity to be added during this period is 22100 MW. A capacity of 13360 MW is under execution and for the balance, planning and preparation are at advance stage execution. Taking into account all the plans and agreements, the list of the projects which the company is working on for commissioning till the year 2012 and beyond are presently as follows:

Scheduled Commissioning		
Name of the Project	Capacity (MW)	2007-12
<b>Coal Based-Ongoing Projects</b>		
1. Kahalgaon-II, Phase I, Unit - V	500	500
2. Kahalgaon-II, Phase II	500	500
3. Sipat -II, Unit- V	500	500
4. Sipat-I	1980	1980
5. Barh-I	1980	1980
6. Korba-III	500	500
7. Bhilai Power expansion-JV with SAIL	500	500
8. Farakka-III	500	500
9. NCTPP-II, Dadri	980	980
10. Simhadri-II	1000	1000
<b>Hydro Projects-Ongoing</b>		
11. Koldam HEPP	800	800



12.	Loharinag Pala HEPP	600	600
13.	Tapovan Vishnugad HEPP	520	520
14.	Ennore- JV with TNEB	1000	1000
15.	Aravali, Jhajjar- Joint Venture with HPGCL & IPGCL	1500	1500
	<b>Sub-total of ongoing projects</b>	<b>13360</b>	<b>13360</b>
<b>Coal Based-New projects</b>			
16.	Barh - II	1320	1320
17.	Bongaigaon	750	750
18.	North Karanpura	1980	1320
19.	Nabinagar – JV with Railways	1000	750
20.	Mauda, Maharashtra	1000	1000
21.	Badarpur- III	1000	1000
<b>Gas Based-New Projects</b>			
22.	Kawas- II, Gujarat	1300	1300
23.	Jhanor- Gandhar- II, Gujarat	1300	1300
	<b>Sub-total of new projects</b>	<b>12150</b>	<b>11240</b>
	<b>TOTAL</b>	<b>23010</b>	<b>22100</b>

Out of the above, Korba- Stage-III, Farakka-Stage-III, Loharinag Pala HEPP and Tapovan Vishnugad HEPP are being constructed as merchant power projects.

#### TRANSFER OF BONGAIGOAN POWER PLANT

A tripartite transfer Agreement has been signed on May 30, 2007 amongst Govt. of Assam, Assam Power Generating Co. Ltd. and your Company for transfer of existing plant at Bongaigaon and to set up a new plant of 750 MW with 3 units of 250 MW each.

#### CAPACITY ADDITION THROUGH SUBSIDIARIES AND JOINT VENTURES

Besides adding capacities on its own, your Company has also plans to add capacities through some of its subsidiaries and joint ventures. Hydro projects planned for implementation by NTPC Hydro Limited, a wholly owned subsidiary of the company are as follows:

Project	Location	Capacity
Lata Tapovan	Uttaranchal	171 MW
Rammam-III	West Bengal	120 MW

Vaishali Power Generating Company Limited (VPGCL), a newly formed subsidiary Company has taken over Muzaffarpur Thermal Power Station having two units of 110 MW each from Bihar State Electricity Board. Your Company has contributed 51% of equity and balance equity was contributed by Bihar State Electricity Board and its nominees in this company. The equity contribution of your Company

is expected to increase upto 74% depending on final transfer value of the station to VPGCL.

Details of the projects being implemented through joint ventures are given below:

JV Partner	Company	Details
Steel Authority of India Limited (SAIL)	NTPC-SAIL Power Supply Company Pvt. Limited.	Expansion of existing capacity by adding 2 x 250 MW of coal based units scheduled for commissioning during 2007-08 at Bhilai
Tamil Nadu Electricity Board	NTPC Tamil Nadu Energy Company Limited.	A 50:50 joint Venture Company formed for setting up a coal based project having two units of 500 MW each at Ennore, Tamil Nadu. Substantial land has been acquired. The project has been accorded Mega Project status.
Indraprastha Power Generating Co Ltd. (IPGCL) and Haryana Power Generating Co Ltd. (HPGCL)	Aravali Power Company Private Limited	A joint Venture Company formed for setting up a coal based project having a capacity of 1500 MW located at Jhajjar, Haryana. NTPC has contributed 50% equity and balance equity equally contributed by HPGCL and IPGCL.

In addition, your Company has also entered into Memorandum of Understanding with other Joint Venture partners. The status of progress of this JV is furnished hereunder.

JV Partner	Company	Details
Indian Railways	Company under formation. NTPC to contribute 74% of equity and 26% equity to be contributed by Indian Railways	A thermal Project having a capacity of 1000 MW at Nabi Nagar in Bihar. CCEA approval received for the JV project.



## STRATEGIC DIVERSIFICATION

In order to strengthen its competitive advantage in power generation business, the Company also plans to diversify its portfolio to emerge as an integrated power major, with presence across entire energy value chain through backward and forward integration into areas such as coal mining, LNG value chain, power trading, distribution etc.

Business opportunities are being continuously explored through environment scanning and new business plans are adopted through mid-course correction.

Your Company has signed a Business Collaboration and Shareholders agreement with Transformers and Electricals Kerala Ltd. (TELK) and the Government of Kerala on June 23, 2007 for synergy in the field of manufacturing and repair of Power Transformers, Current Voltage Transformers, Circuit Breakers, Isolated Phase, Bus Ducts, Shunt Reactors etc.

As a result of this agreement, your Company has agreed to acquire 44.6% stake in TELK from Government of Kerala and its undertakings.

## GLOBALISATION INITIATIVES

Your Company is keenly exploring opportunities to mark its footprints in different parts of the world.

During the year 2006-2007, the Company signed a Memorandum of Agreement with Government of Sri Lanka and Ceylon Electricity Board for development of a 2X250 MW Coal based power project at Trincomalee in Sri Lanka. The project would be developed through a Joint Venture with Ceylon Electricity Board.

A Memorandum of Understanding was also signed between the Company and Ministry of Energy, Federal Government of Nigeria (FGN) for energy cooperation. Under the MoU, FGN shall provide at least 3 Million Tonnes Per Annum (MTPA) of LNG to NTPC on long-term basis at a reasonable price and encourage NTPC to participate in bidding for gas block. Upon successful operation of obligation by FGN, the Company shall set up and operate a 500 MW coal based power plant and a 700 MW gas based power plant in Nigeria on its own or through a Joint Venture.

Your Company signed a Memorandum of Understanding with KYUSHU Electric Power Company Inc., Japan for establishing an alliance under which experts and information from different areas of the business will be exchanged to promote mutual understanding of the systems, policies, business planning & management and various best practices used by the parties and for exploring the possibility of joint business development.

Your Company is also seeking investment from West Asian/ Middle East countries for its power projects in line with

the decision of Ministry of Power, Government of India. High level delegations from your Company/ Ministry of Power visited various West Asian countries viz. Oman, Kuwait, Bahrain, UAE and Yemen to explore the possibility of investments by prospective investors in Power Projects of the Company as well as to explore the possibility of offering expertise to West Asian countries for developing mutually beneficial relationship.

## FINANCING OF NEW PROJECTS

All the planned capacity addition programs shall be financed with a debt to equity ratio of 70:30. Your directors believe that internal accruals of the company would be sufficient to finance the equity portion of the investments. Your directors believe that your Company is well positioned to raise the required borrowing, as your Company is presently geared with a debt to equity ratio of 0.50. Your Company would tap domestic as well as overseas markets for borrowings.

During the year, your Company has signed an agreement with Asian Development Bank (ADB) for a loan of USD 300 million under Complementary Finance Scheme of ADB in September 2006. ADB has extended this loan for the first time to your Company directly and also without any Sovereign guarantee.

## FIXED DEPOSITS

The cumulative deposits received by your Company from 604 depositors as at March 31, 2007 were Rs 328 million. Further an amount of Rs. 4 million has not been claimed on maturity by 107 depositors as on that date.

## FUEL SECURITY

Your Company is the largest consumer of coal in the country for power generation. During the year, your Company obtained long term coal linkages for its various projects from various subsidiary companies of Coal India Limited (CIL).

Your Company and Coal India initialled a Model Coal Supply Agreement on March 29, 2007 which inter-alia contains various provisions under which coal would be sourced from various subsidiaries of CIL by power stations for a continuous period of 20 years with a provision for review after 5 years of operation of the agreement. The Model Agreement provides for sourcing the present supplies as well as provides a platform for coal agreement for future power stations. The agreement provides for a mechanism of fixing the price derived from a pre decided floor price.

To overcome temporary shortages in coal supply, your Company resorted to import of coal of 2.43 million tonnes being 2.14% of total coal consumed during the year 2006-07.



## Coal Mining

On August 25, 2006, Ministry of Coal approved the mining plan of 15 MTPA for the first coal mining project i.e. Pakri-Barwadih of your Company. This is the largest ever capacity planned, in the very first phase, in a single mine in the country. Process of selection of Mine Developer cum Operator for this mine is under way. For other coal mining blocks viz Chatti-Bariatu, Kerendari, Dulanga & Talaipalli, besides initiating work on completion of exploration, various studies have also been initiated.

As a part of developing strategic alliances as well as deriving technical strengths, your Company has entered into following Memorandae of Understanding:

MOU With	Nature of Activity
Mineral Exploration Corporation	carrying out detailed exploration & preparation of Geological Report for coal blocks allotted to NTPC
Singareni Collieries Company Ltd.	forming a Joint Venture Company to take up coal mining in India and abroad
Bharat Earth Movers Limited	collaborating and associating for a long term mutually beneficial business association and to maximize/ optimize coal production. May also consider BEML for engagement as Mine Developer/Operator for coal blocks owned by NTPC.
Coal India Limited	for formation of 50:50 Joint Venture Company to undertake development, operation and maintenance of coal blocks at Brahmini (1900 MT) and Chichro Patsimal (356 MT) in Jharkhand.

## Exploration Activities

Your Company, along with M/s Geopetrol International Inc. and M/s Canoro Resources Ltd., has entered into a Production Sharing Contract with Government of India for exploration activities in the oil block allotted to the company in Arunachal Pradesh. The Company has 40% participating interest and the other two consortium partners each initially had 30 % participating interest in the Block. M/s Canoro Resources have since off-loaded 50% of their participating interest to M/s Brownstone Ventures Inc. The amendment to the Production Sharing Contract is in process. M/s Geopetrol International has been designated as the Operator of the Block.

With the issuance of the Petroleum Exploration License by

the State Government on February 16, 2006, the Operator has initiated various exploration activities.

The Company is also exploring the possibility of equity participation/ investment in different elements of Liquefied Natural Gas value chain viz. exploration & production, liquefaction, re-gasification, etc. in various countries.

## Near Term Strategies

In order to mitigate the shortfall of gas at its existing gas based stations, the Company started procurement of spot re-gasified LNG w.e.f. June 2006. As a result of spot procurement of gas, the PLF of gas stations increased from 65.81% during 2005-06 to 71.90% during 2006-07.

## RENOVATION & MODERNISATION

With aging of the units, your Company has made Renovation & Modernization a key thrust area.

To meet the current and future requirement, R&M is being undertaken on a project mode akin to "new builds" with clearly identified unit shutdown dates and alignment of all R&M activities with this date. R&M has been refocused on feasible cost effective technology upgrade, targeting both capacity and efficiency improvements to bring the old units as close as possible to the new units.

After successful completion of due diligence, your Company has signed an agreement for a term loan of USD 100 million with KfW of Germany in March 2007. In the past, KfW routed funding for our projects through the Government of India. This is the first loan directly provided by them to your Company. The loan is an unsecured facility without sovereign guarantee. The funds would be utilized to part finance the expenditure on Renovation and Modernization of your Company's power plants.

## HUMAN RESOURCE MANAGEMENT

Your Company takes pride in its highly motivated and trained manpower that has contributed its best to bring the Company to its present strong position. The Company strongly believes in achieving organizational excellence through human resources and follows "People First" approach to leverage the potential of its employees to fulfill its business plan.

The total employees strength of the Company was 24375 as on 31.3.2007 as against 24044 as on 31.3.2006.

	Fiscal 2007	Fiscal 2006
<b>NTPC</b>		
Number of employees	23,602	21,870
Man / MW ratio	0.91	0.91
<b>Generation per employee (MUs)</b>	<b>7.99</b>	<b>7.81</b>
<b>Subsidiaries &amp; Joint Ventures</b>		
Employees of NTPC in subsidiaries and JVs	773	2174
<b>Total employees</b>	<b>24,375</b>	<b>24,044</b>



The overall Man-MW ratio for the year 2006-07 was 0.91 which includes Badarpur taken over by the Company on June 1, 2006. The employee morale remained high facilitating smooth working of the company and contributing to higher generation of power along with setting up of units in tight time frame. The attrition rate among executives during the year was 1.19%.

#### **Employee Relations**

Employee relations in the Company continued to be cordial and harmonious during the year. Workshops for employee representatives from projects were held, at the apex as well as regional level, to sensitize them to the changing business scenario, the opportunities, threats and challenges facing the company in the dynamics of an uncertain business environment and to reiterate their significant role in synergizing the potential of the human resource – the sole differentiating factor of competitive advantage in today's knowledge economy. The overall industrial relations scenario was peaceful governed by harmony and mutual trust.

#### **Training and Development**

In consonance with corporate vision of being an "integrated power major", your Company facilitates the development of all-round competence of its people in new business areas like mining, hydro, nuclear, distribution and other facets of operation and maintenance and project execution skills. The Power Management Institute (PMI) is NTPC's apex training and development centre providing planned as well as need based programmes in technical, managerial and information technology areas both for NTPC employees as well as for other organisations. A total of 340 training programmes in various technical and managerial disciplines were conducted. The programs covered a total of 8990 participants from NTPC and other organizations as compared to 8439 participants who attended training programs last year.

#### **CORPORATE SOCIAL RESPONSIBILITY**

Your Company has always appreciated its social responsibility as a part of Corporate Governance philosophy. It follows the global practice of addressing CSR issues in an integrated multi-stake holder approach covering the environment and social aspects. In its endeavour to discharge its responsibility, it has undertaken activities in the areas of community development, environment, distributed generation, resettlement & rehabilitation.

Your Company has successfully commissioned six Distributed Generation Projects on self sustainable model. These projects were handed over to respective Village Energy Committee(s), the agencies founded by villagers themselves who collect the fuel, run the machines and also

collect revenues.

Your Company is a signatory to Global Compact, an international CSR initiative. A report on progress made in this area is enclosed at Annex-X to Directors' Report.

#### **Rehabilitation & Resettlement**

Your Company is committed to help the populace displaced for execution of its projects and has been making efforts to improve the Socio-economic Status of Project Affected Persons (PAPs) and also undertaking community development works in and around the projects. Socio-economic Survey for coal mining and some thermal power projects of NTPC is under progress. Rehabilitation Action Plan for various stations is under implementation. Social Impact Evaluation is also under progress for various projects. Adequate funds are made available to meet obligations under Rehabilitation Action Plan.

#### **IMPLEMENTATION OF OFFICIAL LANGUAGE**

Your Company has made vigorous efforts for the propagation and successful implementation of the Official Language Policy of the Government of India. Several Hindi workshops were conducted at projects, regional offices and corporate centre during the year to encourage the employees to use Hindi in maximum official work. Hindi Competitions were held during Hindi fortnight observed during September, 2006 and Hindi Divas was organized on September 14, 2006. All important circulars, advertisements and house journals were released in Hindi.

#### **CenPEEP**

Center for Power Efficiency & Environmental Protection (CenPEEP) is a symbol of Company's commitment to global environment concerns. CenPEEP is striving to achieve Green House Gas reduction from power sector by implementing various initiatives for optimization of efficiency and maintenance in Thermal Power Plants with technical assistance and training by USAID/USDOE support. Executive exchange program have been organized with some US utilities to give exposure to plant engineers for good overhauling practices. Exchange programs have also been organized under EB Efficiency Improvement program of European nations. To increase the skill level of power plant engineers of SEBs, CenPEEP team is disseminating best practices extensively to state utilities by organizing training programs at PMI and at SEBs.

#### **RESEARCH & DEVELOPMENT**

R&D provides high end scientific services to all NTPC stations as well as many outside stations, increases the availability & reliability of stations by providing condition assessment, failure analysis and solving and analyzing their specific problem and helping them in increasing the availability &



reliability of the units. To carry out these in a structured manner, Indian Institute of Science, Bangalore has been appointed as consultant for Strategic gap analysis, benchmarking with best practices, prepare strategic Road-Map, networking with national and international labs., sourcing of manpower etc.

R&D, along with BARC, is developing the technology for detecting on-line turbine blade damage as well as presence and progress of shaft crack. Advance corrective action will prevent catastrophic secondary damages and save significant amount in maintenance cost as well as downtime. Central Boiler Board has granted recognition to NTPC-R&D Centre-Noida as "Well known Remnant Life Assessment" firm which is valid for 5 years.

Your Company is in the process of developing Integrated Gasification Combined Cycle (IGCC) technology along with Bharat Heavy Electricals Limited suitable for Indian coal having high ash content and plans to set up a 100 MW pilot plant.

An Energy Technologies Centre was set up with a mandate of being a world class research institute. The centre shall work in both fundamental and applied research with ultimate objective of developing the technologies through collaborative research.

#### ENVIRONMENT MANAGEMENT

Your Company is taking a number of initiatives towards preservation of all elements of environment by providing state-of-the-art pollution control systems, strict environment monitoring, judicious use of natural resources (coal, gas, water and land), study of impact on ambient air due to plants' operations etc. Strict control is exercised during operation of the plants to optimize use of fuel (coal & gas). Advanced treatment facilities, recycling plants and closed cycle cooling water systems have been installed at a number of stations to conserve water to the maximum extent. Catchment area treatment, compensatory afforestation, rim plantation, cost of trees etc are finalized in consultation with respective State Governments and approved by the Ministry of Environment and Forests. Provision for the same is made in line with the terms agreed with the respective State Governments.

The Company has also designed plants under implementation for use of beneficiated coal and imported low ash coal. The above measures not only help in reducing pollution and minimizing use of precious natural resources but also lead to reduction of CO<sub>2</sub> emissions and thereby reducing global warming. The Company is undertaking afforestation programmes covering vast areas of land in and around its projects and till date has planted more than 18.2 million trees at its projects throughout the country. Thrust has also been given to bio-diesel plantation and around 4.8 lakh energy plants including Pongamia and Jatropha have already been planted. As a result of pursuing sound

environment management systems and practices, all NTPC stations have been certified as ISO 14001 and IS 18001.

Under the Clean Development Mechanism (CDM), the company has identified five projects namely North Karanpura (3X660 MW), Loharinag-Pala (4x150 MW), Tapovan Vishnugad (4x130 MW), Rammam III and Renovation and Modernisation Schemes of Unit 4 & 5 of Badarpur Thermal Power Station. National CDM Authority has accorded host country's approvals for North Karanpura, Loharinag-Pala and Tapovan Vishnugad. Project Idea Notes are under preparation for Rammam III and Renovation and Modernisation Schemes of BTPS.

#### ASH UTILISATION

During the year, about 20.80 million tonnes of ash (53.21% of ash generated) has been utilized for various road embankments, mine filling, Ash Dyke raising and land development. Ash was also utilized in cement and asbestos industry. Ash is also being used for clay ash brick manufacturing with the locally developed technology of using more ash than being used in fly ash bricks.

#### MANAGEMENT OF CHANGE-IMPLEMENTATION OF ERP

Your Company is currently in the process of implementing an Enterprise Resource Planning (ERP) package covering maximum possible processes at all locations of the organization. ERP is expected to help your company achieve improved and faster exchange of information, improved productivity and reduction of costs, better data consistency, knowledge sharing and unification of planning and budgeting process. The roll-out across the Company is expected to be completed by May 2008.

To achieve ERP implementation successfully across the Company, the SATCOM Network of NTPC is being strengthened to have full redundancy and secured data flow with alternate Network connectivity via Multi Protocol Label Switching-Virtual Private Network (MPLS-VPN) from M/s. Bharat Sanchar Nigam Limited (BSNL).

#### LEVERAGING COMPANY'S CAPABILITIES FOR SECTOR REFORMS AND DEVELOPMENT

The Government of India reposes a lot of confidence on your Company's abilities in implementing plans and projects. This confidence has led the Government of India to make your Company a partner in a number of its initiatives. Some of the key initiatives are:

##### Rajiv Gandhi Grameen Vidhyutikaran Yojana (RGGVY)

Under Rajeev Gandhi Grameen Vidhyutikaran Yojana, a Government of India Programme, started in X plan and likely to continue in XI plan too, rural electrification work on turnkey basis in 5 States i.e. Chhattisgarh, Jharkhand, Madhya Pradesh, Orissa and West Bengal and one Union Territory (UT) i.e. Lakshdweep covering approximately 40,000 villages in 31 Districts is to be completed. 194 villages have



already been charged and electrification work is in progress in 7046 villages.

In addition Kerala Government also entrusted rural electrification work on turnkey basis under RGGVY covering 6 Districts .

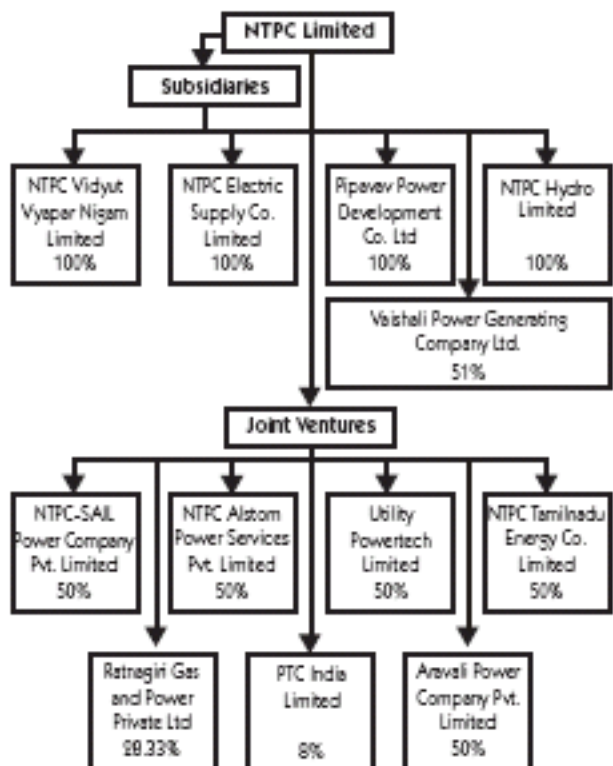
### Partnership in Excellence

Partnership in Excellence (PIE) Programme was launched by Ministry of Power, Government of India in August 2005 with an objective to improve the performance of 22 under-performing power stations in India, identified by CEA. Presently, 13 power stations of the 7 utilities viz, DVC, DPL, IPGCL, JSEB, UPRVUNL, THEB, TVNL with 5050 MW of total operational capacity have been entrusted to your Company, as partner utility.

Performance turnaround has taken place at eight power stations. The plants entrusted to your Company recorded an additional generation of power- 2833 MU's – corresponding to an equivalent capacity addition of 430 MW , considering Average PLF as 75%.

### JOINT VENTURES AND SUBSIDIARIES

Your Company has formed a number of joint venture and subsidiary companies for undertaking specific business activities. The names of these companies and the percentage of your Company's stake in them are as follows:



The performance of these companies as well as the Consolidated Financial Statements are briefly discussed in the Management Discussion & Analysis section. The financial statements of subsidiaries along with the respective Directors' report are placed elsewhere in this annual report.

### STATUTORY AND OTHER INFORMATION REQUIREMENTS

Information required to be furnished as per the Companies Act, 1956, Listing Agreement with Stock Exchanges, Government guidelines etc. is annexed to this report as below:

Particulars	Annexure
Management Discussion & Analysis	I
Report on Corporate Governance	II
Information on conservation of energy, technology absorption and foreign exchange earnings and outgo	III
Information as per Companies (Particulars of Employees) Rules, 1975	IV
Statement pursuant to Section 212 of the Companies Act, 1956 relating to subsidiary companies	V
Review of the Accounts for the year ended March 31, 2007 by C& AG	VI
Statistical data of the grievances	VII
Statistical information on persons belonging to Scheduled Caste / Tribe categories	VIII
Information on Physically Challenged persons	IX
UNGC Communications on progress for 2006-07	X

### STATUTORY AUDITORS

The Statutory Auditors of your Company are appointed by the Comptroller & Auditor General of India. M/s Amit Ray & Co., Umamaheswara Rao & Co., Kalani & Co., T.R. Chodha & Co. and S.N. Nanda & Co. were appointed as Joint Statutory Auditors for the financial year 2006-07.

### MANAGEMENT COMMENTS ON STATUTORY AUDITORS' REPORT

In their report, the statutory auditors of the company have



drawn the attention of the members to Note no. 3 and 7 of schedule 27 to the financial statements.

The note 3 referred by the Auditors explains the basis for recognition of sales revenue. The Central Electricity Regulatory Commission (CERC) has issued final tariff orders for all the stations/units except for five stations/units. In respect of these five stations/units, sales have been recognized based on provisional tariff orders issued by CERC and the sales so recognized are subject to adjustment after final determination of tariff by CERC. This fact has been explained in note no. 3(a) of the Annual Accounts.

Consequent upon taking over of Badarpur Thermal Power Station, as referred to in note 1 of the Annual Accounts, sales for the ten months period from 1st June 2006 has been provisionally recognized based on the principles enunciated under CERC Regulations, 2004. This fact has been explained in note no. 3(b) of the Annual Accounts.

Some of the appeals filed by the Company with Appellate Tribunal for Electricity (ATE) against the orders issued by CERC for the period up to 31st March 2004, were disposed off by ATE with directions to CERC to modify its orders. Further, recognition was given to the orders of CERC for mutual settlement with the beneficiaries to pass on the credits in respect of revision of capital base and benefits of refinancing of the loan for the period up to 31st March 2004. Accordingly, sales have been provisionally recognized pertaining to the period up to 31st March 2004 in line with principles enunciated in the judgements passed by ATE / orders of CERC. These facts have been explained in the note nos. 3(d) and 3(f) of the Annual Accounts.

The note 7 pertains to non-recognition of Company's share of net profits of Badarpur Thermal Power Station for the period 1st April 1986 to 31st May 2006. Till May 31, 2006 the company has been managing this station on behalf of the Government of India. In terms of the Management contract with the Government, the company was entitled for a certain fee as well as a share in the net profits of the station. However, the Government of India is yet to sanction in full the share of profits, which are due to the company for the period 1st April 1986 to 31st May 2006. Due to uncertainty of realization in the absence of sanction by the Government of India, the company has not given recognition to the income in its accounts.

#### **COST AUDIT**

The Cost Audit Reports for the year 2005-06 were submitted for the first time to the Cost Audit Branch in August 2006.

The cost audit for the year 2006-07 has been completed and the Cost Audit Reports shall be submitted shortly.

#### **BOARD OF DIRECTORS**

Shri K.B. Dubey has taken over as Director (Projects) with effect from January 12, 2007.

Shri Rajesh Verma, Joint Secretary and Financial Advisor, Ministry of Power joined the Board of the Company w.e.f. July 23, 2007 in place of Shri M. Sahoo who ceased to be a Director of the Company with effect from June 29, 2007. The Board wished to place on record its deep appreciation for the valuable services rendered by Shri M. Sahoo during his association with NTPC.

In accordance with the provisions of Article 41(iii) of the Articles of Association of the company three directors - Shri Chandan Roy, Shri G.P Gupta and Shri M.I. Beg shall retire by rotation at the Annual General Meeting of your Company and, being eligible, offer themselves for re-appointment.

#### **DIRECTORS' RESPONSIBILITY STATEMENT**

As required under Section 217(2AA) of the Companies Act, 1956 your Directors confirm that:

1. in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
2. the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2006-07 and of the profit of the company for that period;
3. the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities; and
4. the Directors had prepared the Annual Accounts on a going concern basis.

#### **ACKNOWLEDGEMENT**

Your Directors acknowledge with deep sense of appreciation the co-operation received from the Government of India, particularly the Ministry of Power,



Ministry of Finance, Ministry of Environment & Forests, Ministry of Coal, Ministry of Petroleum & Natural Gas, Planning Commission, Department of Public Enterprises, Central Electricity Authority, Central Electricity Regulatory Commission, State Governments, Regional Electricity Boards and State Electricity Boards.

Your directors also convey their gratitude to the shareholders, various International and Indian Banks, Financial Institutions for the confidence reposed by them in the company. The Board also appreciates the contribution of contractors, vendors and consultants in the implementation of various projects of the Company. We also acknowledge the constructive suggestions received from Government and the Statutory Auditors.

We wish to place on record our appreciation for the untiring efforts and contributions made by the employees at all levels to ensure that the company continues to grow and excel.

For and on behalf of the Board of Directors

(T. Sankaralingam)  
Chairman & Managing Director

Place: New Delhi  
Date: July 30, 2007