MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

Capacities

As on March 31, 2006, India's power system had an installed generation capacity of 124,287 MW. During the year 2005-06 the total power generated in the country was 617.38 billion.

As far as the ownership of the power generating capacities are concerned, the state government owned generating utilities accounted for 55% of the capacities, while the Central Government owned power utilities accounted for approximately 32% and private players accounted for approximately 13%. The capacities owned by us (including through joint ventures) were 24,249 MW as on 31st March 2006 which represents a share of 19.51% of the country's capacity while our share in generation was 27.68% with a generation of 170.88 billion units.

Demand and Supply

Although electricity generation capacity has increased substantially in recent years, the demand for electricity in India is still substantially higher than the available supply. In the year 2005-06, India faced an energy shortage of approximately 8.3% of total energy requirement and 12.3% of peak demand requirement.

The following table presents data showing the gap between the total requirement for electricity versus its availability from fiscal 2002 to fiscal 2006.

Actual Power Supply Position

Fiscal Year	Requirement	Availability	Surplus/Deficit (+/-)	
	(million units)	(million units)	(million units)	(%)
2002	522,537	483,350	-39,817	-7.5%
2003	545,983	497,890	-48,093	-8.8%
2004	559,264	519,398	-39,866	-7.1%
2005	591,373	548,115	-43,258	-7.3%
2006	631,024	578,511	-52,513	-8.3%

Source: Ministry of Power Annual Report, CEA Executive Summary, March 2006

Consumption

The end users of power in India can be broadly classified into industrial, agricultural, domestic and commercial categories. The share of each of these categories in the consumption of electricity during the fiscal 2005 was approximately 36%, 23%, 25% and 8% respectively. The balance of sales pertained to various other consumers. The per capita consumption of electricity is quite low in comparison to the global average. The following table compares per capita electricity consumption in India, with some other countries and the world average consumption as of 2002.

Country	Per Capita Electricity Consumption in Kwh
United States of America	13456
Australia	11299
United Kingdom	6614
Brazil	2183
China	1484
Egypt	1287
India	569
World Average	2465

Source: UNDP Human Development Indicators 2005

Capacity Utilisation

Capacity utilisation in the Indian power sector, as measured by plant load factor (PLF) has been improving over the years and the PLF for coal-fired plants has increased from 63.0% in fiscal 1996 to 73.6% in fiscal 2006.

Transmission and Distribution

In India, the power transmission and distribution (T&D) system is a three-tier structure comprising regional grids, state grids and distribution networks. The distribution network and the state grids are owned and operated by SEBs or state governments through SEBs. Most of the inter-state transmission links are owned and operated by Powergrid Corporation of India Limited. In order to facilitate the transfer of power between neighbouring states, state grids are interconnected to form regional grids.

Peak demand does not occur simultaneously in all states giving rise to situations in which there is surplus of power in one state while another state faces a deficit. The regional grids facilitate transfers of power from a surplus state to a deficit state. The grids also facilitate the optimal scheduling of maintenance outages and better co-ordination between the power plants. The regional grids are to be gradually integrated to form a national grid enabling interregional transfer of power thereby facilitating a more optimal utilisation of the national generating capacity. At present, the national grid has a capacity of 9,000 MW and it is expected that same would be of the order of 30,000 MW by fiscal 2012.

The T&D system in India is characterized by high losses including technical as well as commercial losses which on an average were 31% during 2004-05 as compared to T&D losses of 10 to 15% in developed countries.

Regulatory Framework

Responsibility for the development of the power industry is shared between the Central Government and the State governments. The Electricity Act 2003 provides the overall legislative framework for the sector.

The Ministry of Power (MoP) oversees the operation of all Central Sector Power utilities. The government has also set up Central Electricity Authority which advises the MoP on electricity policy and technical matters. The government has also constituted Central Electricity Regulatory Commission ("CERC") as per legislative requirement to regulate the tariffs for the Central Power utilities and other entities with interstate generation or transmission operations. The Electricity Act also requires state governments to set up State Electricity Regulatory Commissions for the rationalization of energy tariffs and the formulation of policy within each state. As of March 31, 2006, twenty-four states have set up their regulatory commissions.

RECENT POLICY INITIATIVES OF GOVERNMENT WITH RESPECT TO POWER SECTOR

Ultra Mega Power Projects

The Ministry of Power, Govt. of India, in association with CEA and Power Finance Corporation Ltd., has launched an initiative for development of coal based Ultra Mega Power Projects in India, each with a capacity of 4000 MW or above. These projects will be awarded to developers on the basis of tariff based competitive bidding. The government has identified seven sites for setting up ultra mega projects. Request For Qualification (RFQ) documents have been sought by the government for two of these projects namely, Sasan in Madhya Pradesh and Mundra in Gujarat. NTPC has submitted RFQ for the Sasan project.

National Electricity Policy

Government of India has also formulated the National Electricity Policy as required under the Electricity Act. The policy aims to accelerate development of the power sector, provide supply of electricity to all areas and protect interests of consumers and other stakeholders. The objectives of the policy include access to electricity to all households by the year 2012, power demand to be fully met, supply of reliable and quality power, per capita availability of electricity to be increased to over 1000 units by 2012, commercial viability of electricity sector and protection of consumers' interests.

The Policy has set the goal of adding new generation capacity of more than one lakh MW by the year 2012 including a spinning reserve of 5% in the system.

Tariff Policy

As required under the Electricity Act the Government of India has notified a Tariff Policy. The tariff policy is aimed at providing policy framework for regulators both at the central and State level for determining tariff for various constituents in the power sector. The policy emphasises the need to balance the requirement for promoting investments in the power sector against the need to reduce end-user tariff. It also requires regulators to continue with the systems of setting norms for operations which would provide incentive for efficiency in operations.

Competition

NTPC is the largest power generating company in India having a market share of nearly 20% of the installed capacity in the country and nearly 28% of the electricity generated in the country. The reforms taking place in the sector are expected to bring in more investments into sector and thus competition is expected to increase. We believe that NTPC is well positioned to take benefit of the opportunities in the sector and maintain its market share.

Risk Management

The strategies we have adopted for our growth are rapid capacity expansion by adding larger capacities in shorter time spans, foray into hydroelectric power, securing fuel supply by undertaking mining business and stepping into natural gas value chain. We also have the strategy of maintaining high levels of operational efficiencies so that we are always assured of high availability and generation of our plants which also enable us to earn efficiency gains from our operations. We are aware of the fact that the execution of these strategies may be impacted by certain risks. Since the inception of the company we are having systems and practices which have helped us in identifying risks and taking measures to mitigate those risks. As a further step towards institutionalising this system we have now put in place a Risk Management Policy. As an initial step the policy has identified the risks being faced by the company, the short-term as well long-term measures to mitigate those risks and also a reporting system which would enable critical risks beyond certain tolerance levels to be reported for further action. We are also in the process of putting a risk management tool across the company which would enable

smooth implementation of the Risk Management Policy and integrate the same at all working levels.

The risk assessment which has been carried by the company has identified the following risks:

Fuel Risk	Fuel availability & Pricing
Operational Risks	Machine/ System breakdown & spares availability, water availability
Project Implementat-ion Risks	Suppliers'/Agencies not meeting the project requirements, Hydro-Geological Surprises, Dependence on single source, Equipment, technology, experience of contractor/ supplier/ manufacturer, New Technological product/ systems, proven ness of equipment
Regulatory Risks	Adverse change in tariff Regulation, policy, environment regulation etc.
Business Risks	Non-compliance of contractual commitments in international business , Entry in newer business areas
Customer Risk	Revenue Realisation, Transmission risk
Asset Risks	Natural calamities like storm, hurricane earthquake ,flood etc Fire- explosion/ implosion and other major accidents
Financial Risks	Funding Risk, Foreign Exchange Fluctuations, Financial Frauds
Human Resource risk	Attraction / Retention of quality people, Safety & Security
IT Risks	Failure of servers for Business Applications, Failure of Business Applications

The company has identified mitigation measures for all of these risks and the same are also communicated to various levels In the company.

Internal Control

The Company has a sound system of Internal Controls for financial reporting of various transactions, efficiency of operations and compliance with relevant laws and regulations. Suitable delegation of powers and guidelines for accounting has been issued for uniform compliance. In order to ensure that all checks and balances are in place and all internal control systems are in order, regular and exhaustive internal audits are conducted by experienced firms of Chartered Accountants in close co-ordination with Company's own Internal Audit Department. Besides, the Company has two Committees of the Board viz. Audit Committee and Committee on Management Controls which periodically review the important findings of different Audits keeping a close watch on compliance with Internal Control System.

PERFORMANCE DURING THE YEAR

Operations

The power stations of the company performed well during the year. Details of the electricity generated and capacity utilisation levels are as follows:

	Fiscal 2006	Fiscal 2005
	Million units	
Gross generation	170880	159110
Commercial generation	169789	158271
Electricity sold out of commercial generation	159019	147792
	Plant Load Factor in %	
Coal-fired stations	87.54	87.51
Gas-fired stations	65.81	65.35

Human Resources

The employees on the rolls of the company and productivity parameters for fiscal 2006 and 2005 are given below:

	Fiscal 2006	Fiscal 2005
NTPC		
Number of Employees	21,870	21,420
Man / MW ratio	0.91	0.91
Generation per employee	7.81	7.43
Subsidiaries & Joint Ventures		
Employees of NTPC posted in subsidiaries and joint ventures	2174	2071
Total Number of employees	24,044	23,491

The success of human resource initiatives of the company is reflected in the low attrition rate of 0.41% for the executives of the company. NTPC has been ranked fifth among the top ten "Best companies to work for in India" by Mercer HR Consulting-Business Today Survey 2005 and the 3rd "Great Place to work for in India" by a reputed Human Resources consultant Grow Talent and Business World .

To achieve the ambitious growth targets, the company has evolved a Leadership Assessment and Development system for identifying potential leaders for strengthening the succession planning process. For this purpose the company has partnered Ernst & Young, one of the leading international HR consulting firm and has developed a comprehensive Leadership Competency Model.

Training And Development

Continual training and upgradation of skills of its employees is an area of special focus of the company. The Power Management Institute (PMI) located at NOIDA near Delhi is the company's apex training and development centre providing planned as well as need-based programmes in technical, managerial and information technology areas. Employees of other companies in the power sector too participate in the training programs conducted by the institute.

During the fiscal 2006, 330 training programs were conducted against 321 programs in the previous year. The number of participants to whom training was given during the year was 8439 as against 7855 in the previous year.

The institute was awarded 'The Golden Peacock National Training Award' for the year 2005 by the Institute of Directors, New Delhi in recognition of PMI's outstanding contribution in the area of training and development of power professionals across the nation. This was the third successive year that PMI received this award.

CORPORATE SOCIAL RESPONSIBILITY

The Company has always appreciated its social responsibility as a part of its 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 endeavor to discharge its responsibility, it has undertaken activities in the following areas:

Resettlement & Rehabilitation :

The company is committed to help the people who are displaced because of execution of its projects and has been making efforts to improve the Socio-economic status of Project Affected Persons (PAPs). In line with its social objective, the company has focused on effective resettlement and rehabilitation of its PAPs and also Community Development works in and around the projects. The Company has formulated policies which are aligned with "National Policy on R&R" of Govt. of India.

The company has also formulated and adopted CSR-CD policy for carrying out CSR activities in remote rural areas adjoining the company stations, which are socio-economically backward and deficient in basic civic amenities. Under this policy, company is providing financial support essentially in the areas of Primary Education, Community Health, Basic Infrastructure Development, and Vocational Training etc in rural areas. Starting of Quality circles, establishment of District Disability Rehabilitation Centres and similar such efforts are being made in the villages in the periphery of company stations as a part of this policy.

Global Compact

The Global Compact of UN is the largest voluntary corporate responsibility initiative, with nearly 2000 companies participating from over 80 countries. Keenly conscious of its social responsibilities, the company became member of Global Compact. The company is committed to adhering to the principles of global compact.

As per the recent policy of Global Compact Office on Communication on Progress, a report on the progress made in this area is at Annex-X to the Directors' Report.

Distributed Generation

As a part of its CSR activities, the company for the past two years has been taking up Distributed Generation projects for rural electrification through non-conventional energy sources. To take this initiative forward, the company has entered into an understanding with The Energy and Resources Institute (TERI) for implementation of distributed generation projects in villages in India. TERI would provide assistance in identifying potential villages, preparation of pre-feasibility report(s), achieving financial closure for such projects with maximum grant component from local and international sources.

NTPC Foundation

The Company has set up a Foundation for addressing the niche domains of social development at National level with special focus on Physically Challenged Persons. A Development Centre for the Physically Challenged Persons is planned to be developed by the Foundation and land has already been acquired for setting up the same.

During the year the company made a contribution of Rs. 65 million to Uttaranchal Forest Trust Hospital, Haldwani for purchase of advanced Medical Equipment. A contribution of Rs. 30 million was also made to the Government of Uttaranchal to create an 'NTPC Chair' to serve as Director of 'Centre of Excellence in Public Policy, Regulatory and Strategic Studies' in the School of Social Sciences. In the month of June 2006, the company has committed a financial assistance of Rs. 22.50 million to Hyderabad Eye Research Foundation for establishing special services at Bhubaneswar Eye Institute.

TECHNOLOGICAL DEVELOPMENTS

New Initiatives: The company is constantly looking to introduce new technologies in its effort to attain higher

levels of efficiency and economy in its operation. Some of the technologies being introduced by the company are:

- Introduction of 800 MW capacity units: Presently the largest unit sizes of units being set up by the company are 660 MW which are under construction at two locations. Higher size super critical units are planned for integrated coal based thermal power projects with captive mining in the states of Orissa and Chattisgarh. This technology will not only result in improvement in thermal efficiency but also reduce emissions of greenhouse gases significantly. Such integrated plants shall have benefits of fuel availability at lower cost and low project cost due to economy of scale.
- Integrated Gasification Combined Cycle (IGCC) Technology: The company is implementing a plan for development of an IGCC pilot plant of a capacity of 100 MW for power generation. IGCC is an upcoming clean coal technology which is likely to give efficiency level higher than the conventional coal fired plants.
- Energy Technologies Centre: The company has set up an Energy Technologies Centre with a mandate of being a world class Research Institute. The Center will work in both fundamental and applied research with ultimate objective of developing the technologies both within and outside India. The center would develop technologies through collaborative research with best of the R&D and academic institutions in India.

  The Company has a Research and Development centre which provides technical support to all power stations of the company as well as of other power utilities. The engineers at the R&D centre have examined, analysed and solved various operational problems referred by stations. R&D centre has developed Fly-Ash based product for part replacement of cement to be used for general building construction. R&D centre took initiative for Distributed Power Generation in rural areas through Bio-Diesel, which can be produced locally at village level by a simple method developed by R&D. This probably is the first initiative to use Bio Diesel for Distributed Power Generation.

ENVIRONMENT

The Company has taken a number of measures for improvements in the area of Environment Management. It has initiated several measures for mitigating green house gas (GHG) emission by adopting more efficient technology such as adoption of super critical parameters, renovation and modernization of older stations etc. As a result of sound environment management systems and practices adopted, all operating stations of the company have been accredited with ISO-14001 Certification.

The reduction in GHG emission is one of the critical issues internationally. The Kyoto Protocol, which has been adopted by more than 150 countries, is an international treaty that requires the member countries to reduce their GHG emissions. This treaty recognizes the Clean Development Mechanism (CDM) as one of the means available to the industrialized countries to reduce their GHG emission by investing in emission reducing projects in developing countries as an alternative to costly emission reductions in their own countries. As India is also one such investing destination for industrialized countries, post Kyoto scenario is seen by the Company as an opportunity for further demonstrate its commitment for clean environment. The Company is identifying the potential areas to take advantage on CDM benefits by working on a number of projects which fulfils the emission reduction requirement.

FINANCIAL DISCUSSION AND ANALYSIS

A Results of operations

1 Gross Revenue

Rs Million

	Fiscal 2006	Fiscal 2005
Units of electricity sold (million units)	159019	147792
Revenues	Amount in Rs. Million	
Energy Sales (Excl. Electricity Duty)	260,701	225,069
Energy Internally Consumed	276	248
Consultancy	452	333
Other income (excluding income related to one time settlement scheme & surcharge)	8,003	6,525
Gross Revenue (excl. income related to one time settlement & surcharge)	269,432	232,175
Income related to one time settlement scheme & surcharge	18,075	17,004
Gross Revenue	287,507	249,179

The gross revenue of the company comprises sale of electricity, revenue from consultancy and other services, and interest earned on investments such as term deposits and bonds issued under one-time-settlement scheme. The gross revenue of the company for the fiscal 2006 was Rs. 287,507 million as against Rs. 249,179 million in the previous year registering an increase of 15.38%.

1.1 Sale of Electricity

Revenue from sale of electricity for the fiscal 2006 were Rs. 260,701 million which constituted 90.68% of gross revenue. The revenue from sale of electricity has increased by 15.83% over the previous year's revenue of Rs. 225,069 million primarily because of a 7.6%

increase in units sold, as a result of increase in the commercial capacity by 1,000 MW and higher PLF of existing capacities and higher variable charges. Our average selling price this year was Rs. 1.64 per unit compared to Rs.1.52 per unit in the previous year.

We sell electricity to bulk consumers comprising mainly electricity utilities owned by State Governments. Sale of electricity is made pursuant to long-term power purchase agreements, which run for 25 years in the case of most of our coal-fired plants and 15 years in the case of most of our gas-fired plants, which is the estimated average life of the plants. The agreements are typically renewed or extended upon expiry of the initial term.

In the past, we have had difficulty recovering our dues from the SEBs. After the implementation of the One Time Settlement Scheme and signing of Tripartite Agreements under which the SEBs were required to establish letters of credit ("LCs") to cover 105% of our average monthly billing to them for the preceding 12 months the realization of the amounts due from the customers for the sale of electricity has been 100% for the past three years.

1.2 Tariffs

Our charges for electricity are based on tariff rates set by the Central Electricity Regulatory Commission (CERC). The tariff rates reflect a fixed charge based on plant availability, variable charges based primarily on fuel costs and an unscheduled interchange charge which is a payment (or penalty) designed to create incentives for grid discipline. The CERC sets our tariff rates on a plant-by-plant basis on the basis of the tariff norms it has promulgated.

From April 1, 2004, our tariffs are determined pursuant to the CERC's tariff regulations that are applicable for fiscal 2005 to fiscal 2009. The following are the significant elements of the fixed charges permissible under the regulations:

- The return on equity at 14%, on a post-tax basis based on a prescribed 70:30 debt to equity ratio for new projects
- Actual interest cost incurred on debt
- Interest on working capital determined on a normative basis
- Depreciation on plant and machinery calculated at 3.6% for coal based stations and 6% for gas based stations
- Operation and maintenance costs determined normatively by the CERC based on class of unit, on a per megawatt basis

Variable charges on the electricity sold are determined on the basis of landed cost of fuel applied on quantity of fuel determined on the basis of norms for heat rate, auxiliary consumption, specific oil consumption etc.

Besides the fixed capacity charges and the variable charges, the other elements of tariff are:

- Incentives payable at the rate of Rs. 0.25 per unit for operating plants at PLF of more than 80%
- Exchange rate variations as per Regulations
- The unscheduled interchange charge payable (or receivable) at rates prescribed in the regulations

1.3 Provisional Tariffs

In any fiscal year, there are a number of stations for which CERC tariffs are unavailable because the CERC has not yet fixed the final tariff. However, we book revenues based on our assessment of the likely final tariff based on the CERC regulations. When CERC fixes the final tariff for these stations, we make adjustments to our revenues on the basis of the final order to the extent of the difference between the provisionally booked revenues and the revenues based on the tariffs determined by CERC.

1.4 Consultancy Services

We also earned Rs. 452 million as revenue from consultancy services as against Rs. 333 million in the previous year and other sources. We intend to expand our consultancy business and enter certain new businesses.

1.5 Other Income

Our other income in fiscal 2006 was Rs. 26,078 million as compared to Rs.23,529 million in the fiscal 2005. The other income earned by us comprised the following:

Rs Million

	Fiscal 2006	Fiscal 2005
Income related to one-time-settlement scheme & surcharge		
i) Interest for the year	15,413	14,763
ii) Previous year interest (non-recurring)	2,278	(219)
iii) Late payment Surcharge (non-recurring)	384	2,460
Sub-total	18,075	17,004
Income on investment of surplus cash	6,401	4,839
Dividend from JVs and Subsidiaries	148	117

Income earned on other heads such as hire charges, profit on disposal of assets, etc	2,111	2,628
Total	26,735	24,588
Less: Transfer to incidental expenditure during construction period	657	1,059
Net other income	26,078	23,529

1.6 Adjusted Gross Revenue

The gross revenue reported for the year includes certain revenues pertaining to previous years. The revenues from sale of electricity for the fiscal 2006 includes Rs.3,522 million pertaining to previous years which have been recognized in sales due to revision in the amounts billed based on the orders of the CERC /Appellate Tribunal issued during the year , issue of final tariff orders by CERC for the period upto 31st March 2004 for certain stations and CERC admitting additional capital expenditure for some of the stations. Similarly, for fiscal 2005, an amount of Rs.3,689 million pertaining to previous years were included in the sales. Interest on bonds under one time settlement scheme recognized during the year includes arrear interest of Rs.2,278 million pursuant to issue of bonds by the states of Bihar and Jharkhand retrospectively with effect from October 1, 2001. In the last fiscal, the amount of long-term advance to Government of National Capital Territory of Delhi was reduced with effect from October 1, 2001 resulting in an adjustment of interest amounting to Rs.219 million. If the revenues relating to previous years are adjusted, the gross revenue for the fiscal 2006 and fiscal 2005 would be as follows:

Rs. Million

	Fiscal 2006	Fiscal 2005
Gross Revenue	287,507	249,179
Less:		
Sales of previous years	3,522	3,689
Arrears of interest on bonds under one time settlement scheme and Late payment surcharge	2,662	2,241
Adjusted Gross Revenue	281,323	243,249

2 Expenditures

2.1 Expenditure related to operations

Rs.Million

Expenditures	Fiscal 2006	Rs per kwh	Fiscal 2005	Rs per kwh
Commercial Generation (Mus)	169789		158271	
Fuel	163,947	0.97	137,235	0.87
Employees' remuneration and benefits	9,684	0.06	8,823	0.06
Generation, administration and other expenses	12,721	0.07	12,062	0.08
Total	186,352	1.10	158,120	1.01

The expenditure incurred on fuel, employees, generation, administration and other expenses for the fiscal 2006 was Rs. 186,352 million which is 17.85% more than the expenditure of Rs. 158,120 million on these heads in the last year. In terms of expenses per unit of power produced it was Rs. 1.10 per unit in fiscal 2006 in comparison to Rs. 1.01 per unit in the previous year. A discussion on each of these heads is given below.

2.1.1 Fuel

The primary fuels we use in power generation are coal and natural gas. We also use oil as a secondary fuel for our coal-fired plants and use naphtha as an alternate fuel in our gas-fired plants. Expenditure on fuel constituted 88% of the total expenditure on the above heads as compared to 87% in the previous year. Expenditure on fuel was Rs. 163,947 million in fiscal 2006 in comparison to Rs. 137,235 million in fiscal 2005 representing an increase of 19.46%. The higher fuel expenses were mainly due to increases in fuel prices, use of imported coal as well as increased fuel consumption due to higher generation. Fuel cost per unit generated increased to Rs. 0.97 in fiscal 2006 from Rs. 0.87 in fiscal 2005.

Under the tariff norms set by the CERC, we are allowed to pass on our fuel charges through the tariff, provided we meet certain operating parameters.

We purchase coal pursuant to long term coal supply arrangements with subsidiaries of Coal India Limited and with Singareni Collieries Limited. The price is determined by a formula comprising a base price with an agreed price adjustment mechanism. The price also depends on the heat value of the coal. During the year our coal based stations consumed 105 million tones of coal as against 94 million tones in the fiscal 2005. To overcome temporary shortages in the coal supply, we have also resorted to import of coal during the fiscal 2006. The company during the year tied up with MMTC Ltd. and State Trading Corporation Ltd. for supplies of 2.1 million metric tones and 1.9 million metric tones respectively of imported coal of which 3.3 million metric tones has been received.

We source gas domestically under an administered price and supply regime. Our main gas supplier is GAIL. Gas prices are fixed by the Ministry of Petroleum and Natural Gas. We received a supply of 10.91 MMSCMD of gas during the fiscal 2006 as against 10.37 MMSCMD received in fiscal 2005. The company is making all efforts to source gas from open market for its existing stations so as to improve the capacity utilization at these stations.

Some of our gas based stations also use Naptha for operations depending upon the demand from our customers.

2.1.2 Employees' Remuneration and Benefits

Employees' remuneration and benefits expenses include salaries and wages, bonuses, allowances, benefits, contribution to provident and other funds and welfare expenses. Employee pay scales are determined by our Board based on the guidelines provided by the Government. For our unionised employees, pay scales are decided by our Board as part of a negotiated settlement based on the DPE guidelines. For our employees are affiliated with workers' unions, we have a 10 year agreement that fixes their wages and benefits which is valid until December 2006. For our non-unionised employees, pay scales are decided by our Board as per Government guidelines after consulting with the relevant employee associations. These pay scales are valid until December 2006. Employees' remuneration and benefits expenses represent approximately 5% of our operational expenses. Employees' remuneration and other benefits increased by 9.76% to Rs. 9,684 million in fiscal 2006 from Rs. 8,823 million in fiscal 2005. This increase was primarily due to regular annual pay increments, which are generally 4% , increases in dearness allowance which is linked to price index and also due to increase in number of employees. We had 24,044 employees on our payroll as of March 31, 2006, compared to 23,491 employees as of March 31, 2005. The employee cost per unit of generation was Rs. 0.06 – the same as in the previous year.

2.1.3 Generation, Administration and Other Expenses

Generation, administration and other expenses consist primarily of repair and maintenance of buildings, plant and machinery, power and water charges, security, insurance, training and recruitment expenses and expenses for travel and communication. These expenses represent approximately 7% of our operational expenditures in fiscal 2006. These expenses increased by 5.5% to Rs. 12,721 million in fiscal 2006 from Rs.12,062 million in fiscal 2005. However, in terms of expenses per unit of generation it was Rs. 0.07 in fiscal 2006 as against Rs. 0.08 in the previous year.

One of the main items of expenditure under this head is Repair & Maintenance which has increased by 11.63% to Rs.7,813 million from Rs.6,999 million. In terms of expenses per unit of generation, repair and maintenance on plant and machinery was Rs. 0.05 per unit – almost the same as in the previous year.

2.2 Depreciation

The depreciation charged to the profit and loss account increased during the year to Rs. 20,477 million as compared to Rs.19,584 million in fiscal 2005, mainly because of the increase in gross block to Rs. 460,396 million from Rs. 431,062 million in the fiscal 2005. The increase in gross block is largely on account of commencement of commercial operation of 2 units of 500 MW each at Rihand and Talcher.

As per the accounting policy of the company, depreciation is charged on straight line method as per the rates given in schedule set forth in the Companies Act, 1956 except for some items for which depreciation at higher rates is charged.

2.3 Provisions made (and written back)

During the fiscal 2006, the company had made provisions amounting to Rs. 357 million in comparision to Rs. 75 million provided for in fiscal 2005. The provisions were made mainly in respect of doubtful advances and claims and for other items. During the fiscal 2006, the company had also written back provisions made in earlier years amounting to Rs. 23 million in comparison to Rs. 6,235 million of provisions written back in fiscal 2005.

2.4 Interest and Finance Charges

The interest and finance charges for the fiscal 2006 were Rs. 17,632 million in comparison to Rs. 16,955 million in fiscal 2005. The details of interest and finance charges are tabulated below:

Rs.Million

	2006	2005
Interest on borrowings	11,852	10,308
Finance Charges	13,159	12,315
Total	25,011	22,623
Less: Adjustments and transfers		
Exchange differences regarded as adjustment to interest costs	2,469	568
Interest and finance charges capitalised	4,910	5,100
Net interest and finance charges	17,632	16,955

Our borrowings are denominated in Rupees and foreign currencies. The exchange differences in respect of overseas borrowings relating to fixed assets/capital work-in-progress acquired from a country outside India is treated as part of carrying cost. However, in case the fixed assets/capital work-in-progress is acquired within India, the exchange differences are added to when unfavourable (and reduced from, if favourable) to interest cost to the extent regarded as interest charges as per the accounting standards applicable in India. During the fiscal 2006, a favorable exchange rate variation amounting to Rs. 2,469 million was reduced from the interest expenses while an amount of Rs. 568 million was reduced from interest cost in fiscal 2005. For the fiscal 2006 an amount of Rs. 4,910 million relating to interest and finance charges of projects under construction were capitalized while the corresponding amount for the previous year was Rs. 5,100 million.

The Finance charges also include, among other things, the rebates to customers paid pursuant to one time settlement scheme amounting to Rs. 8047 million in comparison to Rs. 6813 million in the previous year. The increase includes arrears of rebate amounting to Rs. 892 million paid on bonds which were issued this year with retrospective effect from October 1, 2001. In the last fiscal, the amount of long-term advance to Government of National Capital Territory of Delhi was reduced with effect from October 1, 2001 resulting in an adjustment in rebate under Scheme for settlement of SEB dues amounting to Rs.134 million.

The adjusted interest and finance charges without taking into account the exchange differences considered as adjustment to interest costs and rebate paid in arrears are as follows:

Rs. Million

	2006	2005
Adjusted interest cost	7,314	6,398
Adjusted finance charges	11,895	11,259
Adjusted Interest and Finance charges	19,209	17,657

The rebate under one time settlement scheme at the rate of 4% of the bond issued under the scheme was payable upto March 31, 2006. Taking into account 100% realization of amounts billed during the last three years, the company has decided to continue with a modified rebate scheme. Under the revised scheme (made effective from April 1, 2006) an incentive at the rate of 2% (1% semi annual) per annum of the bonds outstanding may be paid to customers who are making the payments as per the company's revised scheme.

2.5 Prior period income / expenditure

Certain elements of income and expenditure have been charged to the profit and loss account relating to previous years. For the fiscal 2006 a net amount of Rs. 2,488 million was charged to the profit and loss account as prior period expenditure while a net amount of Rs. 102 million was booked as prior period income in the previous year.

Of the net prior period expenditure amounting to Rs. 2,488 million, a sum of Rs. 1,986 million relates to adjustment consequent upon the change in accounting of exchange differences on loans contracted prior to 1st April 2000 as explained in note 13(a) of the Notes on Accounts(Schedule 27).

3 Profit before tax, provisions and prior period adjustments

The profit of the company before tax and prior period adjustments for the current and the previous year both on reported and adjusted basis is tabulated below:

Rs.Million

	Reported		Adjusted	
	Fiscal 2006	Fiscal 2005	Fiscal 2006	Fiscal 2005
Gross Revenue	287,507	249,179	281,323	243,249
Expenditure related to operations	186,352	158,120	186,352	158,120
Depreciation	20,477	19,584	20,477	19,584
Interest and Finance charges	17,632	16,955	19,209	17,657
Profit before tax, provisons and prior period adjustments	63,046	54,520	55,285	47,888

4 Provision for Tax

The company provides for current tax, deferred tax and fringe benefit tax computed in accordance with provisions of Income Tax Act, 1961. As per tariff regulations, the company recovers actual tax payments in respect of generation business from its customers while taxes on the income from all other activities are borne by the company.

Rs.Million

	Fiscal 2006				Fiscal 2005		
	Current tax	Deferred tax	Fringe benefit tax	Total	Current tax	Deferred tax	Total
Provision for current year	13,497	2,654	209	16,360	10,390	(1,710)	8,680
Adjustment for earlier years	(5,536)	-	-	(5,536)	(332)	-	(332)
(Recoverable from) / payable to customers	(5,666)	(2,654)	(197)	(8,517)	(7,346)	1,710	(5,636)
Capitalised	(275)	-	(10)	(285)	-	-	-
Net provision	2,020	-	2	2,022	2,712	-	2,712

Net provision of tax for the fiscal 2006 was Rs. 2022 million in comparison to Rs. 2712 million in the fiscal 2005. The reduction in the tax is mainly on account of adjustment of taxes for earlier years.

5 Profit After Tax before provisions made and written back and prior period adjustments

Rs.Million

	Reported		Adjusted	
	Fiscal 2006	Fiscal 2005	Fiscal 2006	Fiscal 2005
Profit before tax, provisons and prior period adjustments	63,046	54,520	55,285	47,888
Tax	2,022	2,712	2,022	2,712
Profit after tax (before provisions and prior period adjustments)	61,024	51,808	53,263	45,176

The profits as above on a reported basis have grown by 17.79% while on an adjusted basis have grown by 17.90%.

6 Net Profit After Tax

The net profit after tax after provisions (made and written back) and prior period adjustments on a reported and adjusted basis are as follows:

Rs.Million

	Reported		Adjusted	
	Fiscal 2006	Fiscal 2005	Fiscal 2006	Fiscal 2005
Profit after tax (before provisions and prior period adjustments)	61,024	51,808	53,263	45,176
Provisions (net of write back)	-334	6,160		
Prior period adjustments	-2,488	102		
Net profit after tax	58,202	58,070	53,263	45,176

On a reported basis, the net profit after tax for the current fiscal has remained almost at the same level in comparison to previous fiscal. However, on an adjusted basis, the net profit after tax has grown by 17.90%.

7 Segment-wise performance

For the purpose of compiling segment-wise results, the business of the company is segregated into 'Generation' and 'other business'. The company's principal business is generation and sale of bulk power. Other business includes providing consultancy, project management and supervision, oil and gas exploration and coal mining.

The profit before tax and interest for the Generation business for the fiscal 2006 was Rs. 45,837 million and for the Other Business it was Rs. 224 million.

B FINANCIAL CONDITION

1 Net worth

The networth of the company at the end of fiscal 2006 was Rs. 449,587 million an increase of Rs. 31,824 million over the previous year mainly due to retained earnings.

2 Loan Funds

Our loans outstanding as at March 31, 2006 stood at Rs. 201,973 million in comparision to Rs. 170,878 million as at March 31, 2005. A summary of the loans outstanding is given below:

Rs.Million

	As at March 31st		
	2006	2005	% change
Secured Loans			
Bonds	47,044	32,077	47%
Foreign Currency terms loans	10,274	12,319	-17%
Other	9	11	-18%
Sub-total	57,327	44,407	29%
Unsecured Loans Fixed Deposits	778	4,159	-81%
Bonds		5,000	-100%
Foreign Currency Bonds / Notes	22,475	8,814	155%
Foreign Currency Term loans	33,336	32,608	2%
Rupee term loans	87,821	75,339	17%
Loans from Government of India	236	551	-57%
Sub-total	144,646	126,471	14%
Total	201,973	170,878	18%

The change in the loans outstanding is mainly because of the borrowings and repayments made during the year. During the year the company issued one series of rupee denominated bonds through private placement amounting to Rs.10,000 million. The bonds carry a coupon of 7.7125% p.a.. The bonds have been issued for a period of 14 years with redemptions in equal semi-annual installments beginning at the end of three years.

We also issued US$ 300 million Fixed Rate Notes (Rs. 13,485 million) during the year with coupon of 5.875% p.a. payable semi-annually and maturity of 10 years. These Notes were issued under Medium Term Note Programme of USD 1 billion established during February 2006 to finance capital expenditure of our projects.

The credit rating by CRISIL and ICRA of the company as an issuer, the rating for rupee bonds issued and fixed deposits program continued to be 'AAA'. The foreign currency rating for the company is BB+ with positive outlook which is at par with the sovereign rating of the country. The ratings have been assigned by Standard & Poors' and Fitch Ratings.

The debt to equity ratio at the end of fiscal 2006 of the company went up to 0.45 from 0.41 at the end the previous fiscal.

The maturity profile of the borrowings by the Company is as under:

Rs.Million

	Rupee Loans	Foreign Currency loans	Total
Within 1 year	12,115	3,467	15,582
1 – 3 years	36,609	6,385	42,994
3 – 5 years	38,987	15,619	54,606
5 – 10 years	37,677	24,631	62,308
Beyond 10 years	10,500	15,983	26,483
Total	135,888	66,085	201,973

3 Fixed Assets

Rs.Million

	As at March 31st		
	2006	2005	% Change
Gross block	460,396	431,062	7%
Net Block	230,895	223,148	3%
Capital Work-in-Progress	103,999	67,063	55%
Construction stores and advances	32,341	32,189	0%
Total fixed assets	367,235	322,400	14%

During the year we added Rs. 29,334 million to our gross block mainly on account of capitalization of the capital-works-in-progress pertaining to projects which were commercialized during the year. With capital expenditure being incurred on various on-going projects the capital-work-in-progress has shown a substantial increase.

4 Investments

Our investments comprise bonds issued by various state governments under the one-time-settlement scheme, equity investments in joint venture and subsidiary companies and investments out of surplus cash in various instruments as per the policy of the company. The broad break-up of our investments is as follows:

Rs.Million

	As at March 31st	
	2006	2005
Bonds issued under One time settlement scheme	171,762	164,107
Investments in Joint Ventures	6,818	1,318
Investment in subsidiaries	304	252
Investment of surplus cash in various instruments	8,508	32,504
Others		
Bonds against dues (issued prior to one time settlement scheme)	5,306	7,428
Investments of development surcharge on behalf of customers	193	2,368
Total investments	192,891	207,977

The State governments of Bihar and Jharkhand had during the year issued bonds under the one-time-settlement scheme amounting to Rs. 7,655 million. During the year, we invested Rs. 5,000 million for a stake of 28.33% as a joint venture partner in Ratnagiri Gas and Power Private Ltd which was formed for taking over the assets of the erstwhile Dabhol Power Project. A major portion of surplus cash during the year was kept as term deposit with banks and are included in the current assets. There has been decrease in our investments during the year due to maturity of many of these instruments and also return of investments made against development surcharge explained below .

Investments of Development Surcharge

During the earlier years, we had recovered development surcharge from our customers, as provided under the tariff regulations at that time. Such development surcharge was required by CERC regulations to be kept invested in various interest yielding tax free instruments till the time they were utilized in construction of projects as permissible under the Regulations. However, the recovery of development surcharge has been done away with in subsequent regulations and these investments are to be transferred back to the customers from whom they were recovered. We have since returned these to all of our customers after completing certain formalities.

5 Current Assets

The current assets and current liabilities as at March 31, 2006 and March 31, 2005 and the changes therein were as follows:

Rs.Million

	As at March 31st					
	2006		2005		Change	
Current Assets	Amount	% of current assets	Amount	% of current assets	Amount	%
Inventories	23,405	15%	17,819	14%	5,586	31%
Sundry Debtors	8,678	6%	13,747	11%	-5,069	-37%
Cash and Bank balances	84,714	54%	60,783	47%	23,931	39%
Other Current Assets	10,161	6%	9,764	7%	397	4%
Loans and Advances	30,287	19%	26,993	21%	3,294	12%
Total Current Assets	157,245	100%	129,106	100%	28,139	22%

A major part of current asset comprised Cash and Bank balances. As at March 31, 2006, the cash and bank balances stood at Rs. 84,714 million being 54% of the total current assets in comparison to Rs. 60,783 million as at March 31, 2005 which was 47% of the total current assets as on that date. Of these, Rs. 82,887 million were kept as term deposits with banks as on March 31, 2006 while the term deposits for the last year was Rs. 57,050 million.

The next largest component of our current assets is Loans and Advances which mainly include a sum of Rs. 9,573 million as loan to the government of Delhi subsequent to the conversion of the dues of Delhi Vidyut Board into loan under the one-time-settlement scheme. The government of Delhi pays us 8.5% tax-free interest on these Bonds. The other loans and advances are mostly loan and advances to employees given for various purposes such as building of house, purchase of vehicles etc. as per the policies of the company.

Inventories as at March 31, 2006 were Rs. 23,405 million being 15%of current assets as against Rs. 17,819 million as on March 31, 2005 which was 14% of the current assets as on that date. Our inventories mainly comprise components and spares and coal which we maintain for operating our plants. Components and spares were Rs. 12,894 million as against Rs. 11,904 million in the last year. Coal inventories amounted to Rs. 7,476 million as against Rs. 3,115 million in the previous year indicating improved coal supply position.

6 Current Liabilities

Rs.Million

	As at March 31st					
	2006		2005		Change	
Current Assets	Amount	% of current liabilities	Amount	% of current liabilities	Amount	%
Liabilities	49,102	80%	52,306	78%	-3,204	-6%
Provisions	12,300	20%	15,161	22%	-2,861	-19%
Total Current Liabiities	61,402	100%	67,467	100%	-6,065	-9%

Our current liabilities as at March 31, 2006 were Rs. 49,102 million as against Rs. 52,306 million in the previous year. Our current liabilities mainly comprise creditors for capital expenditure, creditors for supply of goods and services, deposits and retention money from contractors. The liabilities for these at the end of the year stood at Rs. 36,057 million as against Rs. 33,168 million in the previous year. Besides these, we also owed a sum of Rs. 9,886 million to our customers as against Rs. 14,431 million in the previous year. These sums include amount payable to the customers since we are billing our customers for electricity on provisional tariffs as per directions of CERC, which are higher than the tariffs estimated by us as per CERC Regulations. These amounts would be paid or adjusted against future billings as and when the final tariff for various stations are determined by the regulator.

7 Provisions

As at March 31, 2006 we had provisions for certain liabilities outstanding amounting Rs. 12,300 million as against Rs. 15,161 million on 31st March 2005. This mainly comprised Rs. 6,596 million as proposed dividend which we would be paying to our shareholders after they approve the same in the shareholders' meeting.

We also had a provision outstanding of Rs. 4,770 million towards retirement benefits payable to our employees.

8 Cash flows

The cash and cash equivalents and cash flows on various activities for the past five years are tabulated below:

Rs.Million

	For the year ended March 31st				
	2006	2005	2004	2003	2002
Opening Cash and cash equivalents	60,783	66,351	23,894	13,659	12,015
Net cash from operating activities	62,064	50,998	58,118	47,402	29,372
Net cash used in investing activities	(27,136)	(64,136)	(24,597)	(31,881)	(28,377)
Net cash flow from financing activities	(10,997)	7,570	8,873	(5,271)	630
Intangibles			63	(15)	19
Change in Cash and cash equivalents	23,931	(5,568)	42,457	10,235	1,644
Closing cash and cash equivalents	84,714	60,783	66,351	23,894	13,659

Our net cash from operating activities for the year ended March 31, 2006 increased by 22% from the previous year. The net cash from operating activities was Rs. 62,064 million as against Rs. 50,998 million for the previous year.

Our net cash used in investing activities decreased to Rs 27,136 million in fiscal 2006 from Rs. 64,136 million in the previous year. Cash flows on investing activities arise from expenditure on setting up power projects, investment of surplus cash in various securities, investments of development surcharge recovered from customers (refer para 4.1 above), investments in joint ventures and subsidiaries. The cash utilised for purchase of fixed assets increased by 25% from Rs. 53,699 million in the previous year to Rs. 66,956 million during this year. Cash was also realized on maturity of certain investments during the year.

During the year we used Rs. 10,997 million of cash on financing activities. In the previous year we had a net inflow of Rs. 7,570 million from financing activities mainly due to receipt of Rs. 26,841 million as proceeds from our initial public offering of shares. During the current year we had inflow of Rs. 48,226 million from long term borrowings as against Rs. 29,592 million in the previous year. The cash used for repayment of long term borrowings this year was Rs. 17,131 million as against Rs. 13,242 million repaid in the previous year. The cash used for paying dividend and the tax thereon was Rs. 30,087 million as against Rs. 23,397 million in the previous year.

BUSINESS AND FINANCIAL REVIEW OF SUBSIDIARIES

The company has formed four wholly owned subsidiaries. The financial statements of these subsidiaries are included in this Annual Report elsewhere. Their performance is briefly discussed here:

a) NTPC Electric Supply Company Limited (NESCL)

The financial highlights of the Company are as under:

Particulars	Fiscal 2006	Fiscal 2005
		Rs.Million
NTPC's investment in equity	0.8	0.8
Gross Income	92	75
Profit After Tax	4.52	0.40
		Rs Per Share
Book Value per share	50.93	14.18
Earnings Per Share	55.86	4.96

NESCL was incorporated with the main object of undertaking business of distribution and supply of electrical energy. The company is exploring business opportunities in various states of the country. However, the company has not yet been assigned any distribution circle. The company is however carrying out the work of "Advisor-cum-consultant" for Ministry of Power, Government of India for implementation of schemes under the Accelerated Power Development and Reforms Program (APDRP). The company is also involved in the execution of work under the government's rural electrification program namely "Rajiv Gandhi Grameen Vidyuti-Karan Yojana". The Company is also rendering Project management and supervision services to Madhya Kshetra Vidyut Vitaran Company Ltd., a distribution company of the government of Madhya Pradesh.

The Company has proposed a dividend of Rs.1 million this fiscal year.

b) NTPC Vidyut Vyapar Nigam Limited (NVVN)

The financial highlights of the Company are as under:

Particulars	Fiscal 2006	Fiscal 2005
		Rs.Million
NTPC's investment in equity	200	200
Gross Income	4,441	5,992
Profit After Tax	33	57
		Rs. Per Share
Book Value per share	12.95	12.43
Earnings per share	1.66	2.87

The company was formed with an objective to undertake business of trading of electric power. During the year the company transacted business with 18 utilities spread all over the country and traded 1643 million units of electricity in comparison to 2616 million units traded in the previous year. NVVN is also engaged in facilitating development of Power exchange in India.

The Company has during this fiscal paid an interim dividend of Rs.10 million and recommended final dividend of Rs.10 million.

c) NTPC Hydro Limited (NHL)

The financial highlights of the Company are as under:

Particulars	Fiscal 2006	Fiscal 2005
		Rs.Million
NTPC's investment in equity	100	48
Loss	33	30
		Rs per share
Book Value per share	1.89	0.08
Earnings per share	(5.71)	(13.85)

The company was formed with an objective to develop small and medium hydroelectric power projects up to 250 MW. Presently the company is implementing two projects namely, Lata Tapovan hydro electric project (171 MW) in the state of Uttranchal. and Rammam-III (120 MW) in the state of West Bengal. Implementation

activities for the above projects have been initiated and the projects are scheduled to be commissioned by March 2012.

d) Pipavav Power Development Company Limited

The financial highlights of the company are given below:

Particulars	Fiscal 2006	Fiscal 2005
NTPC's investment in equity (Rs. Million)	3.7	3.65
Loss (Rs.)	40,083	24,252
Book Value per share (Rs)	0.03	-
Earnings per share (Rs)	(0.11)	(0.07)

We had entered into an understanding with Gujarat Power Corporation Ltd (GPCL) and Gujarat Electricity Board to set up 1000 MW Thermal Power Project at Pipavav in Gujarat through a joint venture between NTPC and GPCL. The company is presently a wholly owned subsidiary of NTPC and shall be converted to a Joint venture Company by transferring 50% of our shareholding to GPCL. Site Specific Studies for the project are in progress. Draft Shareholders Agreement is ready and shall be finalized and signed after allocation of Distribution Circle.

BUSINESS AND FINANCIAL REVIEW OF JOINT VENTURE COMPANIES

a) PTC India Limited

The financial highlights of the Company are as under:

Particulars	Fiscal 2006	Fiscal 2005
		Rs.Million
NTPC's investment in equity	120	120
Gross Income	31,206	20,373
Profit After Tax	406	240
		Rs per Share
Book Value per share	16.30	14.59
Earnings per share	2.71	1.60

The main objective of the company includes trading of power, import/export of power and purchase of power from identified private power projects and sells it to identified SEBs/others. The Company has a paid-up capital of Rs.1500 million had 8% equity contribution each from NTPC, Power Grid Corporation of India Ltd., Power Finance Corporation Limited and NHPC and the balance from Damodar Valley Corporation, Financial Institutions, Banks and general public. PTC has traded a total 10,119 MUs in the fiscal 2006 as compared to 8,887 MUs in fiscal 2005 registering an increase of 13.86%.

The Company has paid a dividend of 150 million for financial year 2005-06 as compared to 120 million for financial year 2004-05 and correspondingly share of NTPC dividend increased to 12 million from 9.6 million.

b) Utility Powertech Limited (UPL)

The financial highlights of the Company are as under:

Particulars	Fiscal 2006	Fiscal 2005
		Rs.Million
NTPC's investment in equity	10	10
Gross Income	1,478	1,125
Profit After Tax	61	57
		Rs Per Share
Book Value per share	67.41	54.01
Earnings per share	30.50	28.63

UPL is a 50:50 joint venture company of NTPC and Reliance Energy Limited formed to take up assignments of construction, erection and supervision in power sector and other sectors in India and abroad.

The company has in the current year paid the same dividend @150%, being Rs.30 million as in the previous year. NTPC's share amounts to Rs.15 million.

c) NTPC-SAIL Power Company Pvt. Ltd. (NSPCL) and Bhilai Electric Supply Company Private Limited (BESCL)

The financial highlights of these companies are as under:

Particulars	Fiscal 2006		Fiscal 2005	
	NSPCL	BESCL	NSPCL	BESCL
				Rs Million
NTPC's investment in equity	586.5	1,066	586.5	566
Gross Income	1,316	577	1,322	607
Profit After Tax	243	64	233	61
				Rs. Per Share
Book Value per share	13.38	10.91	11.95	11.30
Earnings per share	2.07	0.30	1.99	0.54

These joint venture companies were formed for operating and maintaining the captive power plants of Steel Authority of India Limited (SAIL). The total capacity under operation of these companies is 314 MW. These companies generated 2454 MU in the current year as compared to 2447 MU last year.

BESCL is also implementing the expansion of power plant at Bhilai by adding two 250 MW units. Construction activities are progressing as per schedule at the site.

NSPCL and BESCL have declared a dividend of Rs.75 million and Rs.15 million respectively.

e) NTPC-ALSTOM Power Services Private Limited (NASL)

The financial highlights of the Company are as under:

Particulars	Fiscal 2006	Fiscal 2005
		Rs.Million
NTPC's investment in equity	30	30
Gross Income	730	1021
Profit After Tax	31	21
		Rs Per Share
Book Value per share	16.30	12.56
Earnings per share	5.11	3.50

NASL is a joint venture company with equal equity contribution from NTPC and Alstom Power Generation AG, Germany. The company was formed for taking up Renovation & Modernization assignments of power plants both in India and abroad.

The company has proposed a dividend of Rs.7.2 million and the share of NTPC is Rs. 3.6 million.

f) NTPC Tamil Nadu Energy Company Ltd.

The company is formed as a 50:50 joint venture between NTPC and Tamil Nadu Electricity Board to set up a coal-based power station of 1000 MW capacity, at Ennore, using Ennore port infrastructure facilities. All site specific studies have been completed. The draft Feasibility Report is ready and would be finalized after receiving data on the price of land and allocation of coal mine block

The construction activities are yet to commence. The expenses incurred by the company during the year resulted in a loss of Rs.3 million for the fiscal 2006 as against a loss of Rs.2 million in the previous year.

g) Ratnagiri Gas And Power Pvt. Limited

Ratnagiri Gas and Power Pvt Ltd has been formed as joint venture between NTPC, GAIL, MSEB Holding Company Limited and Indian Financial institutions with NTPC having a stake of 28.33% for taking over and operating erstwhile Dabhol Power Project.

CONSOLIDATED FINANCIAL STATEMENTS OF NTPC LTD, ITS SUBSIDIARIES AND JOINT VENTURE COMPANIES

The consolidated Financial statements have been prepared in accordance with Accounting Standards (AS)-21 –" Consolidated Financial Statements" and Accounting Standards(AS)27-"Financial reporting of Interests in Joint Ventures" and are included in this Annual Report. A brief summary of the results on a consolidated basis is given below:

Rs million

	Fiscal 2006	Fiscal 2005
Gross Revenue	296,124	265,125
Profit before tax	60,510	61,075
Profit after Tax	58,408	58,286
Net Cash from operating activities	63,037	51,545

CAUTIONARY STATEMENT

Statements in the Management Discussion and Analysis and in the Directors' Report, describing the Company's objectives, projections and estimates, contain words or phrases such as "will", "aim", "believe", "expect", "intend", "estimate", "plan", "objective", "contemplate", "project" and similar expressions or variations of such expressions, are "forward-looking" and progressive within the meaning of applicable laws and regulations. Actual results may vary materially from those expressed or implied by the forward looking statements due to risks or uncertainties associated therewith depending upon economic conditions, government policies and other incidental factors. Readers are cautioned not to place undue reliance on these forward-looking statements.

For and on behalf of the Board of Directors

Place: New Delhi
Date: July 31, 2006

(T. Sankaralingam)
Chairman & Managing Director