

## LETTER TO SHAREHOLDERS



Dear Shareholders,

NTPC Ltd. is marching ahead from strength to strength. During the year 2005-06, our stations performed at the highest ever plant load factor of 87.54% and generated 170.88 billion units of electricity which was 7.40% higher than the previous year's generation of 159.11 billion units and accounted for almost 28% of power generated in India.

Our gross revenues for the year were Rs. 287 billion and grew by more than 15% over the previous year. Our reported profit after tax for the year was almost the same as in the previous year at Rs. 58 billion. However, on an adjusted basis the profits grew by almost 18%.

We believe that the Indian Economy is on robust growth trajectory and the Indian Power Sector also has an immense potential to grow. We believe that we are well positioned to be a part of this growth story and play our role as one of the growth engines of the economy. Our strategy is to increase our already substantial (nearly 20%) market share in the Indian Power sector through rapid capacity expansion. We are planning to be a 51 GW company by the year 2012 and 70 GW plus company by 2017. Currently we are a 26 GW company. We are presently executing projects having capacities of more than 11 GW. We plan to add capacities on our own as well as through joint ventures and subsidiaries.

We know that there are challenges in the sector. Availability of fuel at an affordable price is a major challenge. We have adopted a strategy of backward integration and are entering into coal mining and exploration for gas. We would also be increasing the share of hydro projects in our portfolio and we are also exploring the possibility of putting up nuclear power projects. We have made arrangements to meet the near-term supplies through coal imports and spot-buying of gas.

The financial health of our customers is also a key concern for us. The reforms taking place in the sector have begun to yield results and are likely to improve the financial health of the customers. For the third consecutive year, we have been able to realize 100% of the amounts due from our customers. We are taking a number of initiatives to partner our customers in improving their operations and management practices and thereby their health.

We are operating in a regulated environment and there are risks attached to it. However, we believe that regulators would continue to incentivise efficiency and we have strategies to continuously improve our efficiency in operations through technological upgradations, modernization, adoption of best practices and global benchmarking. We expect greater infusion of market oriented features in the regulated power sector scenario. To take advantage of such a shift, we have earmarked some of the upcoming capacities as 'Merchant Power Plants'. The formation of two of our subsidiary companies, one for distribution and the other for power trading are also part of the strategy for leveraging our strengths in the changed scenario.

Our company has one of the world's finest teams of power professionals and they are acknowledged for their 'can do it' spirit. We have a very well conceived plan for quantum growth and diversification which our team is fully equipped to implement. I am sure that you will be happy to be a part of our exciting journey of growth and excellence and to share the benefits thereof.

With best wishes,

(T. Sankaralingam)  
Chairman & Managing Director