

DIRECTORS' REPORT

Dear Members,

On behalf of the Board of Directors, it is my privilege to present the 29th Annual Report on the performance of your company during the financial year ended on March 31, 2005 along with audited Statement of Accounts, Auditors' Report, Review of the Accounts by the Comptroller and Auditor General of India and the audited Consolidated Financial Statements for the reporting period.

This is our first report to the shareholders since NTPC's debut in the equity segment of the capital market. Our Initial Public Offering met with a resounding success demonstrating investor communities confidence in the company. This has further strengthened your Board's resolve for enhancing shareholders' value continually.

FINANCIAL RESULTS

	Rs. Million	
	2004-05	2003-04
Gross Revenue	249225	249994
Gross Profit	91059	109196
Less:		
Interest	5830	6636
Finance charge	11125	27061
Depreciation	19584	20232
Provisions (Net)	(6160)	(3813)
Prior Period Adjustments (Net)	(102)	183
Provision for taxation	2712	6289
Net Profit after tax	58070	52608

Appropriations:

Transfer to Bonds Redemption Reserve	2351	2067
Interim Dividend	9895	
Proposed Dividend	9895	10823
Tax on Dividend	2680	1387
Transfer to General Reserve	33000	39000
Transfer to Capital Reserve	22	30

Net Profit after Tax has increased by Rs.5,462 million over the previous year.

INITIAL PUBLIC OFFERING

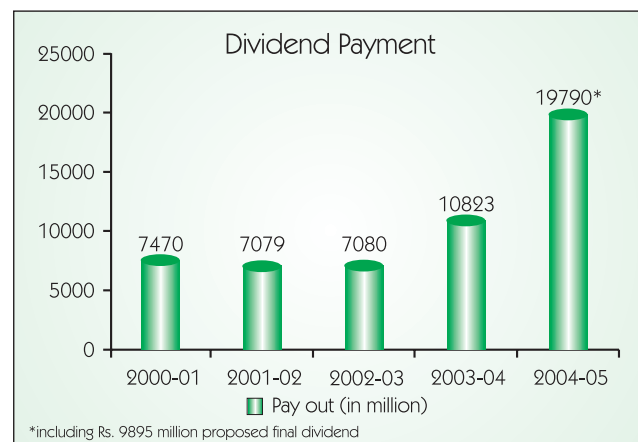
In order to meet part of the fund requirements for capacity addition programme, NTPC came out with Initial Public Offering through book building route comprising fresh issue

of 432.9 million equity shares and Government of India's offer for sale of 432.9 million equity shares with a price band of Rs. 52 to Rs. 62 per equity share of Rs. 10 each. The total issue of 865.8 million shares received overwhelming response and was fully subscribed soon after opening. The book was subscribed 3.67 times on day one. The issue was closed on October 14, 2004. While the Qualified Institutional Buyers' portion was oversubscribed by 18.98 times, the overall subscription was 13.14 times. The issue mopped up Rs. 235,241 million with a valid demand for 11,378 million equity shares through 14.68 lakh applications. Over 98% of the total book was built at the highest end of the price band i.e., at Rs. 62 per share. Hence, the price of each equity share was fixed at Rs. 62. In the post-issue scenario, the holding of Government of India is reduced from 100% to 89.5% of the equity share paid-up capital.

A sum of Rs. 26,841 million was paid to the Government of India towards "Offer for Sale". Rs. 26,840 million being the proceeds of fresh issue was retained by the company. Out of this amount, a sum of Rs. 10,422 million has been utilized during the year for part financing the capital expenditure on the projects specified in the prospectus for utilization and balance amount has been invested in different instruments as per the Investment Policy of the company.

DIVIDEND

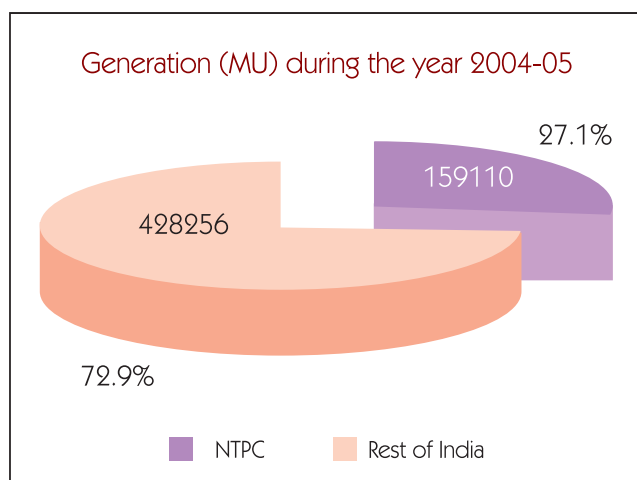
Your Directors have recommended a final dividend of Rs.9895 million for the year thus making the total dividend at Rs.19790 million, including the interim dividend of Rs.9895 million, paid in March 2005, as against Rs.10823 million paid last year. The final dividend shall be paid after your approval at this Annual General Meeting. The total dividend pay out represents 24% of the paid-up equity capital of the company.



GENERATION

As of March 31, 2005, the installed capacity of your company represented approximately 20.1% (including capacities of Joint Venture Companies) of India's total installed capacity, and contributed 27.1% of the total power generation of India during the year under review.

NTPC generated a total of 159.11 billion units of electricity registering an increase of 6.67% over previous year's generation. 136.11 billion units or 85.54% of total generation was through coal-fired plants and 23.0 billion units or 14.46% of total generation was through gas-fired plants.



OPERATIONAL PERFORMANCE

During the year 2004-05, for coal-fired plants the average availability was 91.2% as compared to 88.8% last year and the plant load factor was 87.5% as compared to 84.4% last year. The Forced Outage was significantly lower at 2.1% as compared to 4.5% last year. For gas-fired plants, the average availability was 82.4% and the PLF was 65.3%. Daily analysis is made to identify gaps in the performance and commercial parameters of the stations and prompt action initiated to bridge the gaps. The state of continuous high alert has led to improved performances over the previous year.

Scopes for overhauls of various items of equipment at stations are regularly reviewed to ensure optimal utilisation of assets. For ensuring uniformity in Operation and Maintenance practices, System Manuals are issued to all stations. Conformity to these systems is verified by conducting annual technical audits. Peer reviews are also conducted to identify areas of concern, if any, at specific stations.

GROSS REVENUE

Overall Gross revenue figures, are as under:-

	Rs. Million	
	<u>2004-05</u>	<u>2003-04</u>
Energy Sales including energy internally consumed	225317	188371
Consultancy, Project Management and Supervision Fees (including turnkey construction projects)	333	313
Other income	23575	61310
	<u>249225</u>	<u>249994</u>

REALISATION

The realisation of monthly bills from April 2004 to March 2005 was 100%. All states have opened and are maintaining LC equal to 105% of average monthly billing as per One -Time Settlement scheme and making full payment of current bill.

MOU PERFORMANCE

NTPC enters into an annual Memorandum of Understanding (MOU) with the Government. The MOU sets annual performance targets. Government of India evaluates the company's actual performance against these targets at the end of each fiscal year.

During the year 2004-05, the company, in keeping with its past track record, has achieved all the targets set for it under the MOU with the Government of India.

MANAGEMENT DISCUSSION AND ANALYSIS

A report on Management Discussion and Analysis is at Annex-I.

CORPORATE GOVERNANCE

A report on Corporate Governance is at Annex-II.

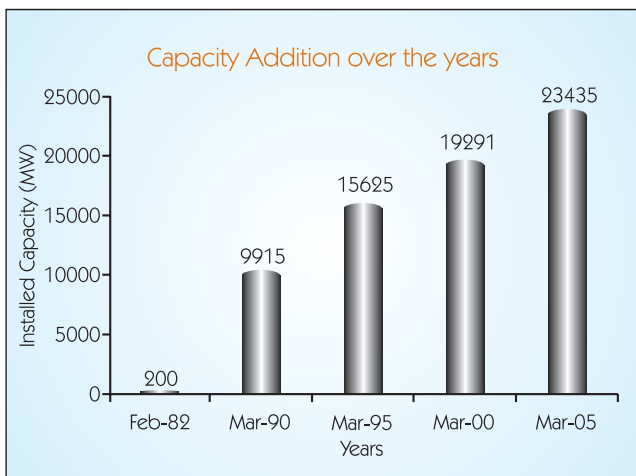
CORPORATE PLAN

The Company is also pursuing its Corporate Plan of becoming a 56,000 MW Company by the year 2017 with a variety of fuel-mix and ownership profile. Further, it is active for its presence in different aspects of the value chain in the field of power through backward integration in coal mining and washing as well as forward integration in trading and distribution. Major thrust has also been laid on basic research and globalisation initiatives.

CAPACITY ADDITION

During the year 2004-05, 2000 MW (two units of 500 MW each at Talcher, one unit of 500 MW at Ramagundam and

one unit of 500 MW at Rihand) were commissioned ahead of schedule. Thus, the total generating capacity of the company has increased from 21,435 MW to 23,435 MW (excluding 314 MW owned by Joint Ventures of NTPC and SAIL).



Government of India has set up capacity addition target of 41,110 MW during X Plan (fiscal 2003-2007) and towards this, Central Public Sector Undertakings are to implement 22,832 MW of targeted capacity addition. NTPC plans to add 9160 MW during this period. Further, NTPC has upwardly revised the target of capacity addition during XI Plan period to over 17000 MW through various on-going and new projects. So far, during X Plan 3500 MW capacity has been added. Notably, work on 9470 MW capacity addition for benefits in X and XI Plan is progressing concurrently, a unique feat in NTPC's history. Further, Main Plant Awards for Kawas CCPP-II and Jhanor-Gandhar-II CCPP (1300 MW) each are expected shortly. NTPC's on-going capacity addition profile is as follows:

(Figures in MW)

Sl. No.	Project	Capacity	On-going
1	Northern Region		
i)	Rihand-II	1000	500 (500 MW already commissioned)
ii)	Feroz Gandhi Unchahar-III	210	210
iii)	Koldam HEPP	800	800
2.	Eastern Region		
i)	Kahalgaoon-II (Phase-I & II)	1500	1500
ii)	Barh	1980	1980

3.	Western Region		
i)	Vindhyachal-III	1000	1000
ii)	Sipat-I	1980	1980
iii)	Sipat-II	1000	1000
iv)	Bhilai Power Project Expansion - Joint Venture with SAIL	500	500
	Total	9970	9470

NTPC is also exploring few new sites in different regions based on infrastructure available/proposed, fuel source and its availability, hydro potential etc. so as to have a basket of identified project sites for long term capacity addition.

Feasibility/Detailed Project Reports in respect of following projects have been prepared till date for future capacity additions and are under various stages of clearances.

S. No	Project	Location / State	Capacity (MW)
1	Lohari Nagpala HEPP	Uttaranchal	600
2	Tapovan Vishnugad HEPP	Uttaranchal	520
3	Kawas CCPP, Stage-II	Gujarat	1300
4	Jhanor Gandhar CCPP, Stage-II	Gujarat	1300
5	North Karanpura STPP	Jharkhand	1980
6	Rajiv Gandhi CCPP, St-II	Kerala	1950
7	NTPC-Railways JV Project at Nabinagar	Bihar	1000
	Total		8650

In line with the Ministry of Power's (MOP's) handbook "Mission 2012: Power for All – R&M of Power Stations", Renovation and Modernisation (R&M) activities have been taken up in different power stations of NTPC which were commissioned in the eighties viz. Singrauli (2000 MW), Korba (2100 MW), Ramagundam (2100 MW) and Vindhyachal Stage-I (1260 MW) and are in various stages of implementation.

In addition, R&M activities have been taken up in Farakka Stage-I (600 MW) and Anta Gas Power Station Stage-I (413 MW). Also, extensive R&M activities have been planned and are under implementation by NTPC in its taken over plants of Talcher (4x60MW + 2x110MW) and Tanda (4x110 MW).

NTPC also plays a major role in R&M of SEB's stations as a consultant to them under MOP's Accelerated Power Development and Reforms Programme. The clients include Damodar Valley Corporation, Gujarat State Electricity

Corporation Ltd., West Bengal Power Development Corporation Ltd etc. For these clients, R&M activities in six power stations are underway.

HYDRO PROJECTS

In Koldam Project (800 MW), a major milestone was achieved on October 30, 2004 when River Satlej was successfully diverted through one of Asia's biggest twin diversion tunnels as per schedule and erection of gates were completed in a record time of 21 days. Construction of main dam is under progress. Other associated packages are also under progress.

Loharinag-Pala(600 MW) and Tapovan-Vishnugad (520 MW) Projects have been accorded Techno-Economic Clearance by Central Electricity Authority on August 11, 2004. An implementation agreement for these projects has been signed with Govt. of Uttaranchal on June 23, 2004. Commissioning of these Projects are envisaged in the XI plan period. Land acquisition, construction of infrastructure like approach roads to project components, construction power etc. are in progress.

DISTRIBUTION GENERATION PROJECTS FOR RURAL ELECTRIFICATION

NTPC has taken up distributed generation (DG) for rural electrification of remote villages through non-conventional energy sources in order to assist Government of India in achieving the goal of "electricity for all". Two pilot projects at village Jemara in Chattisgarh with biomass (woody) for 100 households and at village Jaraha-Chetwa in Uttar Pradesh for 200 households have been successfully commissioned/electrified during 04-05.

COAL MINING & WASHING

NTPC is entering into Coal Mining and Coal Washing in order to ensure fuel security, greater reliability and lower cost of coal supplies for NTPC Stations. One Mine Block namely Pakri Barwadih in the state of Jharkhand has been allotted to NTPC in 2004-05 under Govt. dispensation mode. The company believes that its entry in coal mining may enable it to set benchmarks in productivity and price. We have requested Union Ministry of Power for allotment of more Blocks to NTPC for its captive mining.

GAS SUPPLY FOR EXPANSION PROJECTS

For capacity expansion at Kawas and Gandhar by 1300 MW each NTPC has secured the supply of 132 trillion BTU of natural gas per year, for a period of 17 years in reliable manner through international competitive bidding process. Gas Supply-Purchase Agreement will be signed with Reliance Industries Ltd. shortly. For capacity expansion at Rajiv Gandhi Combined Cycle Power Plant at Kayamkulam

by 1950 MW, NTPC is exploring various options including equity participation in upstream facilities of LNG Value Chain.

RAISING OF DEBT FUNDS FOR CAPACITY ADDITION PROGRAMME

In order to meet the borrowing requirement for funding the capacity addition programme, NTPC has tied up with various domestic and international Financial Institutions and Banks. Amount of loans both secured and unsecured are disclosed in the Management Discussion and Analysis forming part of this report.

CONSULTANCY

The Consultancy Wing undertakes work in the areas of Engineering consultancy, Operation & Maintenance services, Procurement services, Information Technology, System development & computerization, HR related consultancy and Residual Life Assessment/Renovation & Modernisation of Thermal Power Station (TPS). In order to bolster NTPC's globalization efforts, a dedicated International Cell has been formed to pursue consultancy opportunities for NTPC in Bahrain, Saudi Arabia, UAE, Lebanon and other countries.

During the period under review, Consultancy Wing handled the following major assignments:

- O&M of Surat lignite power station of M/s GIPCL, coal-based power plant of M/s TCPL, lignite-based power plant of M/s GMDC. Supervision services during O&M of Korba East TPS of CSEB. Development of O&M and Materials Management system and Implementing O&M practices at Durgapur TPS of DPL. Assistance/guidance to O&M personnel and development of O&M systems for Hiriyur biomass-based power project of M/s R.K. Power Gen. Pvt. Ltd.
- Residual Life Assessment (RLA) /Renovation & Modernisation (R&M) of Chandrapura TPS and Unit-III of Durgapur TPS of Damodar Valley Corporation, Gandhinagar TPS of GEB, Santaldih TPS and RLA/Conditioning Assessment / Performance Evaluation Test of Bandel TPS of M/s WBPDC.
- Procurement of imported goods and material for Central Pollution Control Board under Japanese debt Relief Grant Assistance.
- Detailed engineering and structural design for large capacity pumping stations for Saurashtra branch canal of Sardar Sarovar Narmada Nigam Ltd., Owner Engineer Services for Gas Power Project of M/s Konaseema EPS Oakwell Power Ltd., Third party inspection of Plant & Equipment for Sanjay Gandhi TPS of MPSEB, New Parli



TPS of MSED, Santaldih TPS Extn. Unit-5 and Bakreswar TPS Extn. Unit-4&5 of M/s WBPDC.

- Project Management, Construction Management and FQA services for Sagardighi TPS and Santaldih TPS of M/s WBPDC and Unit-7 Extn. of Durgapur TPS of Durgapur Projects Ltd.

JOINT VENTURES

The performance of the Joint Venture Companies are covered in the Management Discussion and Analysis. Joint Ventures (JVs) are viewed as a vehicle for growth. Towards this end, the following new Joint Ventures are under consideration:

- i) In line with the decision taken by the Government of India to restart Dabhol Power Project, a Special Purpose Vehicle "Ratnagiri Gas and Power Pvt. Ltd." (RGPP) was incorporated on 8th July 2005 for taking over the assets of Dabhol Power Project from Indian Lenders to Dabhol Power Company through Debt Recovery Tribunal and Court process.
- ii) An MOU has been signed with Rural Electrification Corporation Ltd. for electrification of villages and households, i.e., one block each in the states of West Bengal and Jharkhand, under the Accelerated Rural Electrification Programme of MOP and work on the project in the state of West Bengal has already been taken up.
- iii) A joint venture company, with 49% equity participation by NTPC and 51% by Railways will be incorporated to set up a 1000 MW power plant at Nabinagar in Bihar. Approval of the Public Investment Board of the Govt. of India for the project was received in February 2004. Railways has to now seek approval on Cabinet Committee on Economic Affairs after satisfying themselves on the modalities of transfer of power to their load centers.
- iv) An MOU was signed on February 20, 2004 among NTPC, Gujarat Power Corporation Ltd. (GPCL) and Gujarat Electricity Board (GEB) for forming a Joint Venture Company to set up 1000 MW Thermal Power Project at Pipavav, in Amreli district of Gujarat. Site-specific studies for the project are already in progress. The Feasibility Report is likely to be ready by September 2005. After execution of Promoters' Agreement among NTPC, GPCL, Gujarat State Electricity Corporation Ltd. (wholly owned by GEB) and Pipavav Power Development Company Ltd.(PPDCL) which is presently a wholly owned subsidiary of NTPC, shall be converted to a Joint Venture Company by selling 50% of NTPC's shareholding to GPCL.

v) NTPC also proposes to enter into the field of nuclear energy and a proposal has been initiated for hiring of consultants to advise NTPC in this regard.

vi) An MOU between Defence Metallurgical Research Laboratory (DMRL) was signed on 20th May 2005. As per MOU, NTPC will provide technical and logistic support for the development of gas turbine blades and DMRL will be responsible for development of casting, hiping and heat treatment. NTPC will develop the specifications and would take care of mechanical testing of components at site.

vii) In line with its expansion plans, the company proposes to enter into an MoU with Government of Bihar and Bihar State Electricity Board for transfer of Muzaffarpur Thermal Power Station, 2 X 110 MW at Kanti, District Muzaffarpur in Bihar to the proposed joint venture of NTPC and BSEB.

SUBSIDIARIES

The Company at present has four subsidiary companies in the area of electricity distribution, developing small and medium hydro projects, power trading and development of Pipavav Power Project respectively. The results of these Subsidiaries are briefly dealt with in the Management Discussion and Analysis. Detailed coverage on these subsidiaries is available in the respective Directors' Report appended hereto. Statement pursuant to Section 212 of the Companies Act, 1956 (Act) in respect of these subsidiaries is at Annex-III.

NEW TECHNOLOGY INITIATIVES

NTPC has adopted super critical technology for Sipat-I (3x660 MW) and Barh (3x660 MW) projects. As part of long term capacity addition programme, NTPC plans to develop coal based thermal power projects with higher unit size machines alongwith integrated captive mining. These power projects will have higher efficiency, assured fuel availability at lower cost, lower project cost due to economy of scale and lower green house gas emissions.

First simulator for supercritical parameters in India is being designed for Sipat 660 MW. The unique feature includes training facility at remote terminal located at NTPC PMI-NOIDA in addition to the main unit located at Sipat site.

NTPC has taken steps to develop a roadmap for adopting 'Clean Development Mechanism'. This shall help in getting/earning "Certified Emission Reduction" and will attract advanced technologies and investment into the country.

Geographical Information System based mapping interface is being developed in association with IIT-Delhi or integrating the topographical features with the

environmental monitoring data and mapping it around Kahalgaon STPP. The mapping interface shall be capable of displaying the data and make it available for mapping, viewing, querying, analyzing and printing.

New technologies in C&I systems have been inducted for improvement in plant performance and reduction in cost. These include adopting of microprocessor based control valve positioners, temperature transmitters, wireless LAN, microprocessor based 24 V DC system, digital CCTV system, double-tier Large Video Screens as main operating tool, remote Input / Output and Field-bus based systems, etc. The improved system has high level of diagnostics for early detection of problems and thereby ensuring very high availability.

RESEARCH & DEVELOPMENT (R&D)

R&D Center continued to provide scientific services to all the stations of NTPC and some other Utilities to increase their availability and reliability by way of carrying out health assessment of the power plant components, carrying out failure analysis, condition monitoring of various equipment, post- operational chemical cleaning of boilers, formulation of chemical treatments etc.

In addition, R&D Center worked for attaining self-sufficiency in overhauling and spare parts development for gas turbines and also for the refurbishment of Gas Turbine components.

R&D Center also optimized the process of trans-esterification of straight vegetable oil to Bio-Diesel and successfully developed a lab scale model of off-shore wave energy generation.

R&D facilities which were created during late eighties and early nineties will be upgraded after necessary studies to make them world-class. R&D will switch over from low-end to high-end scientific services and will provide state-of-the-art Non-Destructive Evaluation Techniques to achieve objectives of Risk/Knowledge-based maintenance.

ENERGY TECHNOLOGIES

Energy Technologies, a new initiative for development of new technologies with a focus on fundamental R&D, covering the entire energy spectrum has identified five important destinations for itself and power sector. These are: i) Reduction in cost of power, ii) Resolving energy-carbon conflict, iii) Strengthening the power delivery infrastructure, iv) Enabling digital society and v) Sustainable development. To achieve the first two destinations, a comprehensive programme for development of various new technologies, has been formulated.

Implementation of advanced technologies in various NTPC power stations has also started. One of the technologies is

'ammonia based flue gas conditioning', being implemented to reduce fly ash emissions substantially.

In its mission to create a world-class institute Energy Technologies is planning to establish various specialist divisions, research labs and centers of excellence. Centres of Excellence in Simulation & Modeling, Artificial Intelligence, Computational Fluid Dynamics, Sensors and Material Science are being proposed.

CENTRE FOR POWER EFFICIENCY & ENVIRONMENT PROTECTION (CenPEEP)

CenPEEP has been established in association with USAID to implement Greenhouse Gas Pollution Prevention Project to reduce emissions of Greenhouse gases per unit of energy generated while increasing energy productivity. CenPEEP, in its pursuit for improving performance of Power Plants, has created 'Center of Excellence for Efficiency'. This Centre will monitor, evaluate, and provide guidance to stations for achieving the goal of increased efficiency and productivity. CenPEEP is also involved in acquisition, demonstration and implementation of new techniques for performance improvement of Power Plants.

To implement the Maintenance Strategy Roadmap of NTPC, a Project on Risk Evaluation and Prioritisation has been initiated. This envisages Reliability Centred Maintenance aimed at maintenance optimization and improved reliability.

An Ash Resistivity measurement laboratory has been set-up jointly with IIT-Delhi with assistance of USAID. Its services are available to all utilities in India. It will facilitate development of Ash Resistivity database and modeling for improvement in performance of Electrostatic Precipitators.

Based on best overhaul practices of US Utilities, review of overhauling practices of NTPC stations has been done in association with US experts.

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

Information in accordance with the provisions of Section 217 (1)(e) of the Companies Act, 1956 regarding conservation of energy, technology absorption and foreign exchange earnings and outgo is at Annex-IV to this Report.

ENVIRONMENT AND SAFETY

The Company with a goal of achieving sustainable development of the power sector in the country has taken a number of proactive measures for improvements in the areas of Environment Management like stack emissions and effluents discharge in its various business units.

To further enhance the performance of Electro Static Precipitators (ESPs) in order to maintain stack particulate

emissions within the stipulated limits on sustained basis, trial study is being conducted in one Unit at NTPC – Farakka by conditioning flue gas with Ammonia with an in-house developed technology at substantially less cost than comparable technologies available in the market. Its long-term effects shall be studied in the Unit for evaluating the efficacy of the technology to maintain low emissions in the Indian context.

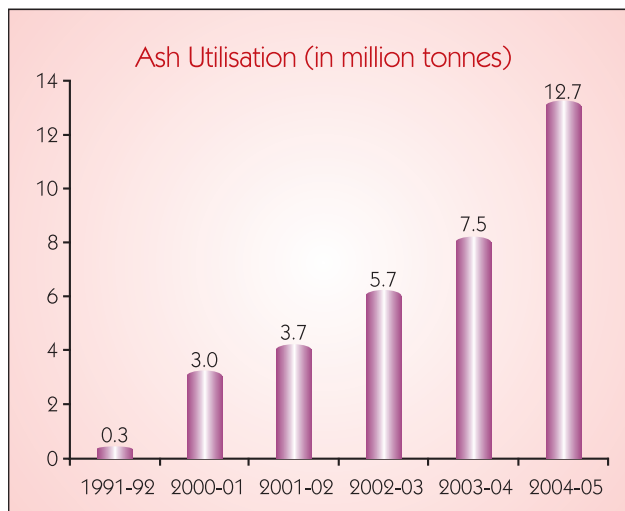
With the objective to discharge lesser and cleaner effluent from the power plants, Liquid Waste Treatment Plants (LWTP) and Ash Water Recycling Systems have been installed in a number of stations. During the year, LWTP was commissioned at the coastal coal fired power station at Simhadri. The Ash Water Recycling System (AWRS) was already in operation at Stage-I units of Talcher Kaniha and has been commissioned for Stage-II units also. This contribute to reduction in fresh water requirements for the plant and for ash transport / disposal.

As a result of pursuing sound environment management systems and practices, all operating stations of NTPC have been accredited with ISO-14001 Certification.

Operational safety at workplace is one of the main concerns of NTPC and utmost importance is given to provide safe working environment and create safety awareness among the employees. Safe methods are being practiced in all areas of Operation & Maintenance and Construction & Erection activities. Regular plant inspections are being carried out to identify unsafe conditions and practices, if any. Safety Audit by internal and external safety professionals are also being conducted. Safety training is being given to the employees including contractors' labour at the Projects/Stations. Workers Participation in Safety Management is promoted through Safety Committees, Safety Circles and Safety Stewards Schemes. Disaster Management Plans are reviewed and regular mock drills are conducted at all the projects/Stations to familiarize the employees for meeting any emergency. Looking into the necessity and to ensure best health and safety performance and accident-free environment, NTPC took up implementation of programmes under Occupational Health & Safety Assessment Series (OHSAS) and obtain certification. Till date total seventeen Projects/Stations have already obtained the certification of OHSAS-18001.

ASH UTILISATION

During the year 2004-05, all-time high 12.70 million tonnes of ash has been utilized for various productive purposes which is 37% of the total ash generation against MOU target of 25%. Major utilization was in the areas of Cement and Absestos Industries, Ash dyke Raising, Land Development and Road Embankment.

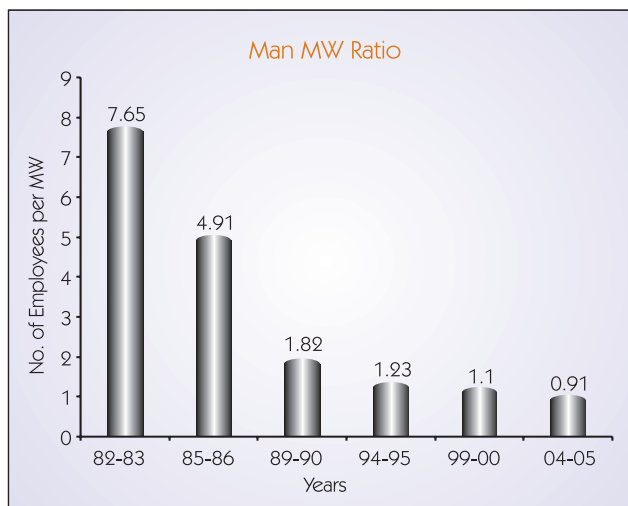


ORGANISATIONAL TRANSFORMATION THROUGH PROJECT DISHA

An organisation transformation exercise “Project Disha” has been undertaken by the company with a view to position it as a global power utility of International Standards. The exercise commenced in January 2002 in association with reputed global consulting firm AT Kearney. A full time core team from the company has been working closely with the consultants in the exercise. Implementation of initiatives under “Project Disha” progressed as per plan. Out of total 14 initiatives, six have been rolled out. Implementation activities in the remaining eight are in final stages of validation and approval before rolling out.

HUMAN RESOURCE MANAGEMENT

NTPC takes pride in its highly motivated and trained Human Resource that has contributed its best to bring NTPC to its present height. The total strength of employees of the corporation stands at 23385 as on March 31, 2005 as against



23080 as on March 31, 2004. Though the company has continuously added to its installed capacity, the man-MW ratio has been consistently improving. The overall Man-MW ratio for the year 2004-05 was 0.91 as against 0.98 for the year 2003-04.

In order to realize the HR Vision of making NTPC a learning Organization by providing opportunities to update knowledge and to continually develop new capabilities among the employees, a number of initiatives have been taken up through tie-ups with reputed Institutions like IIT, Delhi, for M.Tech in Power Generation Technology, MDI, Gurgaon for Executive MBA programme, BITS, Pilani for BS – Power Engineering, The Energy & Resources Institute, School of Advanced Studies for MA in Regulatory Studies and Network for Preventive Environment Management for International Diploma in Preventive Environment Management .

Employee morale continued to remain high facilitating smooth working of the Company and contributing to higher generation of power. All efforts to achieve skill development were made through measures like job-rotation, re-deployment etc. The turnover rate of the executives during the year continued to be low at 0.44%.

POWER MANAGEMENT INSTITUTE

The Power Management Institute (PMI) is NTPC's apex training and development center providing planned as well as need-based programmes in technical, managerial and information technology areas both for NTPC employees as well for other organizations.

During the year under report, 318 training programmes were conducted – an increase of 17.3% over 271 programmes in 2003-2004. The number of participants trained both internal and external was 7402 as against 7068 participants in 2003-2004 – an increase of 4.7%. The percentage of external participants over total number of participants was 20%.

The Distribution Reforms and Upgradation Management - a collaborative effort of the Ministry of Power and USAID - was launched on January 27, 2005 with PMI as a leading partner in delivering training programmes on distribution business. PMI has also commenced two research projects under the Senior Research Fellowship programme. These are on "Setting up of Power Exchange mechanism for Power Trading" and "Corporate Social Responsibility".

In its effort to go global PMI has provided training to several foreign participants from Libya, Iraq, Uganda etc.

EMPLOYEE RELATIONS

Employee Relations in NTPC continued to be cordial and harmonious during the year. Workshops for employee

representatives from projects were held at the apex as well as regional level to sensitize them to the changing business scenario, the opportunities, threats and challenges facing the company in the dynamics of prevalent business environment and to reiterate their significant role in synergizing the potential of the human resource – the sole differentiating factor of competitive advantage in today's knowledge economy.

RESETTLEMENT & REHABILITATION

NTPC is committed to help the populace displaced for execution of its projects and has been making efforts to improve the socio-economic status of Project Affected Persons (PAPs). In line with its social objective, the company has focused on effective resettlement & rehabilitation of PAPs and also Community Development works in and around the projects. Socio-Economic Survey (SES) for Loharinag Pala and Tapovan-Vishnugad projects and supplementary SES for North Karanpura project for revised plant layout were awarded. Field work for SES for Nabinagar and Unchahar Stage-III were completed and draft report submitted by the consultants.

During the year, Rehabilitation Action Plan (RAP) for plant and township for Barh project was approved and implementation started. Implementation of community development works for Simhadri project is likely to be completed by March 31, 2005.

CORPORATE SOCIAL RESPONSIBILITY

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, NTPC became member of Global Compact, and UN initiative for Corporate Social Responsibility (CSR). NTPC participated in "Global Compact Leaders Summit" held on June 24, 2004 in New York, to confirm NTPC's involvement in various CSR activities in line with 10 Global Compact principles and share the experiences with the representatives of the world.

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-V to this report.

CSR-CD Policy- July 2004 was formulated and adopted by NTPC. The policy has been circulated widely for information and implementation for Community Development (CD). Funds of the order of Rs.1410 lac were allocated for carrying out CSR-CD activities in diverse areas.

PHYSICALLY CHALLENGED PERSONS

An NTPC Foundation has been registered for CSR on December 10,2004. This foundation has been formed for addressing the niche domains of social development at

National level with special focus for Physically Challenged Persons. Information on various activities performed and policy decisions taken during the year 2004-05 for the welfare of persons with disabilities is provided in Annex-VI to this report.

SC/ST/OBC

The company lays emphasis in promoting the interest of SCs/STs/OBCs in the recruitment and service matters. Statistical information on reservation of SC/ST, steps taken or proposed to be taken to fill up reserved vacancies and details of welfare measures taken for SC/ST for the calendar year 2004 is given in Annex-VII to this report.

IMPLEMENTATION OF OFFICIAL LANGUAGE POLICY

Several steps were taken to increase the use of Rajbhasha in the Corporation. NTPC has been entrusted with the responsibility to conduct Town official language implementation Committee (Undertaking), Delhi meetings by the Deptt. of Official Language, Ministry of Home Affairs, Govt. of India. Parliamentary Committee on official Language has inspected our Corporate office, Northern Region Head Quater, Lucknow and Talcher-Kanhia Project. The Committee has appreciated the progress of official language in these offices and some creative suggestions were made for further improvements in some areas.

Hindi Diwas and Hindi Fortnight were organized during this year. Various Hindi competitions were conducted. Rajbhasha officers are placed as per requirement/guidelines in all offices/stations. Preference was given to Devnagari computer training and arrangements were made for Hindi Computer training. Hindi Section also conducted a Hindi essay competition for the employees of all Delhi - based undertakings.

VIGILANCE

During the year 161 complaints were handled. These included 74 complaints received during the year. Out of the 161 complaints handled during the year, 114 complaints were investigated and carried to logical conclusions. Eight complaints were also received from Central Vigilance Commission/Central Bureau of Investigation/Ministry of Power. All the complaints were taken up for investigation within the stipulated time-frame.

22 cases involving 37 officials for major penalty action, 39 cases involving 103 officials for minor penalty action and 28 cases involving 62 officials for administrative action were proceeded against. Major penalties were imposed on two officials and minor penalties were imposed on 40 officials.

Stress is laid on Preventive Vigilance. As a preventive vigilance measure about 160 Surprise Checks were conducted. Various packages were also taken up for intensive examination on the pattern of CTE's Organization. 36 workshops were also conducted on "Vigilance Mechanism" for NTPC officials.

STATUTORY AUDITORS

The Statutory Auditors of your Company are appointed by the Comptroller & Auditor General of India. M/s. Kalani & Co., Amit Ray & Co., Umamaheswara Rao & Co., S.N. Nanda & Co. and T.R. Chadha & Co. were appointed as Joint Statutory Auditors for the financial year 2004-05.

MANAGEMENT COMMENTS ON STATUTORY AUDITORS' REPORT

Members' attention is drawn to the comments of the Statutory Auditors as contained in paragraph 4(i) & (ii) of their report to the Shareholders. In this regard your Directors clarify that:

The reconciliation of advances, creditors, material lying with contractors / fabricators and material issued on loan is an on-going process and is under progress. During the year adjustments have been carried out wherever found necessary.

CERC have notified, by regulations, the terms and conditions for determination of tariff effective from 1st April, 2004. Further CERC has directed by notification that billing of sales shall continue to be done on the same basis as on 31st March, 2004 subject, however, to adjustment after final determination of tariff. Sales as per CERC regulations are likely to be lower than the billed amount and accordingly, the company provisionally recognised sales on the basis of tariff worked out as per CERC regulations pending final determination of tariff by CERC. The fact has been also explained in note no. 3(a) of the Annual Accounts.

C&AG REVIEW

Review of the Accounts for the year ended March 31, 2005 by the Comptroller and Auditor General of India(C&AG) is furnished at Annex -VIII to this Report. Comments of C&AG on the Accounts of the Company for the financial year 2004-05 and management replies thereto are also given in the aforesaid Annex-VIII.

PARTICULARS OF EMPLOYEES

Information pursuant to provision of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended, is at Annex-IX to this Report.

REDRESS OF GRIEVANCES

Grievances received from the public are being processed as per guidelines issued by Department of Administrative Reforms and Public Grievances.

Grievances from employees are being dealt with as per staff grievance procedure framed in this regard. The statistical data of the grievances cases are at Annex-X to this Report.

BOARD OF DIRECTORS

On attaining the age of superannuation, Shri S.L. Kapur ceased to be Director of the company with effect from August 31, 2004. On expiry of three years tenure, Prof. Ashok Misra ceased to be Director of the company w.e.f. February 07, 2005. Consequent upon acceptance of his resignation, Shri K.K. Sinha, Director (HR) ceased to be Director of the Company w.e.f. June 27, 2005. Shri P. Narasimhamulu ceased to be director of the Company with effect from 31st July 2005 on attaining the age of superannuation. Shri Harish Chandra, Joint Secretary, Ministry of Power was appointed as part-time Director on the Board of NTPC with effect from 11th July 2005 vice Shri Arvind Jadhav. The Board wishes to place on record its deep appreciation for the valuable services rendered by Shri S.L. Kapur, Prof. Ashok Misra, Shri K.K. Sinha, Shri Arvind Jadhav and Shri P. Narasimhamulu during their association with NTPC.

S/Shri R.S. Sharma, R.K. Jain and A.K. Singhal took over as Director (Commercial), Director (Technical) and Director (Finance) of the company w.e.f. October 8, 2004, May 5, 2005 and August 1, 2005 respectively.

In accordance with the provisions of Article 41(iii) of the Articles of Association of the company, S/Shri T. Sankaralingam and Chandan Roy, Directors shall retire by rotation at the Annual General Meeting of your company and, being eligible, offer themselves for re-election.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217(2AA) 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 applied them consistently 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 at the end of the financial year 2004-05 and of the profit 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 on a going concern basis.

ACKNOWLEDGEMENT

The Board of Directors, acknowledges with deep sense of appreciation the co-operation received from the Govt. of India, particularly the Ministry of Power, Ministry of Finance, Ministry of Environment & Forests, Ministry of Coal, Ministry of Petroleum & Natural Gas, Planning Commission, Department of Public Enterprises, Central Electricity Authority, Central Electricity Regulatory Commission, State Governments, Regional Electricity Boards and State Electricity Boards as well as from Securities Exchange Board of India, National Stock Exchange of India Ltd. and The Stock Exchange, Mumbai.

The Board also conveys its gratitude to the shareholders, various International and Indian Banks/Financial Institutions for the confidence reposed by them in NTPC. Board's special appreciation and thanks are due to the valued customers, the purchasers of power as also to valued consultancy clients, who have reposed confidence in NTPC. The Board also appreciates the contribution of contractors, vendors and consultants in the implementation of various projects of the Company. The Board acknowledges with thanks the constructive suggestions received from C&AG and the Statutory Auditors.

The Board wishes to place on record its appreciation for the untiring efforts and contributions made by the employees at all levels to ensure that the company continues to grow and excel.

For and on behalf of the Board of Directors



(C.P.JAIN)

Chairman & Managing Director

Place: New Delhi
 Date: 12.08.2005