SUBSIDIARY COMPANIES

NTPC ELECTRIC SUPPLY COMPANY LIMITED
(A wholly owned subsidiary of NTPC)

DIRECTORS' REPORT

To The Members,
NTPC Electric Supply Company Limited

Your Directors have pleasure in presenting their First Annual Report on the working of the Company together with Audited Accounts for the period from 21st August 2002 to 31st March 2003.

FORMATION OF THE COMPANY

The Company was incorporated on 21st August 2002 as a wholly owned subsidiary Company of National Thermal Power Corporation Limited (NTPC) with an objective to make a foray in the business of distribution and supply of electrical energy as a sequel to reforms initiated in the Power Sector. The Company is exploring various options to acquire electrical energy distribution in various electricity distribution circles in different States.

The Company initiated necessary steps to acquire management control of Kanpur Electric Supply Company (KESCO), a wholly owned subsidiary of Uttar Pradesh Power Corporation Limited (UPPCL), which is presently engaged in the supply and retail distribution of electricity in Kanpur. Dialogue is on with the concerned authorities in the Government of Uttar Pradesh for completion of required formalities for the take over of KESCO at the earliest. SHI CAPS was appointed as consultant for ascertaining the feasibility of taking over management control of KESCO. The Company is also pursuing for taking over the Gwalior city Distribution Circle. A proposal with financial model and other details has been submitted to Madhya Pradesh Government. The Company is also in the process of collecting data for other circles for evaluating the commercial and financial viability before taking up the matter with respective State Government and State Electricity Boards/Companies.

FINANCIAL REVIEW

The company has obtained Certificate for Commencement of Business on 26th September 2002. No commercial activity has been carried out during the financial period ending 31st March 2003. The Company has spent Rs.45993/- on various miscellaneous activities. There being no income, loss for the period was Rs.45993/-. The preliminary expenses for the period ending 31st March, 2003 was Rs. 7,59,100/- which was incurred by the holding company for incorporation of the Company and other related matters.

PARTICULARS OF EMPLOYEES

There being no employee in the Company with earning over the specified amount, the particulars prescribed under sec. 217(2A) of Companies Act, 1956 read with the companies (Particulars of Employees) Rules, 1975 are not required to be given in respect of any employee.

DIRECTORS

As per the Memorandum & Articles of Association of the Company registered with the Registrar of Companies, S/Shri Anil Kumar Dhar, GM (F&A), NTPC, Lanka Visweswar Rao, GM (APDRP) and Kamal Kishore Garg, GM (Commercial), NTPC were the first Directors of the Company. At the first meeting of the Board held on 28th August, 2002 first directors ceased to hold office and Shri C.P.Jain, Chairman & Managing Director, NTPC was appointed as the Chairman of the Company. Besides S/Shri P. Narasimhamurulu, Director (Finance), NTPC, S.L. Kapur, Director (Technical), NTPC and Shyam Wadhara, Executive Director (Commercial), NTPC were also inducted as directors on the Board of the Company. Shri K.K. Sinha Director (HR), NTPC and Shri R.D. Gupta, Director (Commercial), NTPC were inducted on the Board on March 15, 2003 and June 18, 2003 respectively. Shri Shyam Wadhara resigned from the directorship of NESCL with effect from 12th August 2003 consequent upon his joining Power Finance Corporation as Director (Projects). The Board appreciates the valuable services rendered by Shri Shyam Wadhara as director.

FIXED DEPOSITS

The company has not accepted any fixed deposit during the period ending 31st March 2003.

AUDITORS' REPORT AND C & AG REVIEW

The Comptroller and Auditor General of India (C & AG) has appointed M/s Kanwalia & Company, Chartered Accountants as Auditor of the Company for the financial year ending 2002-03. There are no adverse comments, observation or reservation in the auditors report on the accounts of the Company. The C & AG has reviewed the Annual Accounts and the report of the Auditors on the accounts of the Company for the year ended 31st March, 2003 and as such has no comments to make under Section 619(4) of the Companies Act, 1956. A copy of the no comments Certificate is enclosed as Annexure-I.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING & OUTGO

Since no commercial activity is carried out by the Company, particulars in respect of conservation of energy, technology absorption and foreign exchange earnings and outgo are not applicable.

DIRECTORS' RESPONSIBILITY STATEMENT

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

i) in the preparation of annual Accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;

ii) the directors had selected such accounting policies 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 as at 31st March, 2003 and of the loss of the company for that period;

iii) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the company and for preventing and detecting the fraud and other irregularities; and

iv) the directors had prepared the annual accounts on a going concern basis.

ACKNOWLEDGEMENT

The Board of Directors wish to place on record their appreciation for the support and co-operation extended by Government of Utter Pradesh, Government of Madhya Pradesh, National Thermal Power Corporation Ltd., the Auditors and the Bankers of the Company.

For and on behalf of the Board of Directors

(C.P.JAIN)
CHAIRMAN

Annexure-I

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956, ON THE ACCOUNTS OF NTPC ELECTRIC SUPPLY COMPANY LIMITED, NEW DELHI FOR THE YEAR ENDED 31ST MARCH 2003

I have to state that the Comptroller and Auditor General of India has no comments upon or supplement to the Auditors’ Report under Section 619(4) of the Companies Act, 1956, on the accounts of NTPC Electric Supply Company Limited, New Delhi, for the year ended 31st March 2003.

(Revathi Bedi)
Principal Director of Commercial Audit and ex-officio Member Audit Board-III
New Delhi

Place: New Delhi
Dated: 25th August 2003
**NTPC ELECTRIC SUPPLY COMPANY LIMITED**

**BALANCE SHEET AS AT 31ST MARCH, 2003**

(Rupees)

<table>
<thead>
<tr>
<th>Schedule</th>
<th>Number</th>
<th>As at 31.03.2003</th>
</tr>
</thead>
</table>

### I SOURCES OF FUNDS

**SHAREHOLDERS’ FUNDS**

- **Capital**
  - 1 809,100

### II APPLICATION OF FUNDS

**CURRENT ASSETS, LOANS & ADVANCES**

**CURRENT ASSETS**

- **Cash & Bank balances**
  - 2 32,111

**LESS: CURRENT LIABILITIES & PROVISIONS**

- **Current Liabilities**
  - 3 41,284
- **Deferred Tax Asset**
  - 16,500
- **MISCELLANEOUS EXPENDITURE**
  - (to the extent not written off or adjusted)
  - 4 772,280
- **Profit & Loss Account**
  - 29,493

**In terms of our report of even date**

For & on behalf of the Board of Directors

For Kanwalia & Co.
Chartered Accountants

**Place** : New Delhi
**Date** : 18th June 2003

---

**NTPC ELECTRIC SUPPLY COMPANY LIMITED**

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2003**

(Rupees)

<table>
<thead>
<tr>
<th>For the year ended 31st March 2003</th>
</tr>
</thead>
</table>

**INCOME**

- NIL

**EXPENDITURE**

- **Employee cost**
  - 30,484
- **Bank Charges**
  - 100
- **Printing & Stationery expenses**
  - 2,109
- **Misc. Expenses**
  - 2,500
- **Audit fees**
  - 10,800

**Total**

- 45,993

**Loss: Deferred Tax**

- 16,500

**Profit/(Loss) carried over to Balance Sheet**

- (29,493)

In terms of our report of even date

For & on behalf of the Board of Directors

For Kanwalia & Co.
Chartered Accountants

**Place** : New Delhi
**Date** : 18th June 2003

---

**NTPC ELECTRIC SUPPLY COMPANY LIMITED**

**SCHEDULES FORMING PART OF BALANCE SHEET**

(Rupees)

<table>
<thead>
<tr>
<th>Schedule</th>
<th>As at 31.03.2003</th>
</tr>
</thead>
</table>

**Schedule - 1**

- **Capital**
  - Authorised
    - 1,00,00,000 Equity Shares of Rs.10/- each
  - 100,00,000

**Issued, Subscribed & Paid-up**

- 50,000 Equity Shares of Rs.10/- each are held by the holding company, National Thermal Power Corporation Ltd. and its nominees

**Share Capital Deposit**

- (By NTPC Ltd.)
  - 309,100

**Schedule - 2**

**Current Assets, Loans & advances**

**Cash & Bank Balances**

- **Cash on hand**
  - 3,501
- **Balance with Scheduled Bank - Current Account**
  - 28,611

**Schedule - 3**

**Current Liabilities & Provisions**

**Current Liabilities**

- **Audit fees payable**
  - 10,800
- **Due to NTPC Ltd.**
  - 30,484

**Schedule - 4**

**Miscellaneous Expenditure**

- (to the extent not written off or adjusted)

- 772,280

**Schedule - 5**

**A) Significant Accounting Policies**

- Preliminary expenses have been carried forward as the company is yet to commence commercial activities.

**B) Notes on Accounts**

i) The Company was incorporated on 21st August 2002. Hence, the Balance Sheet and the Profit & loss Account for the first accounting period under report are from 21st August 2002 to 31st March 2003.

ii) Being the first Balance Sheet of the Company, previous year figures are not indicated.

iii) As the Company has not started its commercial activities, there is no income for the period under report.

iv) A sum of Rs.3,09,100/- paid by NTPC Ltd. towards preliminary expenses has been shown as share capital deposit pending allotment of shares to NTPC Ltd.

v) The deferred tax asset of Rs. 16,500/- is on account of carried forward loss for the year.

In terms of our report of even date

For & on behalf of the Board of Directors

For Kanwalia & Co.
Chartered Accountants

(B.K.Kanwalia) (Rachna Ahuja) (P.Narasimharamulu) (C.P.Jain)
Partner Company Secretary Director Chairman

**Place** : New Delhi
**Date** : 18th June 2003
NTPC ELECTRIC SUPPLY COMPANY LIMITED

CASH FLOW STATEMENT
(Rupees)
For the period ended 31st March 2003

A. CASH FLOW FROM OPERATING ACTIVITIES

Net profit/(loss) before tax and extraordinary items (45,993)
Adjustment for:
Trade payables & other liabilities 41,284
Deferred Tax 16,500
57,784
Net cash from operating activities - A 1,791

B. CASH FLOW FROM INVESTING ACTIVITIES

Net cash used in Investing Activities - B

C. CASH FLOW FROM FINANCING ACTIVITIES

Proceeds from issue of equity shares 809,100
Net cash flow from Financing Activities - C 809,100

D. OTHERS

Intangibles - D (788,780)

Net increase/Decrease in cash & cash equivalents (A+B+C+D) 32,111

Net increase/Decrease in cash & cash equivalents (opening balance) 0
Net increase/Decrease in cash & cash equivalents (closing balance) 32,111

For & on behalf of the Board of Directors

For Kanwalia & Co.
Chartered Accountants

Partner Company Secretary Director Chairman

Place : New Delhi
Dated : June 16, 2003

AUDITORS' REPORT

The Members,
M/s. NTPC Electric Supply Company Ltd.
New Delhi.

We have audited the attached Balance Sheet of M/s. NTPC Electric Supply Company Ltd. (wholly owned subsidiary of NTPC) as at 31st March 2003 and also the Profit and Loss Account of the Company for the year ended on that date, annexed thereto. 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.

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 misstatement. An audit includes examining, on a 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.

As required by the Manufacturing and other Companies (Auditor’s Report) order 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, we annex hereto a statement on the matter specified in paragraphs 4 and 5 of the said order.

Further to our comments in the Annexure referred to in paragraph above, we report that:

i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
ii) In our opinion proper books of accounts as required by law have been kept by the company so far as appears from our examination of those books;
iii) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of accounts;
iv) In our opinion, the Balance sheet and Profit and Loss account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
v) On the basis of written representations received from the directors and taken on record by the Board of Directors in the meeting held on 18th June 2003, we report that none of the directors is disqualified as on 31st March 2003 in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
v) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with Accounting Policies and Notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

i. In the case of Balance Sheet of the state of Affairs of the Company as at 31st March 2003. AND
ii. In the case of the Profit and Loss Account of the Loss for the year ended on that date.

For KANWALIA & COMPANY
Chartered Accountants

B.K. KANWALLA
(Partner)

Place : New Delhi
Dated : 18th June 2003
ANNEXURE TO THE AUDITORS' REPORT

1. There is no Fixed Assets.
2. Not Applicable.
3. There is no stock.
5. Not Applicable.
7. No loans have been taken from companies, firms or other parties listed in the registers maintained under section 301 and from the companies under the same management.
8. No loans have been granted to companies, firms or other parties listed in the registers maintained under section 301 and to the companies under the same management.
11. Not Applicable.
13. The company has not accepted any deposits from the public.
15. Not Applicable.
17. Not Applicable.
18. Not Applicable.
19. According to information and explanations given to us, no personal expenses of employees or directors have been charged to revenue account.
20. The company is not a sick industrial company within the meaning of Clause (o) of Sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.

For KANWALLA & COMPANY
Chartered Accountants

Place : New Delhi
Dated : 18th June 2003

NTPC VIDYUT VYAPAR NIGAM LTD.
(A wholly owned subsidiary of NTPC)

DIRECTORS' REPORT

To the Members,
NTPC Vidyut Vyapar Nigam Ltd.

Your Directors have pleasure in presenting their First Annual Report on the working of the Company together with Audited Accounts for the period from 1st Nov. 2002 to 31st March 2003.

FORMATION OF THE COMPANY

Reform process in power sector envisages trading of power as an important tool for efficiency improvement in the sector. The Electricity Act, 2003 recognises trading in power as a distinct business activity. Progressive strengthening of the regional and inter-regional transmission grids has opened the possibility of utilizing localized short and medium term surpluses in other parts of the respective regions and also in other regions. Implementation of availability-based tariff in various regions of the country has provided the framework for trading of surplus power both through scheduled and unscheduled transactions. Also, in the event of regulation, generators are allowed to sell the regulated power to other paying customers, which provides ample opportunities in power trading.

National Thermal Power Corporation Limited (NTPC) formed this Company as its wholly-owned subsidiary to seize the vast potential of power trading in the country. NTPC, with stations across the country, is the largest power generator nationally. Trading of power by its subsidiary shall pave the way for optimisation of its capacity utilization thereby reducing the overall cost of power-a beginning of an era of power on demand at affordable cost. In this direction, the Company visualizes to evolve itself as a facilitator for developing a flexible power market. The Board has set the following Vision and Mission for itself:

VISION

To be a catalyst in development of wholesale power market in India enabling trading of surplus power.

MISSION:

- Provide good value to potential sellers and develop commercial arrangements for their surplus power.
- Provide viable alternatives to buyers for meeting their demands.
- Enable NTPC to maintain optimal generation level through mutually beneficial trading transactions.
- Plan and establish a Power Exchange at National Level using state-of-the-art technology.

BUSINESS ACTIVITIES

The Company was incorporated on 1st November 2002 and received the Certificate for Commencement of Business Activities from the Registrar of Companies on 26th Nov 2002. Thereafter, necessary intimation in this regard was sent to the Central Electricity Regulatory Commission (CERC) on 7th January 2003.

The Company commenced its trading operation with the supply of surplus power from Eastern Region station of NTPC to Meghalaya Electricity Board and Assam State Electricity Board. During the period under review the Company sold 12.566 million units (40 MW) of electricity to the Meghalaya and 8.533 million units (50 MW) of electricity to Assam. Thus, during the first few months of commencing trading operations, the Company was able to sell 21.099 million units of electricity. The Company is also in business negotiations with Tamil Nadu Electricity Board to act as facilitator for selling of 180 MW of surplus power from Eastern Region stations of NTPC pooled with 180 MW of power from Eastern Region stations of NTPC-Katarkulam. The Company is also looking forward to trade power in the following areas:

- Surplus allocation of different SEBs from NTPC stations.
- Unscheduled and unregulated power of NTPC stations on ‘as and when available basis’.
- Regulated power arising out of regulation by NTPC to various beneficiaries who default in payment.

The Company has also started business discussions with the State Electricity Boards of Chattisgarh, Jharkhand, Madhya Pradesh, Maharashtra, Punjab, West Bengal, Govt. of Sikkim, Delhi Transco, Govt. of Orissa and Haryana Vidyut Power Nigam for purchase and sale of power.

SYSTEMS DEVELOPMENT

The company is working on preparation of Standard Power Purchase Agreement and Memorandum of Understanding. Other initiatives include development of systems and procedures including scheme of empowerment, organisation structure, financial accounting systems and procedures, website development, trading initiative through both domestic and international consultants.
POWER EXCHANGE AT NATIONAL LEVEL
To facilitate on-line trading of surplus power to its members at market driven competitive price a concept paper is being developed and consultants with both domestic and international expertise are being approached.

CONTROL ROOM & REGIONAL CONTROL CENTRES
Your Company established its Control Room at Scope Complex and the same is being connected to get real time data from Regional Control Centre, stations of NTPC and Regional Load Despatch Centres. At present data is being received through internet.

FINANCIAL PERFORMANCE
During the financial year 2002-2003, the company has sold power for an amount of Rs. 3,94,10,489/-. The loss during the year after considering the cost of electricity, preliminary expenses written off during the year and provision of Deferred Tax Asset was Rs. 1,31,785/-.  

PARTICULARS OF EMPLOYEES
During the period under review the Company had no employees of the category which falls under section 271(2A) of the Companies Act, 1956 read with the Companies (Particulars) of Employees Rules, 1975. Hence, no information in this regard is required to be appended to this report.

DIRECTORS
Shri C. P. Jain, Chairman & Managing Director, NTPC, B. N. Ojha, Director (Operations), NTPC, P. Narasimharamulu, Director (Finance), NTPC and Shyam Wadhera, Executive Director (Commn.), NTPC are the first Directors of the Company. Shri C. P. Jain was appointed as the Chairman of the Board. Shri K. K. Sinha, Director (HR), NTPC was inducted on the Board on March 15, 2003 and Shri R. D. Gupta was appointed as Director on 18th June, 2003.

AUDITORS REPORT & C & A REVIEW
The Comptroller and Auditor General of India (C&AG) has appointed M/s Tiwari & Associates, Chartered Accountants as Auditor of the Company for the financial year ending 2002-03. There are no adverse comment, observation or reservation in the auditors report on the accounts of the Company.

The C&AG has decided not to review the report of the Auditors on the accounts of NTPC Vidyut Vyanap Nigam Limited, New Delhi for the year ended 31st March 2003 and as such he has no comments to make under Section 619(4) of the Companies Act, 1956. A copy of the Non Review Certificate is enclosed as Annexure-I.

FIXED DEPOSITS
The company has not accepted any fixed deposit during the period ending 31st March 2003.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING & OUTGO
Your Company does not own any manufacturing facility. Hence, particulars in respect of conservation of energy, technology absorption are not applicable. During the period under review the Company had no earning or outgo in foreign exchange.

DIRECTORS' RESPONSIBILITY STATEMENT
As required under Section 217(2AA) of the Companies Act, 1956 your Directors confirm that:
(i) In the preparation of annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
(ii) The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the company and for preventing and detecting the fraud and other irregularities;
(iii) The Directors had prepared the annual accounts on going concern basis.

ACKNOWLEDGEMENT:
The Board of Directors wish to place on record their appreciation for the support and co-operation extended by National Thermal Power Corporation Ltd., the Central Electricity Regulatory Commission, the valued customers of the Company, various State Electricity Boards, the Auditors and the Bankers of the Company.

For and on behalf of the Board of Directors

Place : New Delhi  
Dated : 25th August 2003  

(C. P. Jain)  
CHAIRMAN

ANNEXURE-I

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956, ON THE ACCOUNTS OF NTPC VIDYUT VYAPAR NIGAM LIMITED, NEW DELHI FOR THE YEAR ENDED 31ST MARCH 2003

The Comptroller and Auditor General of India has decided not to review the report of the Auditors on the accounts of NTPC Vidyut Vyanap Nigam Limited, New Delhi, for the year ended 31st March 2003 and as such he has no comments to make under Section 619(4) of the Companies Act, 1956.

(Revathi Bodi)
Principal Director of Commercial Audit
ex-officio Member Audit Board-III
New Delhi

NTPC VIDYUT VYAPAR NIGAM LTD.
BALANCE SHEET AS AT 31ST MARCH, 2003

<table>
<thead>
<tr>
<th>SCHEDULE</th>
<th>(Amount in Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>As at 31.03.2003</td>
<td></td>
</tr>
<tr>
<td>I. SOURCES OF FUNDS</td>
<td></td>
</tr>
<tr>
<td>SHAREHOLDERS' FUNDS</td>
<td></td>
</tr>
<tr>
<td>SHARE Application Deposit Account</td>
<td>500000</td>
</tr>
<tr>
<td>TOTAL</td>
<td>323100</td>
</tr>
<tr>
<td>II. APPLICATION OF FUNDS</td>
<td></td>
</tr>
<tr>
<td>CURRENT ASSETS LOANS AND ADVANCES CURRENT ASSETS</td>
<td></td>
</tr>
<tr>
<td>Sundry Debtors</td>
<td>9661618</td>
</tr>
<tr>
<td>Cash and Bank Balances</td>
<td>9320952</td>
</tr>
<tr>
<td>LESS: CURRENT LIABILITIES &amp; PROVISIONS</td>
<td></td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>17882763</td>
</tr>
<tr>
<td>TOTAL</td>
<td>823100</td>
</tr>
<tr>
<td>III. SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF ACCOUNTS</td>
<td></td>
</tr>
<tr>
<td>As per our Report of even date</td>
<td></td>
</tr>
<tr>
<td>For Tiwari &amp; Associates</td>
<td></td>
</tr>
<tr>
<td>For and on behalf of Board of Directors</td>
<td></td>
</tr>
<tr>
<td>Chartered Accountants</td>
<td></td>
</tr>
</tbody>
</table>

NTPC VIDYUT VYAPAR NIGAM LTD.
PROFIT & LOSS ACCOUNT FOR THE PERIOD ENDED 31ST MARCH 2003

<table>
<thead>
<tr>
<th>SCHEDULE</th>
<th>(Rupees)</th>
</tr>
</thead>
<tbody>
<tr>
<td>As at 31.03.2003</td>
<td></td>
</tr>
<tr>
<td>INCOME</td>
<td></td>
</tr>
<tr>
<td>Electricity Sales</td>
<td>39410489</td>
</tr>
<tr>
<td>Facilitation Charges</td>
<td>1054998</td>
</tr>
<tr>
<td>EXPENDITURE</td>
<td></td>
</tr>
<tr>
<td>Electricity Purchase</td>
<td>997526</td>
</tr>
<tr>
<td>Rebate on sale of Power</td>
<td>154630</td>
</tr>
<tr>
<td>Other Expenses</td>
<td>130865</td>
</tr>
<tr>
<td>LOSS BEFORE AMORTISATION</td>
<td>50893</td>
</tr>
<tr>
<td>AMORTISATION</td>
<td></td>
</tr>
<tr>
<td>Preliminary Expenses</td>
<td>154630</td>
</tr>
<tr>
<td>LOSS AFTER AMORTISATION</td>
<td>208543</td>
</tr>
<tr>
<td>LESS: Deferred Tax Asset</td>
<td>73728</td>
</tr>
<tr>
<td>LOSS CARRIED OVER TO BALANCE SHEET</td>
<td>131785</td>
</tr>
<tr>
<td>SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF ACCOUNTS</td>
<td></td>
</tr>
<tr>
<td>As per our Report of even date</td>
<td></td>
</tr>
<tr>
<td>For Tiwari &amp; Associates</td>
<td></td>
</tr>
<tr>
<td>For and on behalf of Board of Directors</td>
<td></td>
</tr>
<tr>
<td>Chartered Accountants</td>
<td></td>
</tr>
</tbody>
</table>

Place : New Delhi  
Dated : 9th July 2003  

(P. V. Tiwari)  
(P.Narasimharamulu)  
(C.P.Jain)  
Partner  
Director  
Chairman  

(P. V. Tiwari)  
(P.Narasimharamulu)  
(C.P.Jain)  
Partner  
Director  
Chairman
1. The company was incorporated on 1st November, 2002, hence the Profit and Loss Account for the first accounting period under report is from 1st November, 2002 to 31st March, 2003.

2. Being the first balance sheet of the company previous year figures are not applicable.

3. A sum of Rs.323100/- paid by NTPC Ltd., Holding Company, towards preliminary expenses has been shown as Share Application Deposit Account pending allotment of shares to NTPC Ltd.

4. Claims against the company not acknowledged as Debts Rs. Nil.

5. Generic name of three principal products/services of Company

TRADING OF POWER

6. In compliance of Accounting Standards – 22 on “Accounting for taxes on Income” issued by the Institute of Chartered Accountants of India which is mandatory with effect from 1st April, 2002

7. Quantitative information in respect of purchase and sale of power.

8) The outstanding balances as at 31st March, 2003 in respect of Sundry Debtors and Sundry Creditors are subject to confirmation and reconciliation.

9) In the opinion of the Board, Current Assets are approximately of the value stated, if realised in the ordinary course of the business.

As per our Report of even date
For Tiwari & Associates
Chartered Accountants

(P. V. Tiwari) (P. Narasimharamulu) (C. P. Jain)
AUDITORS’ REPORT

Auditor’s Report to the Members of NTPC Vidyut Vyapar Nigam Limited

We have audited the attached Balance Sheet of NTPC Vidyut Vyapar Nigam Limited, as at 31st March, 2003 and also the Profit and Loss Account for the period ended on that date annexed thereto. 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.

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 of material misstatement. An audit includes examining, on a 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Manufacturing and Other Companies (Auditor’s Report) Order, 1988 issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 & 5 of the said order.

Further to our comments in the Annexure referred to above, we report that:

(i) We have obtained all the information and explanation, which to the best of our knowledge and belief were necessary for the purposes of our audit;

(ii) 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;

(iii) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.

(iv) In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in subsection(3C) of section 211 of the Companies Act, 1956;

(v) On the basis of written representations received from the directors as on 31st March, 2003, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2003;

(vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;

(a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2003; and

(b) in the case of the Profit and Loss Account, of the loss for the period ended on that date.

For TIWARI & ASSOCIATES
CHARTERED ACCOUNTANTS

(P.V. TIWARI)
PARTNER

Place: New Delhi
Dated: 9th July 2003

ANNEXURE TO THE AUDITORS’ REPORT

Annexure referred to in Auditor’s report of even date on the accounts of NTPC Vidyut Vyapar Nigam Limited for the period ended 31st March, 2003.

1. The Company has not taken any loans, secured or unsecured from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956. The provisions of section 370(1B) of the Companies Act, 1956 is not applicable in case of government company.

2. The Company has not granted loans, secured or unsecured to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956. The provisions of section 370(1B) of the Companies Act, 1956 is not applicable in case of government company.

3. The company has not granted any loans and advances in the nature of loans.

4. In our opinion and according to the information and explanations given to us there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to the purchase of stores, including components, plant & machinery, equipment and other assets and for sale of goods.

5. In our opinion and according to the information and explanations given to us there are no transactions of purchase of goods and materials and of sale of goods, materials and services made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs.50,000/- (Rupees Fifty thousand only) or more in respect of any party.

6. The Company has not accepted any deposit under the provisions of Section 58A of the Companies Act, 1956.

7. The Company was not required to have an internal audit system.

8. The Central Government has not prescribed maintenance of cost records under section 209 (1)(d) of the Companies Act, 1956.

9. The provisions of Provident Fund and Employees State Insurance Scheme are not applicable to the company.

10. There were no undisputed amounts in respect of Income tax, Wealth Tax, Sales Tax, Custom Duty and Excise Duty outstanding as at 31st March, 2003 for a period of more than six months from the date they became payable.

11. The company has not debited any personal expenses to revenue account.

12. The company is not a sick industrial company within the meaning of Clause (o) of Sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.

13. The provisions of other clauses of the Order are not applicable to the company.

For & on behalf of

TIWARI & ASSOCIATES
CHARTERED ACCOUNTANTS

(P.V. TIWARI)
PARTNER

Place: New Delhi
Dated: 9th July 2003
NTPC HYDRO LIMITED
DIRECTORS’ REPORT

To the Members
NTPC Hydro Limited

Your Directors have pleasure in presenting their First Annual Report on the working of the Company together with Audited Accounts for the period from 12th December 2002 to 31st March 2003.

FORMATION OF THE COMPANY

According to the available information the hydel power potential of the country is estimated at over 1,00,000 MW at 60% load factor. Out of this, around 27,000 MW of hydel electricity can be derived from small and medium Hydro Electric Power Projects of capacity less than 250 MW in various river basins widely spread across the country. These small and medium projects, once operational, will provide flexibility of supplying distributed generation in the vicinity of load centers and also help in meeting peak and off peak demand.

The Company was incorporated on 12th December 2002 as a wholly owned subsidiary Company of National Thermal Power Corporation Limited (NTPC) with object to develop small and medium Hydro Electric Power Projects of upto 250 MW capacity.

BUSINESS ACTIVITIES

For development of business, the company has initiated dialogues with various State Governments expressing its interest for allocation of potential projects for development subject to the techno-economic viability. Discussions are at different levels of fruition with State government of Kerala, Karnataka, Madhya Pradesh and Utter Pradesh. It is expected that projects for about 200 MW can be allocated at different levels of fruition with State government of Kerala, Karnataka, Madhya Pradesh and Utter Pradesh. It is expected that projects for about 200 MW can be allocated to the company for pre-feasibility studies, preparation of Detailed Project Report and Uttaranchal. It is expected that projects for about 200 MW can be allocated to the company for pre-feasibility studies, preparation of Detailed Project Report.

FINANCIAL REVIEW

The company has obtained Certificate for Commencement of Business on 13th February 2003. No commercial activity has been carried out during the financial period ending 31st March 2003. The Company has incurred an expenditure of Rs. 16,393 on various miscellaneous activities. These being no income, the expenditure of Rs. 16,393 is carried over to the balance sheet as pre-operative expenses.

The preliminary expenses for the period ending 31st March, 2003 was Rs. 7,73,100 which was incurred for incorporation of the Company by the holding company.

PARTICULARS OF EMPLOYEES

Since the company has no employees, the particulars prescribed under Section 217(2A) of Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are not applicable.

DIRECTORS

As per the Memorandum & Articles of Association of the Company registered with the Registrar of Companies, Shri C.P. Jain, Chairman & Managing Director, NTPC and Shri K.K. Sinha, Director (HR) NTPC, P. Narasimhamulu, Director (Finance) NTPC and T. Sankalalingam, Director (Projects) NTPC are the first Directors of the Company.

AUDITORS’ REPORT & C & A REVIEW

The Comptroller and Auditor General of India (C&AG) has appointed M/s. S.R. Kapur & Co., Chartered Accountants as Auditor of the Company for the financial year 2002-2003. There are no adverse comment, observation or reservation in the auditors report on the accounts of the Company.

The C&AG has decided not to review the report of the Auditors on the accounts of the Company for the year ended 31st March, 2003 and as such he has no comments to make under Section 619(4) of the Companies Act, 1956. A copy of the Non Review Certificate is enclosed as Annexure-I.

FIXED DEPOSITS:

The company has not accepted any fixed deposit during the period ending 31st March 2003.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING & OUTGO:

Since no commercial activity was carried out by the Company, particulars in respect of conservation of energy, technology absorption and foreign exchange earnings and outgo are not applicable to the Company.

DIRECTORS’ RESPONSIBILITY STATEMENT:

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

i) in the preparation of annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;

ii) the directors had selected such accounting policies and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at 31st March, 2003 and of the loss of the company for that period;

iii) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the company and for preventing and detecting the fraud and other irregularities;

iv) the directors had prepared the annual accounts on a going concern basis.

ACKNOWLEDGEMENT:

The Board of Directors wish to place on record their appreciation for the support and co-operation extended by National Thermal Power Corporation Ltd., the Auditors and the Bankers of the Company.

For and on behalf of the Board of Directors

(C.P. Jain)
CHAIRMAN

Place : New Delhi
Dated : August 25, 2003

Annexure - 1


The Comptroller and Auditor General of India has decided not to review the report of the Auditors on the accounts of NTPC Hydro Limited, New Delhi, for the year ended 31st March 2003 and as such he has no comments to make under Section 619(4) of the Companies Act, 1956.

(Revathi Bedi)
Principal Director of Commercial Audit
ex-officio Member Audit Board - III,
New Delhi
NTPC HYDRO LIMITED
BALANCE SHEET AS AT 31ST MARCH, 2003
Schedule No.

I. SOURCES OF FUNDS:
Shareholders’ Funds
Capital
1
823,100

II. APPLICATION OF FUNDS:

Current Assets, Loans & Advances
Cash and bank balances
2
49,400

Notes Current Liabilities
3
15,793

Miscellaneous Expenditure
4
789,493

Accounting Policies and notes on Accounts
5

SCHEDULES FORMING PART OF BALANCE SHEET

Schedule-1
CAPITAL
Authorised
10,000,000 Equity Shares of Rs.10/- each
100,000,000

Issued Subscribed and Paid-up
50,000 Equity Shares of Rs.10/- each
500,000

Share Application Deposit Account
323,100

Schedule-2
CURRENT ASSETS LOANS & ADVANCES
Cash & Bank Balances
Cash in hand
500
Balance with Scheduled Bank-Current Account
48,900

Schedule-3
CURRENT LIABILITIES AND PROVISIONS
Current Liabilities
Audit fees payable
10,800
Due to National Thermal Power Corporation Ltd.
4,993

Schedule-4
MISCELLANEOUS EXPENDITURE
(to the extent not written off or adjusted)
Pre-operative expenses
7,73,100
8,789,493

Schedule-5
A) Significant Accounting Policies
1. The accounts of the company have been prepared on historical cost basis following accrual method of accounting
2. Preliminary and pre-operative expenses have been carried forward as the company is yet to commence commercial operations.

B) Notes on Accounts
ii) Being the first balance sheet of the company previous year figures are not mentioned.
iii) No Profit & Loss Account has been prepared as the company has not started any commercial activity.
iv) A sum of Rs. 3,23,100/- paid by NTPC Ltd towards preliminary expenses has been shown as Share Capital Deposit pending allotment of shares to NTPC Ltd.

In terms of our report of even date
For S.R. Kapur & Co.
Chartered Accountants

Place: New Delhi
Date: 4th July 2003
We have audited the attached Balance Sheet of NTPC HYDRO LIMITED, as at 31st March 2003 and the Pre-operative Expenses Account for the period ended on that date annexed thereto. 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.

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 of material misstatement. An audit includes examining, on a 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Manufacturing and other Companies (Auditor’s Report) order, 1988 issued by the Central Government of India in terms of Sub-Section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.

ii) 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.

iii) The Balance Sheet and Pre-operative Expenses Account dealt with by this report are in agreement with the books of account.

iv) In our opinion, the Balance sheet and the Pre-operative Expenses Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the companies Act 1956.

v) On the basis of written representations received from the directors, as on 31st March, 2003 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2003 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts and notes thereon give the information required by the Companies Act, 1956, in the manner so required and give 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 31st March, 2003.

(b) In the case of the Pre-operative Expenses Account of the Loss for the year ended on that date.

We believe that our audit provides a reasonable basis for our opinion.

The other provisions of the Order were not applicable as no business was carried by the company.

1. That company has no fixed assets.

2. In the absence of fixed assets there was no revaluation.

3. The company has not taken any loans, secured or unsecured from companies, firms or other parties covered under section 301 of the Companies Act, 1956. The provision of section 370 (1B) of the Companies Act, 1956 is not applicable in case of government company.

4. The company has not granted loans, secured or unsecured to companies, firms or other parties covered under section 301 of the companies Act, 1956. The provision of section 370 (1B) of the Companies Act, 1956 is not applicable being government company.

5. The company has not given loans or advances in the nature of loans with stipulation of instalments in respect of the repayment of the same and interest thereon.

6. No transaction of purchase of goods and materials, contract receipts and services have been made in pursuance of contracts or arrangements covered under section 301 of the Companies Act, 1956 & aggregating during the period to Rs.50,000 or more in respect of each party.

7. In our opinion and according to the information and explanations given to us the company has not accepted any deposit covered under section 58A of the Companies Act, 1956 and the rules framed thereunder.

8. The company was not required to have an internal audit system.

9. The Central Government has not prescribed the maintenance of cost records under section 209 (1)(d) of the Companies Act, 1956 for the company.

10. The provisions of Provident Fund and Employees State Insurance Scheme were not applicable to the company.

11. According to the information and explanations given to us, no amounts were outstanding in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty and Excise Duty as at 31st March, 2003.

12. No personal expenses of employees or directors have been charged to revenue account.

13. The company is not a sick industrial company within the meaning of Clause (o) of sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.

14. The other provisions of the Order were not applicable as no business was carried by the company.

for S.R. Kapur & Co.

(D.K. Gupta)
Partner
Chartered Accountants

Place : New Delhi
Dated : 4th July 2003
PIPAVAV POWER DEVELOPMENT COMPANY LIMITED
DIRECTORS’ REPORT

To,
The Members,

Your Directors have pleasure in presenting their 2nd Annual Report on the Working of the Company together with Audited Accounts for the financial year 2002-2003.

IMPLEMENTATION OF PIPAVAV MEGA POWER PROJECT
As per Revised mega power project policy guidelines of November, 1998 of Govt. of India, Pipavav Power Project (2000 MW) was identified for implementation in private sector as a mega power project in Amreli district of Gujarat. National Thermal Power Corporation Ltd. (NTPC) the Holding Company was entrusted with the responsibility of carrying out the pre-development activities for the project. Power Trading Corporation of India Ltd. (PTC) was identified for selection of prospective developer for implementation of the project in private sector.

All the pre-development activities for Pipavav Project identified under NTPC scope of work have been carried out by NTPC and necessary site-specific inputs were provided to Power Grid Corporation of India Ltd. / PTC for preparation of Request For Proposal (RFP) documents. PTC has informed that the project is not being pursued by them and they have requested Ministry of Power (MOP) to take a view. The project is dormant at present. It is essential to identify the project developer urgently by the Govt. of India and to agree to a time bound action plan for development of the project by the developer. Therefore, your Company have requested Ministry of Power to consider approaching Govt. of Gujarat to ascertain if Gujarat Power Corporation Limited (GPCL) is interested in implementing this Project.

TRANSFER OF LAND IN FAVOUR OF COMPANY
In compliance with the Presidential directive issued by MOP vide letter dated 15.12.1999, in January, 2000 NTPC made the payment of Rs.6.05 crore to GPCL towards compensation against 212 hectares of land for the main plant area of Pipavav Mega Power Project. The payment was made by NTPC subject to certain conditions which, inter-alia, included that this payment shall be deemed to have been made to GPCL by NTPC on behalf of the ‘Shell Company’ then to be incorporated (i.e. PPDCL).

NTPC/PPDCL had requested GPCL/ Govt. of Gujarat for transfer of the above referred 212 hectares of land in favour of the Company free from all encumbrances/litigation. However, the land alongwith necessary documents has not yet been transferred in favour of the Company. MOP has been apprised about this issue and Govt. of Gujarat has also been requested to intervene in the matter. In the meanwhile GPCL has given No Objection Certificate to Revenue Deptt. of Govt. of Gujarat for transfer of 3.68 hectare of land to railways for laying new railway line between Rajula and Pipavav port. GPCL has been requested to promptly pay back to NTPC/PPDCL, the compensation received to be received from Railways towards the cost of this land.

FINANCIAL REVIEW
No commercial activity was carried out during the year. The company has incurred an expense of Rs. 21,201/- as administrative expenses. There being no income, the excess of expenditure over income for the year was also carried over to balance sheet as pre-operational expenses.

PARTICULARS OF EMPLOYEES
Since, the company has no employee, the particulars prescribed under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are not applicable.

DIRECTORS
Shri C.R. Pradhan, ceased to be Director of the Company w.e.f. 30th June, 2003 on attaining the age of superannuation and Shri S. Trivedi, Executive Director (Western Region), NTPC was appointed as Director of the company w.e.f. 12th July, 2003.

AUDITORS’ REPORT & C & AG REVIEW
The Comptroller and Auditor General of India (C&AG) has appointed M/s Sanjeev Chopra & Company, Chartered Accountants as Auditor of the Company for the financial year 2002-2003. There are no adverse comment, observation or reservation in the auditors report on the accounts of the Company.

The C&AG has decided not to review the report of the Auditors on the accounts of the Company for the year ended 31st March, 2003 and as such he has no comments to make under Section 619(4) of the Companies Act, 1956. A copy of the Non Review Certificate is as Annexure-I.

SECRETARIAL COMPLIANCE REPORT
The Company appointed M/s. K.K. Malhotra & Company, Company Secretaries for giving the Certificate of compliance under Section 383A(1) of the Companies Act, 1956. The Certificate is attached with the Director’s Report as Annexure-II.

FIXED DEPOSITS
The Company has not accepted any fixed deposit during the period ending 31st March 2003.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING & OUTGO
Since no commercial activity was carried out by the Company, particulars in respect of conservation of energy, technology absorption and foreign exchange earnings and outgo are not applicable to the Company.

DIRECTORS’ RESPONSIBILITY STATEMENT
As required under Section 217(2A) of the Companies Act, 1956 your Directors confirm that:

i) In the preparation of the Annual Accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;

ii) The directors had selected such accounting policies and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at 31st March, 2003 and of the loss of the company for that period;

iii) 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

iv) The directors had prepared the annual accounts in a going concern basis.

ACKNOWLEDGEMENT
The Board of Directors wish to place on record their appreciation for the support and co-operation extended by the Union Ministry of Power, National Thermal Power Corporation Ltd., Gujarat Power Corporation Ltd., Auditors and the Bankers of the company.

For and on behalf of the Board of Directors

(T. Sankaralingam)
Chairman
Place : New Delhi
Dated : 1st September 2003
O N T H E  A C C O U N T  O F  P I P A V AV  POWER DEVELOPMENT COMPANY LTD.

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619 (4) OF THE COMPANIES ACT 1956 ON THE ACCOUNT OF PIPAVAV POWER DEVELOPMENT COMPANY LIMITED. NEW DELHI FOR THE YEAR ENDED 31ST MARCH 2003

The Comptroller and Auditor General of India has decided not to review the report of the Auditor on the accounts of Pipavav Power Development Company Limited, New Delhi, for the year ended 31st March 2003 and as such he has no comments to make under Section 619 (4) of the Companies ACT, 1956.

(Ravithi Bedi)
Principal Director of Commercial Audit and ex-officio Member Audit Board-III,
New Delhi

Place: New Delhi
Dated: 28th July 2003

To,
The Members
PIPAPA V POWER DEVELOPMENT COMPANY LTD.
NTPC BHAWAN, CORE-7, SCOPE COMPLEX,
7, INSTITUTIONAL AREA, LODI ROAD, NEW DELHI – 110003

We have examined the registers, records, books and papers of PIPAPA V POWER DEVELOPMENT COMPANY LTD., as required to be maintained under the Companies Act, 1956, (the Act) and the rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the company for the financial year ended 31st March, 2003. In our opinion and to the best of our information and according to the examinations carried out by us and explanations furnished to us by the company, its officers and agents, we certify that in respect of the aforesaid financial year:

1. The company has kept and maintained all registers as stated in Annexure 'A' to this certificate as per the provisions of the Act and the rules made thereunder and all entries therein have been duly recorded.
2. The company has duly filed the forms and returns on the dates as stated in Annexure 'B' to this certificate with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities as required under the Act and the rules made thereunder.
3. The company, being a public limited company, has the minimum prescribed paid up capital.
4. The Board of Directors duly met 4 (Four) times on 15/05/2002, 15/07/2002, 18/12/2002, 21/03/2003 in respect of which meetings proper notices were given and the proceedings were properly recorded and signed. The Directors did not approve any resolution by circulation.
5. The company was not required to close its Register of Members during the financial year.
6. The Annual General Meeting for the financial year ended 31st March, 2002 was held on 19th September 2002 after obtaining consent from its members to hold the meeting at a shorter notice and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.
7. No Extra Ordinary Meeting was held during the financial year.
8. The company has not advanced any loan to its directors or persons or firms or companies referred in the section 295 of the Act.
9. The company has not entered into any contracts falling within the purview of section 297 of the Act.
10. The company was not required to make any entries in the register maintained under section 301 of the Act.
11. As there were no instances falling within the purview of Section 314 of the Act, the company has not obtained any approvals from the Board of Directors, Members or Central Government, as the case may be.
12. The company has not issued any duplicate share certificates for the financial year ended 31st March 2003.
13. The company has:
   (i) delivered all the certificates on allotment of securities and on lodgment thereof for transfer/transmission or any other purpose in accordance with the provisions of the Act.
   (ii) not deposited any amount in a separate bank account as no dividend was declared for the financial year ended 31st March, 2003.
   (iii) not posted warrants to any member of the company as no dividend was declared during the financial year ended 31st March, 2003.
   (iv) not transferred any amount in Investor Education and Protection Fund as there is no unpaid dividend, application money due for refund, matured deposits, matured debentures and the interest accrued thereon, which have remained unclaimed or unpaid for a period of seven years.
   (v) duly complied with the requirements of section 217 of the Act.
14. The Board of Directors of the company is duly constituted. There was no appointment of additional directors, alternated directors and directors to fill casual vacancy during the financial year.
15. The Company has not appointed any managing director/whole-time director/manager during the financial year.
16. The company has not appointed any sole-selling agents during the financial year.
17. The company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director, Registrar of Companies and/or such authorities prescribed under the various provisions of the Act.
18. The directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and the rules made thereunder.
19. The company has issued 310000 equity shares during the financial year and complied with the provisions of the Act.
20. The company has not bought back any shares during the financial year.
21. There was no redemption of preference shares or debentures during the financial year.
22. There were no transactions necessitating the company to keep in abeyance the rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
23. The company has not invited/accepted any deposits including any unsecured loans falling within the purview of Section 58A during the financial year.
25. The company has not made any loans or investments or given guarantees or provided securities to other bodies corporate and consequently no entries have been made in the register kept for the purpose for the financial year ended 31st March, 2003.
26. The company has not altered the provisions of the memorandum with respect to situation of the company's registered office from one state to another during the financial year under scrutiny.
27. The company has not altered the provisions of the memorandum with respect to the objects of the company during the year under scrutiny.
28. The company has not altered the provisions of the memorandum with respect to name of the company during the year under scrutiny.
29. The company has not altered the provisions of the memorandum with respect to share capital of the company for the financial year ended 31st March, 2003.
30. The company has not altered its articles of association during the financial year.
31. There was no prosecution initiated against or show cause notices received by the company for the financial year for offences under the Act.
32. The company has not received any money as security from its employees during the financial year.
33. The company has not constituted its employees' Provident Fund during the financial year; hence Section 418 of the Act is not applicable to the company.

For K.K MALHOTRA & CO.,
Company Secretaries

K.K MALHOTRA
C.P.NO.446

Place : New Delhi
Date : 30th June, 2003
**PIPAVAV POWER DEVELOPMENT COMPANY LIMITED**

**Annexure - A**

Registers as maintained by the company:
1. Register of Members u/s 150.
2. Index of Members u/s 151.
3. Register of transfers
4. Book of Accounts
5. Register of particulars of contracts in which directors are interested u/s 301.
6. Registers of Directors, Managing Director, Manager and Secretary u/s 303.
8. Register of Application and Allotment of Shares.

**Annexure - B**

Forms and Returns as filed by the company with the Registrar of Companies. Regional Director, Central Government or other authorities during the financial year ending on 31st March 2003.

2. Form No. 20 Filed u/s 149(2) (b) dated 22/05/2002.
3. Form No. 2 Filed u/s 75(1) dated 28/05/2002.

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### SCHEDULES FORMING PART OF BALANCE SHEET

#### Schedule - 1

**CAPITAL**

<table>
<thead>
<tr>
<th>As at 31st March, 2003 (Rupees)</th>
<th>As at 31st March, 2002 (Rupees)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authorized</td>
<td>36,00,000</td>
</tr>
<tr>
<td>Equity Shares</td>
<td></td>
</tr>
<tr>
<td>of Rs.10 each</td>
<td>10,00,000</td>
</tr>
<tr>
<td>Unissued shares</td>
<td>26,00,000</td>
</tr>
</tbody>
</table>

#### Schedule - 3

**LOANS AND ADVANCES**

- Cash in hand: 439
- Balance with Scheduled Bank: 7,182
- Current Liabilities: 6,745
- Advances recoverable in cash or in kind (unsecured, considered good): 4,315

#### Schedule - 4

**CURRENT LIABILITIES**

- Sundry Creditors: 6,05,07,182
- Other Liabilities: 6,05,04,585

#### Schedule - 5

**MISCELLANEOUS EXPENDITURE**

- Preliminary expenses: 7,72,200
- Survey & Investigation expenses: 28,10,162
- Pre-operative expenses: 25,716

#### Schedule - 6

**A) Significant Accounting Policies**

- Preliminary expenses have been carried forward as the company has not started any commercial activity.

**B) Notes on Accounts**

1. No Profit & Loss Account has been prepared as the company has not started any commercial activity.
2. Previous period figures have been regrouped/rearranged whenever necessary.
3. Surplus accumulated under Articles of Association of National Thermal Power Corporation Limited (NTPC) was transferred to Net Profit & Loss Account. The amount is yet to be transferred in the name of the Company.
4. GPCL has given NOC to Revenue Deptt. of Govt. of Gujarat for transfer of 3.68 hectare of land to railways for laying new railway line between Rajula and Pipavav port. The amount is yet to be received from Railways in this regard.

**PIPAVAV POWER DEVELOPMENT COMPANY LIMITED**

**PRE-OPERATIVE EXPENSES FOR THE YEAR ENDED 31ST MARCH, 2003**

<table>
<thead>
<tr>
<th>Expenses</th>
<th>As at 31st March, 2003 (Rupees)</th>
<th>As at 31st March, 2002 (Rupees)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank charges</td>
<td>180</td>
<td>185</td>
</tr>
<tr>
<td>Printing &amp; Stationery expenses</td>
<td>1,700</td>
<td></td>
</tr>
<tr>
<td>Misc. Expenses</td>
<td>511</td>
<td></td>
</tr>
<tr>
<td>Filing fees</td>
<td>500</td>
<td></td>
</tr>
<tr>
<td>Secretarial Audit Fee</td>
<td>4,320</td>
<td></td>
</tr>
<tr>
<td>Audit fees</td>
<td>1,700</td>
<td></td>
</tr>
<tr>
<td>Carried over from last year</td>
<td>4,515</td>
<td></td>
</tr>
<tr>
<td>Carried over to Balance Sheet</td>
<td>25,716</td>
<td>4,515</td>
</tr>
</tbody>
</table>

In terms of our report of even date

**PIPAVAV POWER DEVELOPMENT COMPANY LIMITED**

**BALANCE SHEET AS AT 31ST MARCH, 2003**

<table>
<thead>
<tr>
<th>As at 31.03.2003</th>
<th>As at 31.03.2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shareholders’ Fund</td>
<td>36,00,000</td>
</tr>
<tr>
<td>CASH &amp; BANK BALANCES</td>
<td>6,68,21,782</td>
</tr>
<tr>
<td>Miscellaneous Expenditure</td>
<td>36,08,078</td>
</tr>
</tbody>
</table>

In terms of our report of even date

**For Sanjeev Chopra & Co.**

Chartered Accountants

(Parveen K. Kanwar) (S. L. Kapur) (T. Sankaralingam)

Partner Director Chairman
BALANCE SHEET ABSTRACT AND COMPANY’S GENERAL BUSINESS PROFILE:

1. Registration Details
   Registration No. U40105DL2001G0C113508
   State Code: 31

2. Capital Raised during the year
   (Amounts in Rs. Thousands)
   - Public Issue
   - Right Issue
   - Term Issue
   - Private Placement
   - Bonus Issue
   - Private Placement

3. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

4. Performance of Company (Amount in Rs. Thousands)

   Source of Funds
   - Paid up Capital
   - Reserve & Surplus
   - Secured Loans
   - Unsecured Loans

   Application of Funds
   - Net Fixed Assets
   - Investments
   - Current assets
   - Net Current assets
   - Accumulated Losses
   - Accumulated Expenditure

5. Performance of Company (Amount in Rs. Thousands)

   - Total Liabilities
   - Total Assets
   - Total Expenditure
   - Net Fixed Assets
   - Investments
   - Current assets
   - Total Liabilities
   - Total Assets
   - Total Expenditure
   - Share Capital
   - Reserve & Surplus
   - Total Liabilities
   - Total Assets

6. Generic name of three principal products/services of the Company

   - Item Code No.
   - (As per monetary terms)
   - (ITC Code)
   - Description

AUDITORS’ REPORTS

To The Members of Pipavav Power Development Company Limited

We have audited the attached balance sheet of Pipavav Power Development Company Limited, New Delhi as at 31st March 2003 and pre-operative expenses statement for the year ended on that date annexed thereto. No Profit & loss account has been prepared since the company has not commenced any business activity during the year. 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.

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 assurances about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

We report that:

i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.

ii) 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.

iii) The balance sheet and pre-operative expenses statement dealt with by this report are in agreement with books of account.

iv) In our opinion, the balance sheet and pre-operative expenses statement dealt with by this report comply with the accounting standards referred to in subsection (3C) of section 211 of the Companies Act 1956.

v) On the basis of written representations received from the directors, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2003, from being appointed as a director in terms of clause(s) of sub-section(1) of section 274 of the Companies Act, 1956.

vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.

a) in the case of the balance sheet, of the state of affairs of the company as at 31st March 2003, and

b) in the case of pre-operative expenses statement, of the expenses for the year ended on that date.

In terms of matters specified in paragraph 4 and 5 of the Manufacturing and other companies (Auditor’s Report) order, 1988 issued by the Central government of India under sub-section (4A) of section 227 of the Companies Act, 1956 and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we further report that:

i) Since the company has not commenced any business operations and is not having any fixed assets, our opinion relates to the opinion in respect of the following:

   a) the balance sheet
   b) the statutory accounts

ii) The company has not taken any loans, secured or unsecured from companies, firms or other parties covered under section 301 of the companies Act, 1956 or from the companies under the same management as defined under section 370 (1B) of the Companies Act, 1956.

iii) The company has not granted loans or advances to companies, firms or other parties covered under section 301 of the Companies Act, 1956 and / or to the companies under the same management as defined under section 370 (1B) of Companies Act, 1956.

iv) The company has not given loans or advances in the nature of loans.

v) No transactions of purchase of goods and materials and sale of goods, material and services have been made in pursuance of contracts or arrangement covered under section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000/- or more in respect of each party.

vi) In our opinion and according to the information and explanations given to us, there are no transactions of purchase of goods and materials and sale of goods, material and services have been made in pursuance of contracts or arrangement covered under section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000/- or more in respect of each party.

vii) The company has no by-products or realizable scraps during the year.

viii) According to the information and explanations given to us, the company is not having any Internal Audit System as such, as in the opinion of the management the same was not considered essential in view of its present state of affairs since no business operations were carried out by the company during the year.

ix) The Central Govt. has not prescribed the maintenance of cost records u/s 209 (1) (d) of the Companies Act, 1956 for the company.

x) According to the information and explanations given to us, provisions of provident fund and employees state insurance scheme are not applicable to the company.

xi) The company is not having any Internal Audit System as such, as in the opinion of the management the same was not considered essential in view of its present state of affairs since no business operations were carried out by the company during the year.

xii) According to the information and explanations given to us, there are no undischarged amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Custom Duty and Excise Duty as at 31st March 2003 which are outstanding for more than six months from the date they become payable.

xiii) During the course of our examination of the books of accounts carried out in accordance with the generally accepted audit practice, we have not come across any personal expenses which have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practices.

xiv) Other provisions of the order are not applicable, as no business has been carried out by the company during the year.

For Sanjeev Chopra & Company
Chartered Accountants
Place: New Delhi
Date: 30th June 2003

For and on behalf of Board of Directors
(S.L. Kapur)
(T. Sankaralingam)
Chairman

For Parveen Kumar
Partner