MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS SCENARIO

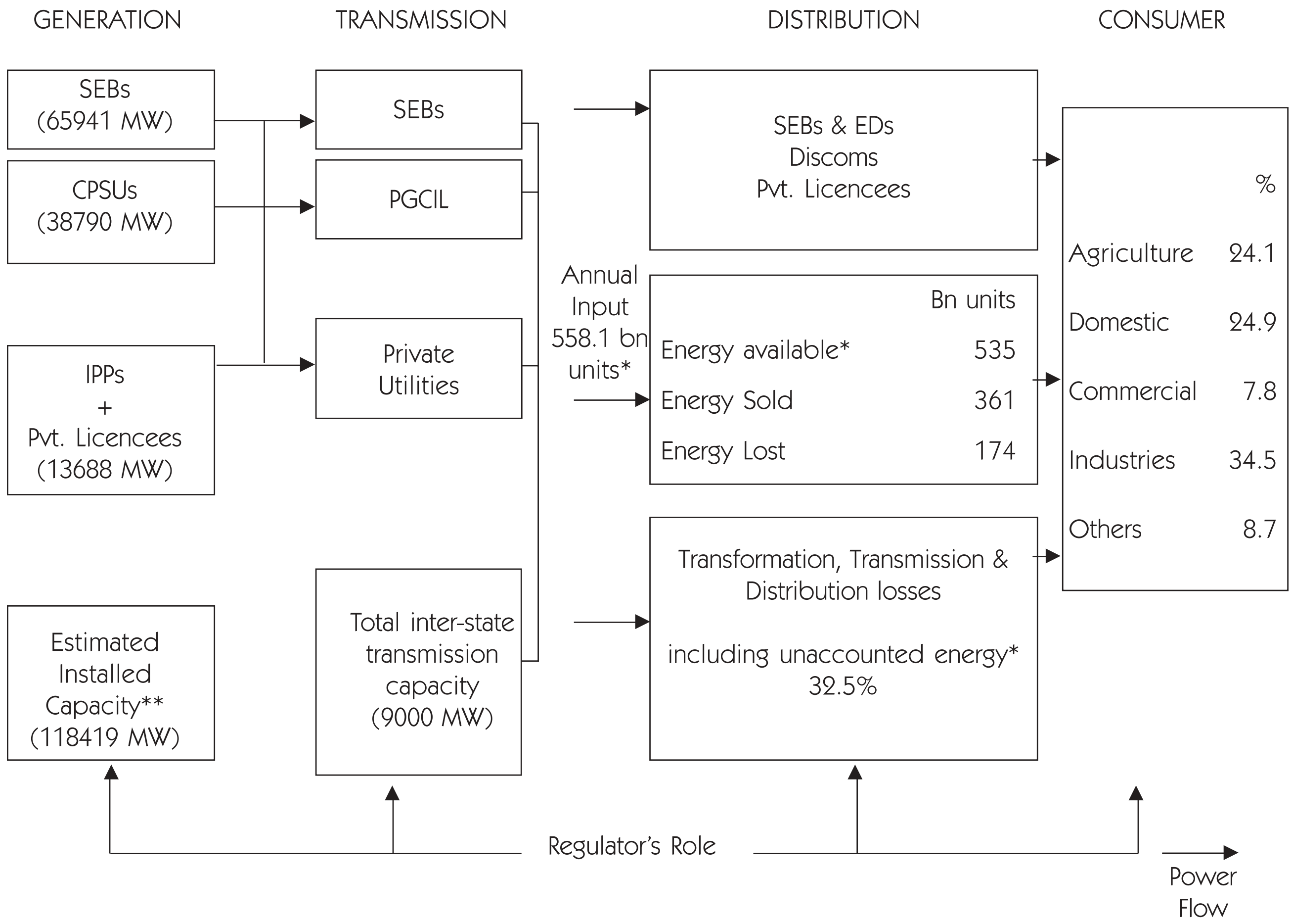
INDUSTRY STRUCTURE AND DEVELOPMENTS

Overview

Historically, state and central government entities played the dominant roles in the development of the Indian power industry. However, capacity growth did not keep pace with demand due to inadequate investment and the poor financial health of the SEBs. As at the end of fiscal 2005, the SEBs own close to 56% of the total generating capacity in the country, 33% is owned by Central PSUs and the balance is owned by private sector. Almost the entire distribution network barring a few private distribution networks in the states of Orissa, Delhi and the cities of Mumbai, Kolkata, Ahmedabad and Surat is owned by SEBs.

Industry Structure

The following diagram depicts in schematic form structure of Indian power industry:



* Figures of energy available, sold, lost and consumed are of all India Utilities (i.e. excluding 23 bn units generation of non-utilities) for the financial year 2003-04

** Installed Capacity is given as on 31.03.2005

Source : CEA

Legislative Framework

The legislative/legal framework of Indian Power sector have also undergone a major shift after the enactment of The Electricity Act, 2003 which supersedes the 1910, 1948 and 1998 Central Acts. The Act is a major milestone in the history of power sector in India and it is expected to give push to reforms, spearhead sector growth, encourage competition, decrease controls, reduce tariffs and improve customer satisfaction in the medium to long term.

The Act has liberalized and delicensed the Generation and requirement of techno-economic clearance has been done away with (except for hydro projects). Captive plants have been freed from controls. Open access has been allowed in transmission lines, both to distribution licensees as well as to generating companies. Distribution licensees will be free to take up generation and generation companies will be free to take up distribution. Trading has been permitted as a distinct activity. The Act also provides for multiple distribution licensees in a single geographical area. The role of the Government has been limited to the formulation of policies. The Regulatory Commissions would deal with most of the issues directly which would include activities like finalizing tariffs, granting licenses, induce competition in the market, resolve disputes, etc.

Recent Developments

The Government has announced the National Electricity Policy which aims at accelerated development of Power Sector providing supply of electricity to all areas. The Government has also issued guidelines for Competitive Bidding for determination of tariff for procurement of power by distribution licensees as provided under the Electricity Act 2003. The Government is also in the process of finalizing the National Tariff Policy for the sector.

Industry Outlook

As per the estimates for Index of Industrial Production (IIP) released by Central Statistical Organization, the electricity sector has grown at 5.2% during 2004-05 over the previous year 2003-04 as against the growth in General Index of 8.2%.

A break-up of the Installed Generation capacity as at 31st March 2005 is given below:

(In MW)

Type /Sector	Central	%	State	%	Private	%	Total
Thermal	29967	37.0	41867	51.8	9069	11.2	80903
Hydro	6053	19.6	24006	77.6	876	2.8	30935
Nuclear	2770	100.0	0	0	0	0	2770
Wind	0	0	68	2.3	2912	97.7	2980
R.E.S.	0	0	0	0	831	100.0	831
Total	38790	32.8	65941	55.7	13688	11.5	118419

• R.E.S.: Renewable Energy Sources includes Biomass, Biomass Gasifier and U&I

• Source: CEA

During the year, capacities amounting to 3,949 MW were added of which 2,934 MW came in Thermal Sector, 1,015 MW in Hydro. With this 10,773 MW of capacity has been added in the first three years of the X Plan period (2002-2007) out of the total target of 41,110 MW for the whole plan.

Generation of electricity during the year in the country was 587 BUs which as compared to 558 BUs in the previous year registered an increase of 5%. Capacity utilization as measured by Plant Load Factor (PLF) of generating stations for coal-fired plants has increased to 74.8% in 2005 from 72.7% in 2004.

Per capita consumption of power in India is 592 Kwh per annum much lower than the world average of over 2,000 kWh. Even at the current levels of consumption, there is a wide gap between demand and supply of power and in fiscal 2005, there was a peak demand deficit of 11.7% and an energy deficit of 7.3%. The following table presents data showing the gap between the total requirements of electricity versus the total amount of electricity made available in the last five years:

(In million units)

Fiscal Year	Requirement	Availability	Surplus/ Deficit (+/-)	
			Units	%
2001	507216	467400	-29816	-7.8
2002	522537	483350	-39817	-7.5
2003	545983	497890	-48093	-8.8
2004	559264	519398	-39866	-7.1
2005	591373	548115	-43258	-7.3

OPPORTUNITIES

Considering the existing demand-supply gap and the expected increase in per capita consumption in view of the overall growth targets for the economy, the 16th electric Power Survey has projected a peak load demand of 157,107 MW and an energy demand of 975.2 billion units by the end of March, 2012. To meet this projected growth in peak demand, India would require 212,000 MW of generating capacity by 2012.

Also, Electricity Act 2003 has opened up several opportunities for existing power sector players like NTPC. These opportunities are in the area of direct supply to large customers, retail supply, distribution, trading, etc. The enabling framework put in place by the Act and the built in reform thrust would lead to better cash flows for the States. This, in turn, would result in better realisations and better paying capacity of NTPC's customers.

All these factors provide enough opportunities for NTPC to pursue aggressive plans in its core area of generation.

RISKS AND CONCERNS

Fuel Supply constraints

Coal

Coal mines are not being developed or expanded at required pace in comparison to the pace at which capacities are being added. This may lead to situations where some of the power stations may have difficulty in operating at full capacity due to scarcity of coal. However, the shortages in coal supplies are considered temporary and are not expected to affect current levels of capacity utilisation. Also, coal companies are expected to put up capacities as per requirement. Further, developing coal mining blocks and import of coal to augment supplies are options, which have been initiated by NTPC to mitigate the risk. An order has been placed with MMTC for importing 2.1 MT of coal, against which, coal supplies have already commenced.

Gas

Availability of gas and its pricing is a key concern. However, the recent gas finds in India and the prospective supplies of gas in liquefied form from off-shore fields provide opportunities to tie-up gas for existing and upcoming gas power projects. The company is adopting various strategies such as procuring gas through international competitive bidding process, exploring the possibilities of participating in the Gas / LNG value chain abroad. In this regard the company has also submitted offer to the Government of India for allocation of blocks for exploration of oil and natural gas under the New Exploration Licensing Policy which may unfold an opportunity for securing gas at an affordable price. Besides these efforts towards long term security in gas supplies , to augment the present requirements , additional gas supplies have been tied up with GAIL from Panna Muktha Tapthi gas fields and Gujarat State Petroleum Corporation and re-gasified LNG from GAIL and BPCL.

Risk of Returns

The tariff structure for the sector is regulated and is based on cost-plus-return regime. The returns and norms for operational performance are set by the regulator at Central and State levels. Existing regulations which are applicable for the period 2004-2009 provide for a return on equity @14%. Whether the same levels of return would be maintained for the future tariff periods is not known. However, incentives are provided for in the tariff structure for rewarding efficiently operating utilities which enable utilities to earn higher returns.

Risk of Realizations

State Electricity Boards or their unbundled entities continue to be the major customers for power. These entities are not in a very good financial condition. Central Government through various initiatives has been trying bring about improvement in the health of these entities. The One-Time Settlement scheme provided for settlement of old dues by waiving off late payment surcharge and taking over of the liabilities of these entities by State Government. The scheme has helped many of the electricity boards to improve their commercial performance and has resulted in their making prompt payments of their current dues.

Whether the State Electricity Boards or unbundled entities can sustain the prompt payment of their current dues is not known. However, the reforms and initiatives introduced by the Central and State Governments are expected to improve the commercial performance of these entities and thus improve their financial health and enable them to honour their commitments under the Power Purchase Agreements.

Forward integration

The trading arm of NTPC, i.e., NVVN has been in business now for last two years. This entity is facing stiff competition since many other players have also been given trading licence by the regulator. The distribution subsidiary of NTPC is also exploring business opportunities. Getting in to the end consumer facing part of the electricity value chain would be an important addition to the NTPC business portfolio.

Competition

The Electricity Act 2003, is likely to result in increased competition in the generation sector due to the waiver of the licensing criteria for thermal generation, provision of open access and possibility of tying up captive and bulk customers by other players. The company enjoys advantage of economies of scale and large capacities with lower tariffs and, therefore, would take the lead and tie up customers by offering power at competitive cost.

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 power 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.

FINANCIAL PERFORMANCE

OVERVIEW

The financial statements have been prepared in compliance with the requirement of the Companies Act, 1956 and Generally Accepted Accounting Principles (GAAP) in India. There is no material departure from the prescribed accounting standards in preparation of the annual accounts. The accounting policies adopted by the company and the estimates and judgments relating to the financial statements have been made on a prudent and reasonable basis in order that the financial statements reflect the true and fair view of the company's state of affairs and profits for the year.

A. FINANCIAL POSITION

1. SHARE CAPITAL

During the year, the company made an Initial Public Offer (IPO) of 865.830 million equity shares. The IPO comprised fresh issue of 432.915 million equity shares and "Offer for Sale" by Government of India of 432.915 million equity shares. As a result of fresh issue of Rs.4,330 million, the issued, subscribed and paid-up equity share capital of the Company has increased from Rs.78,125 million to Rs.82,455 million comprising 8,245,464,400 equity shares of Rs.10 each fully paid up.

2. RESERVES & SURPLUS

Reserves & Surplus as on 31st March 2005 stood at Rs. 335,308 million as against Rs.277,376 million in the previous year. The major items which make up the Reserves & Surplus are detailed below:

(a) Share Premium Account

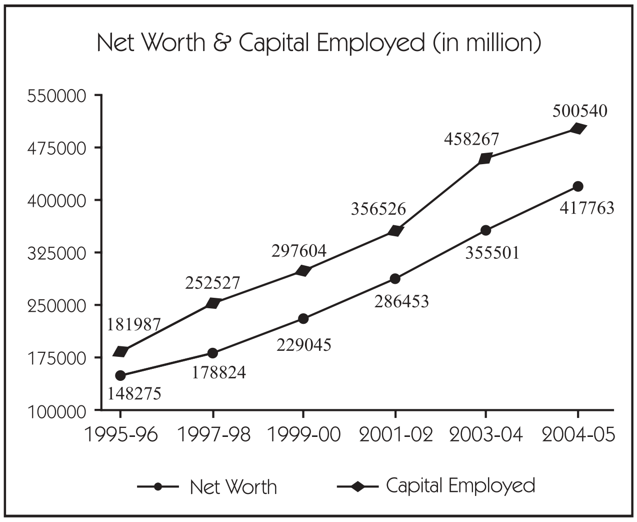
The fresh issue of equity shares made during the year at a price of Rs.62/- per share included a premium of Rs.52/- per share aggregating to a sum of Rs. 22,511 million as share premium. An amount of Rs. 177 million has been adjusted for the Company's Share of issue expenses thus leaving a balance of Rs. 22,334 million in the Share Premium Account.

(b) Bonds Redemption Reserve

In line with the requirements of SEBI Guidelines for maintaining a Bond Redemption Reserve a sum of Rs.2,351 million has been credited during the year and Rs.17 million has been written back towards redeemed Bonds. Thus a balance of Rs.6,405 million was available as Bond Redemption Reserve at the end of the year.

(c) General Reserve

As per the requirements of the Indian Companies Act 1956 and taking into consideration the dividend pay-outs made and proposed a sum of Rs.33,000 million has been transferred from profit & loss account during the year. With this the cumulative amount transferred to General Reserve as on 31st March, 2005 was Rs. 304,476 million.



3. DEFERRED REVENUE ON ACCOUNT OF ADVANCE AGAINST DEPRECIATION

   Central Electricity Regulatory Commission (CERC) regulations for tariff provide for an 'Advance Against Depreciation,' (AAD) to facilitate loan repayments. Considering a ten year loan repayment the difference between the yearly repayment amounts and the depreciation provided in tariff is allowed to be received as AAD as part of the sales proceeds. The company's accounting policy requires that the AAD be reduced from sales and considered as deferred revenue to be included in sales in subsequent years when the loan is fully repaid. During the year AAD revenue deferred is Rs. 1,791 million and Rs.8 million of AAD revenue earlier deferred has been recognized as sales. The balance in the account as on 31st March 2005 is Rs.3,374 million.

4. SECURED LOANS

   The closing balance of secured loans stood at Rs. 44,407 million as on 31st March, 2005 in comparison to Rs. 45,844 million as on 31st March 2004. (Rs. million)

	As on 31st March	
Particulars	2005	2004
Bonds	32077	32110
Loans and Advances from Bank (Foreign Currency Term Loans)	12319	13730
Other Loans and Advances (Assets taken on lease)	11	4
Total	44407	45844

   Bonds amounting to Rs. 33 million have been redeemed by the Company during the year. Foreign Currency Term Loans shown under "Loans and advances from banks" has reduced to Rs. 12,319 million as on 31st March, 2005 from Rs. 13,730 million as on 31st March, 2004 on account of repayment and adjustments due to exchange rate variations.

5. UNSECURED LOANS

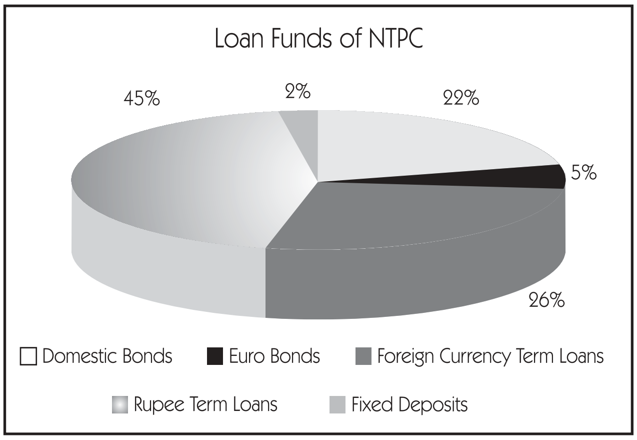
   The closing balance of unsecured loans stood at Rs. 126,471 million as on 31st March, 2005 in comparison to Rs. 108,684 million as on 31st March 2004.

   (Rs. million)

	As on 31st March	
Particulars	2005	2004
Fixed Deposits	4159	5113
Bonds	5000	-
Euro bonds	8814	8862
Other Loans and Advances	108498	94709
Total	126471	108684

   During the year the Company received deposits amounting to Rs. 201 million (including renewals) from 367 depositors. An amount of Rs. 7 million has not been claimed upon maturity by 149 depositors as on 31st March, 2005, which has been included in "Other liabilities".

   During the year company raised Rs. 23,900 million of unsecured rupee term loans and Bonds amounting to Rs.5,000 million were issued on private placement basis. These bonds were to be secured by registered and/or equitable mortgage and have since been secured by registered equitable mortgage by deposit of title deeds of the land pertaining to Ramagundam Super Thermal Power Station. Rupee term loans amounting to Rs. 6,236 million and Foreign Currency Loans amounting to Rs. 4,577 million were repaid during the year.



6. RATINGS

   Borrowings and Fixed Deposit Scheme of the Company have been rated by different rating agencies, the details are as under:

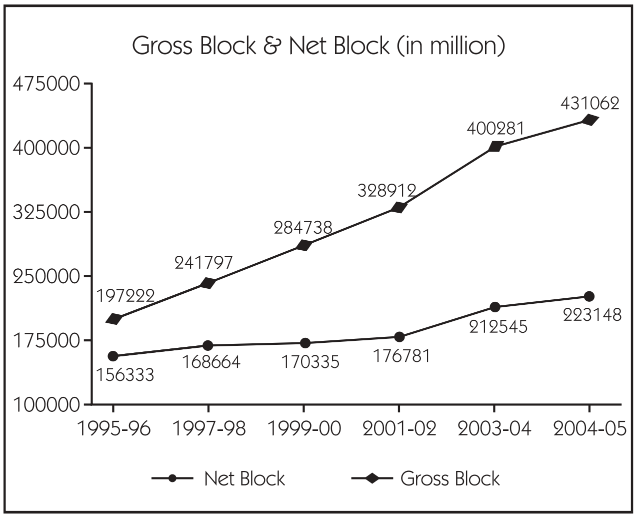
Instruments Rated	Rating Agency	Ratings Assigned
Domestic Bonds	CRISIL ICRA	'AAA' 'LAAA'
Euro Bonds	Standard & Poor's Fitch	'BB Outlook Positive' 'BB +Outlook Stable'
Fixed Deposits	CRISIL	'FAAA'

7. FIXED ASSETS

(Rs. million)

	As on 31st March	
Particulars	2005	2004
Total Gross Assets	431062	400281
Less : Accumulated Depreciation	207914	187736
Net Block	223148	212545
Capital Work In Progress	67063	56413
Construction Stores	10562	6382
Advances for Capital Expenditure	21660	12158
Total	322433	287498
Accumulated Depreciation as %age of Gross Block	48.23	46.90

During the year the Company has made a net addition of Rs. 30,781 million to its gross block. Major additions are in Plant & machinery Rs. 27,094 million, Building Rs. 1,261 million and Land Rs. 1,104 million. During the year an amount of Rs. 28,245 million has been transferred to the Gross Block from Capital works in progress mainly on account of capitalization of one 500 MW unit of Talcher Super Thermal Power Station, and one 500 MW unit of Ramagundam subsequent to their commercial operation.



The capital work-in-progress as on 31st March, 2005 has increased to Rs. 67,063 million from Rs. 56,413 million as on 31st March, 2004. The increase in capital work-in-progress is mainly due to capital expenditure being made in the on-going projects.

Construction Stores which are procured and issued to the contractors to ensure timely completion of the on-going construction activities at the projects stood at Rs. 10,562 million as on 31st March, 2005. Advances made to different contractors/ suppliers and sub-contractors for construction activities have increased to Rs. 21,660 million as on 31st March 2005 from Rs. 12,158 million as on 31st March, 2004.

The capital commitment as on 31st March 2005 works out to Rs. 148,140 million against the previous year's figure of Rs 87,465 million.

8. INVESTMENTS

(Rs. million)

	As on 31st March	
Particulars	2005	2004
Current investments (Non-Trade)	27402	-
Long term investments (Quoted)	7158*	192
Long term investments (Unquoted):		
8.5% Tax free State Government Special Bonds of the State Governments	164107	164107
Other Bonds	7860	7941
Equity shares of Joint venture companies	1198	918
Equity shares of Subsidiary companies	252	222
Total	207977	173380

* includes Rs. 120 million in equity shares of PTC India Ltd.

Total investment as on 31st March, 2005 is Rs. 207,977 million as against Rs. 173,380 million as on 31st March, 2004 comprising mainly of 8.5% tax-free State Government Special Bonds, amounting to Rs.164,107 million, received from different State Governments under One-Time-Settlement Scheme. The other main component in the investment includes investments in securities as per the investment policy of the company. Pursuant to the Government's decision to discontinue the Public Deposit Account w.e.f. 1st Jan 2005, part of the amount lying in the account and short term surplus funds available thereafter are being invested in securities as per the investment policy of the company, resulting in increase in current investments.

Further, the company during the year has made an investment of Rs.400 million in one of its Joint Venture company namely Bhilai Electric Supply Company Private Limited and Rs.30 million in its subsidiary company namely NTPC Hydro Ltd.

9. INVENTORIES

Inventories as on 31st March 2005, after making provisions for shortages and obsolete/unserviceable items, stood at Rs. 17,777 million as compared to previous year's figure of Rs. 17,380 million. One of the

main items included in inventories was 'Components and Spares' amounting to Rs. 11,869 million. Considering the time lag in procuring critical spares and import of spares, company has to maintain adequate level of spares inventory in order to reduce the down time of the generating units. The other major item in inventories was Fuel amounting to Rs. 4,583 million which includes stock of Coal, Naphtha and other Fuel Oils. Fuel stock as number of days' consumption is 12 days as on 31st March 2005, in comparison to previous year's 13 days.

10. SUNDRY DEBTORS

The sundry debtors were Rs.22,107 million as on 31st March 2005 as compared to Rs.18,986 million as on 31st March 2004.

Debtors as on 31st March, 2005 represent 9.8% in comparison to 10.1% of sales as on 31st March 2004. The age profile is furnished below as on 31st March 2005.

(Rs. million)

	As on 31st March	
Particulars	2005	2004
Less than 6 months	5881	1055
More than 6 months to one year	-	-
One year to three years	1882	5007
More than three years	14344	12924
Total	22107	18986

No new provisions have been made for Bad and Doubtful Debts during the year. However, provisions for Bad and Doubtful Debts amounting to Rs. 5,927 million were written back in respect of certain customers. Thus the Provision for Bad and Doubtful Debts as on 31st March 2005 stood reduced to Rs. 8,360 million from Rs.14,287 million in the previous year.

The net figure of Sundry Debtors was thus Rs. 13,747 million as on 31st March 2005 as compared to Rs.4,699 million as on 31st March 2004.

11. CASH & BANK BALANCES

The cash and bank balances as at 31st March 2005 is Rs. 60,783 million as against the previous year's figure of Rs.6,091 million. Cash & Bank balance as percentage of total Assets is 9.2% in comparison to 1% in the previous year. The major reason for increase in Cash & Bank balance is the increase in 'Term Deposits' with Banks due to deposit of short term surplus funds with Banks instead of in the Public Deposit account with Government of India after its discontinuation from 1st January 2005.

12. OTHER CURRENT ASSETS

The balances of 'Other Current Assets' as at 31st March 2005 are Rs. 9,714 million as against the previous year's figure of Rs. 80,019 million. The 'Other Current Assets' in the previous year included a sum of Rs. 57,510 million in the 'Public Deposit Account with Government of India'. As discussed earlier, upon discontinuance of the Public Deposit Account with Government of India, the balance in the account has been invested partly in securities and partly deposited with banks as term deposits resulting in reduction in the current assets and increase in investments and Cash and Bank balances.

13. LOANS & ADVANCES

The balance of loans and advances as at 31st March 2005 is Rs. 27,052 million as against the previous year figure of Rs. 27,279 million. Loans and Advances mainly consisted of loans to employees for purchase of houses, cars and other assets aggregating to Rs. 5,780 million, loan to State Government against settlement of dues aggregating to Rs. 9,573 million and Advance payment of tax (net of provision) amounting to Rs. 6,984 million. Loans & Advances as percentage of total assets is 4.1 %, in comparison to previous year's 4.6 %, indicating a marginal decrease.

Loans to employees granted for purchase of residential houses, cars and other assets are recovered regularly from the salary of the employees as per terms of sanction.

14. CURRENT LIABILITIES

(Rs. million)

	As on 31st March	
Particulars	2005	2004
Sundry creditors	33178	31990
Advances from customers and others	14431	30676
Investor Education and Protection Fund	2	2
Other Liabilities	2989	892
Unclaimed dividend	37	-
Interest accrued but not due	1669	1684
Total	52306	65244

The balances of current liabilities as at 31st March 2005 is Rs. 52,306 million as against the previous year's figure of Rs.65,244 million. The main reason for decrease in current liabilities is adjustment of amount refundable to customers. Other liabilities represent amount of income tax deducted at source, redemption amount payable on maturity of bonds, sales tax payable, development surcharge amount to be transferred to customers etc.

Other liabilities have increased due to transfer of an amount of Rs. 2,426 million from Development Surcharge Fund. In the previous years as per the regulations of Central Electricity Regulatory Commission (CERC) Development Surcharge was being charged from customers and kept invested in instruments as required by the regulations. CERC vide its order dated 09.11.2004 discontinued the billing and realization of development surcharge. It further directed that the amount collected earlier from the state utilities and invested in instruments corresponding to the amount contributed by each of the state utilities shall be transferred in the name of the concerned utility.

15. PROVISIONS

(Rs. million)

	As on 31st March	
Particulars	2005	2004
Proposed dividend	9895	10823
Tax on proposed dividend	1388	1387
Retirement benefits	3867	3193
Tariff adjustment	-	286
Others	11	8
Total	15161	15697

The balances of provisions as at 31st March 2005 is Rs. 15,161 million as against the previous year's figure of Rs.15,697 million. Company has proposed a final dividend of Rs. 9,895 million. Provision for Tax of Rs.1,388 million on the proposed dividend has also been made.

16. CONTINGENT LIABILITIES

The contingent liabilities as at 31st March 2005 are Rs. 19,668 million as against the previous year's figure of Rs.19,508 million. The Contingent Liabilities comprise mainly of claims relating to Capital Works, Land Compensation Cases and other such claims.

17. CASH FLOW

(Rs. million)

	Year ended 31st March	
Particulars	2005	2004
Cash and cash equivalents (Opening balance)	66351	23894
Net Cash from Operating Activities	50473	57443
Net Cash used in Investing Activities	(64179)	(23371)
Net cash flow from Financing Activities	8138	8322
Others	0	63
Cash and cash equivalents (Closing balance)	60783	66351

Net cash flow during the year from operating activities is Rs. 50,473 million as against Rs.57,443 million for the year ended 31st March, 2004. In the current year debtors have gone up following write-back of provisions while liabilities have decreased following adjustment of Advances received from customers resulting in increased use of cash in working capital.

Net cash used in investing activities is Rs. 64,179 million as against Rs. 23,371 million for the year ended 31st March, 2004. The expenditure on fixed assets in the year was Rs. 53,742 million as against an expenditure of Rs. 46,450 million in the previous year. Cash used for purchase of investments during the year was Rs. 34,167 million while the same for the last year was Rs. 770 million. This was mainly because of investment of short term surplus funds in securities, as fund was available due to the discontinuation of Public Deposit account of Government of India. Interest received on bonds and investments amounting to Rs. 25,453 million is higher in comparison to Rs.22,984 million in the previous year.

Net cash inflow from financing activities is Rs.8,138 million as against cash inflow of Rs.8,322 million in the previous year. During the year Rs. 26,841 million was received as proceeds from issue of equity shares and Rs. 29,592 million was drawn from long term credit facilities. However, repayment of loans, interest payments on loans, financing charges paid aggregated to Rs. 24,594 million. Also dividend outgo during the year was Rs. 20,718 million which included dividend paid for the last year as well interim dividend paid during the current year.

B. RESULTS OF OPERATIONS

1. SALES

(Rs. million)

	Year ended 31st March	
Particulars	2005	2004
Sales (including energy internally consumed)	225317	188371
Consultancy Project Management and Supervision fees	333	313
Total	225650	188684

Physical Performance

Operational performance of the stations registered an improvement in terms of the number of units generated as well as Availability and Plant Load Factor. The Availability Factor for coal-based stations for the year was 91.2% as against 88.8% in the previous year. The PLF for the coal-based stations registered a high of 87.5% as against 84.4% in the previous year. Additional capacity of 1,000 MW came into commercial operation during the year. As a result of the efficiency improvements and additional capacity the number of units of electricity sold increased by 7.2% from 138 billion units to 148 billion units.

Turnover in financial terms

Sale of energy accounted for by the company comprises of Fixed Charges, Variable Charges, Incentives, Unscheduled Interchange charges etc. The tariff for the energy sold by the company is regulated by CERC. CERC has notified (Terms and Conditions of tariff) Regulations, 2004, effective from April 1, 2004, which shall remain in force for a period of 5 years. However CERC has not yet issued any station specific tariff notification under the Regulations, 2004 and has directed that the billing of charges shall be continued on provisional basis, and shall be subject to adjustment after final determination of tariff. Pending final determination of tariff by CERC, sales during the year has been provisionally recognized on the basis of tariff principles enunciated in Regulation 2004.

The sales accounted for the year was Rs.225,317 million as against Rs. 188,371 million during 2003-04. The sales for the current year and the previous year are not entirely comparable as the current year sales is based on the new tariff regulations while for the previous year it was based on the old regulations. Also, the sales booked during the current year as well as in previous year include adjustments pertaining to previous periods.

The recognition of sales on the basis of new regulations has resulted in reduction in fixed charges. On the other hand variable charges have registered an increase mainly because of increased generation during the year and also because of increased fuel cost which is a pass-through in tariff. Incentives and Unscheduled Interchange Charges registered an increase because of improved efficiency in operations. The net impact of changes on account of all these elements was an increase in sales by Rs. 19,425 million.

The sales accounted for during the year includes Rs. 3,689 million pertaining to earlier years on account of tariff orders of some stations received during the year and other adjustments. While the sales for the previous year included reductions pertaining to past years amounting to Rs. 13,829 million, the sales for the current year in comparison to sales for the previous year are more by Rs. 17,520 million with respect to previous year adjustments.

The sales for the year also include income earned from Consultancy, Project Management and Supervision Fees. Consultancy Division achieved a gross revenue of Rs. 205 million and earned profit of Rs. 60 million during the year 2004-05 as against turnover of Rs.258 million and profit of Rs.90 million during the year 2003-04.

2. PROVISIONS WRITTEN BACK

Provisions written back during the year 2004-05 are Rs. 6,235 million which included write back of doubtful debts of Rs.5,927 million pertaining to Chattisgarh State Electricity Board (CSEB), Jharkhand State Electricity Board (JSEB) and Bihar State Electricity Board (BSEB) pursuant to acceptance and settlement of outstanding dues of these customers.

3. OTHER INCOME

(Rs. million)

	Year ended 31st March	
Particulars	2005	2004
Interest on Bonds (including 8.5% tax free bonds by State Govt.)	14792	35930
Income from other investments	199	-
Interest earned on deposits, advances, surcharge on late payment, Miscellaneous	8467	25285
Dividend from JVs and subsidiaries	117	95
Total	23575	61310

The other income detailed above includes interest earned on one-time-settlement bonds amounting to Rs. 13,949 million, Interest earned on deposits amounting to Rs. 4,640 million, interest amounting to Rs. 595 million received on loans given to State Government for settlement of dues from customers and Rs. 2,460 million of surcharge on late payment of dues by customers.

Other income earned during the year 2004-05 is less as compared to the other income in the previous year as arrears of interest earned on bonds from 1st October 2001 to 31st March 2003 and surcharge under one-time-settlement scheme were received in the previous year.

4. EXPENDITURE

The details of the expenditure for the year ended 31st March 2005 and 2004 are given below:-

(Rs. million)

	Year ended 31st March	
Particulars	2005	2004
Fuel	137235	122150
Employees Remuneration and Benefits	8835	8835
Generation, Administration and other Expenses	12096	9813
Depreciation	19584	20232
Provisions	75	5835
Interest	5830	6636
Finance Charges	11125	27061
Total	194780	200562

Fuel

Fuel cost as a percentage of total expenditure was 70.5% in the current year up from 60.9% in the previous year. There was an overall increase in fuel expenditure by 12.3 % mainly due to 7.2% increase in generation by over 10 billion units, increase in fuel prices and booking of cost of coal transportation system to cost of coal.

Employees Remuneration and Benefits

Expenditure on employee remuneration and benefits before capitalization of such expenses relating to projects under construction amounted to Rs. 9,971 million in the current year as compared to Rs. 9,610 million in the previous year. The increase in the employee remuneration and benefits works out to 3.8% mainly because of annual wage increment and increase in the number of employees. The company had 21,420 employees as on 31st March 2005 on its rolls as compared to 20,971 employees as at the end of the previous year excluding joint ventures, subsidiaries and Badarpur station (managed by NTPC).

Net employee remuneration and benefits after capitalization, charged to Profit & Loss Account amounted to Rs. 8,835 million which remained at the same level as in the previous year.

Generation, Administration & Other Expenses

The above head of expenditure includes various expenses incurred in the power stations and offices of the company. It includes repair and maintenance expenses, telecommunication expenses, expenses on security, insurance, etc. The expenditure incurred under this head prior to adjustments and capitalization was Rs. 12,767 million as against Rs. 11,665 million in the last year, an increase of 9.4 %.

One of the main items of expenditure under this head is Repair and Maintenance expenditure on Plant and Machinery. The amount spent on repair and maintenance of plant and machinery in this year was Rs. 5,867 million which was 46% of the total 'Generation, Administration and Other expenses', same as in the last year. However, the repair and maintenance expenditure in the year translates into an expenditure of Rs. 0.26 million / MW of commercial capacity at the end of the year as against Rs. 0.25 million / MW of commercial capacity at the end of the previous year.

Expenses on security deployed for protection of the power stations and offices amounted to Rs. 893 million which was 7% of the total Generation and Administration expenses. Security expenses in the previous year were Rs. 830 million which was 7.1% of the total generation and administration expenses in that year.

Expenses on travelling incurred on employees for tours and travels undertaken for business purposes amounted to Rs. 818 million as against Rs. 722 million in the previous year. The expenses on insuring the assets of the company for the year was Rs. 740 million as against Rs. 835 million in the last year.

Depreciation

Consequent upon the repeal of the Electricity Supply Act 1948 by the Electricity Act 2003 depreciation is being charged by the company at rates provided in The Companies Act 1956.The depreciation charged to the Profit & Loss account in the year was Rs. 19,584 million as against Rs. 20,232 million in the previous year. However, the charge to the Profit & Loss this year is after treating depreciation on Coal Transportation System amounting to Rs. 567 million as cost of coal. The cumulative depreciation upto 31st March 2005 amounted to Rs. 207,914 million.

Provisions

As on 31st March 2005 the provisions made stood at Rs. 75 million as against a provision of Rs. 5,835 million as on 31st March 2004. Provisions have been made for Doubtful advances and claims, obsolescence in stores, etc. The reduction in provisions as compared to the previous year is because of write-back of Provision of Doubtful Debts Rs. 5,927 million as a result of settlement with some of the debtors.

Interest

Total interest expenses before capitalization amounted to Rs. 9,740 million as against Rs. 10,107 million in the pervious year. A sum of Rs. 3,910 million was transferred to Interest During Construction in the current year as against Rs. 3,471 million in the previous year.

Interests on Foreign Currency Term Loans showed a marked reduction from Rs. 1,838 million in the previous year to Rs. 773 million in the current year. The main reason for the reduction in interest was repayment of loans during the year and adjustment of favourable exchange rate variation to the interest cost as per accounting standards.

Interests out-go on Rupee Term Loans increased from Rs.4,644 million to Rs. 4,959 million as utilization of rupee term loans increased to meet the capital expenditure requirement for on-going projects.

Finance Charges

The finance charges before capitalization for the current year was Rs. 12,315 million as against Rs. 27,206 million in the previous year. Finance charges includes Rebate under one-time-settlement scheme which in the last year was Rs. 21,311 million as against Rs. 6,813 million in the current year because of payment of rebate for the past years during the previous year. Finance charges for the current year includes exposure premium charges of Rs. 1,069 million on export credit facility from Korean Export Import Bank.

5. PROFIT (Rs. million)

	Year ended 31st March	
Particulars	2005	2004
Profit After Tax	58070	52608
Depreciation	19584	20232
Interest	5830	6636
Tax	2712	6289
EBITDA	86196	85765

Profit after Tax for the year is Rs. 58,070 million as against Rs. 52,608 million in the previous year registering an increase of 10.4%. EBITDA as compared to the previous year has marginally increased from Rs. 85,765 million to Rs. 86,196 million. EBITDA was 45.5% of sales last year while it was 38.2% of sales this year. However, as discussed under the sections ‘Sales’, ‘Other Income’ and ‘Finance Charges’ the figure in the previous year include adjustments pertaining to previous years carried out with retrospective effect and thus the figures for the previous year is not entirely comparable.

BUSINESS AND FINANCIAL REVIEW OF SUBSIDIARY COMPANIES

a) NTPC Electric Supply Company Limited (NESCL)

The company was formed as a wholly owned subsidiary company of NTPC with an objective to make a foray in the business of distribution and supply of electrical energy as a sequel to reforms initiated in the Power Sector.

NTPC has invested, an amount of Rs. 0.8 million in the equity share capital of the company up to 31st March 2005. The financial performance of the company for the year 2004-05 and year 2003-04 is as follows:

Particulars	2004-05	2003-04
Gross Income (Rs.)	74800213	17682646
Profit After Tax (Rs.)	401003	(33410)
Book Value per Share (Rs.)	14.18	1.59
Earnings Per Share (Rs.)	4.96	(0.41)

The company is exploring various options to acquire electricity distribution circles in different States. The Company is carrying out the work of “Advisor-cum-consultant” for Ministry of Power for implementation of the APDRP schemes in the identified circles. The company has been awarded a work rendering project management & supervision services to Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Ltd as well as to Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Ltd. In addition, the Company is executing the work of rural electrification in two blocks of Midnapur district in West Bengal.

b) NTPC Vidyut Vyapar Nigam Limited (NVVN)

The company was formed as a wholly owned subsidiary company of NTPC with an objective to undertake business of sale and purchase of electric power, to effectively utilize installed capacity and thus enabling reduction in the cost of power. The company is also considering entering in to Ash Trading Business.

NTPC has invested an amount of Rs. 200 million in the equity share capital of the company up to 31st March 2005. The financial performance of the company for the year 2004-05 and year 2003-04 is as follows:

Particulars	2004-05	2003-04
Gross Income (Rs. million)	5992	2291
Profit After Tax (Rs. million)	57	21
Book Value per Share (Rs.)	12.43	10.70
Earnings Per Share (Rs.)	2.87	17.86

The company traded in electricity and sold 2,616 million units of power during the year as against 962 million units in FY 2003-04 to 18 State Electricity Boards, registering a growth of 172%.

The Company has paid a dividend of Rs. 20 million for the year 2004-05 as against Rs. 6 million in the last year.

c) NTPC Hydro Limited (NHL)

The company was formed as a wholly owned subsidiary company of NTPC with an objective to develop small and medium hydro electric power projects up to 250 MW.

NTPC has invested Rs. 48 million as equity share capital in the company up to 31st March 2005 with fresh investments during the year being Rs 31 million. The financial performance of the company for the year 2004-05 and year 2003-04 is as follows:

Particulars	2004-05	2003-04
Loss (Rs million)	30	17
Book Value per Share (Rs.)	0.08	0.18
Earnings per share (Rs.)	(13.8)	(52.9)

NTPC Hydro Limited proposes to implement Lata Tapovan hydro electric project (108MW) on river Dhauliganga in the state of Uttranchal after obtaining statutory clearances. The project is scheduled to be commissioned in the year 2011-2012. The company has also signed an agreement with WBSEB to implement Rammam stage-III (90 MW) Hydro electric project in West Bengal, subject to statutory clearances. The project is scheduled to be commissioned in the year 2011-2012.

d) Pipavav Power Development Corporation Limited (PPDCL)

The company was formed as a wholly owned subsidiary company of NTPC with an objective to acquire land for Pipavav Mega Power Project (2000 MW) under Presidential Directive and to perform other activities related to site development. NTPC has invested Rs.4 million in the company up to 31st March 2005. PPDCL is being converted into a Joint Venture Company between NTPC and Gujarat Power Corporation Limited. During the year the company incurred a loss of Rs. 24,252 taking the cumulative loss since inception to Rs. 3,650,000.

BUSINESS AND FINANCIAL REVIEW OF JOINT VENTURE COMPANIES

a) PTC India Ltd.

PTC India Limited formerly known as Power Trading Corporation of India Ltd. has an Authorised Capital of Rs.7,500 million and the company had, on 31st March 2005, a paid up capital of Rs.1,500 million, with 8% equity contribution each from NTPC, Power Grid Corporation of India Ltd. (PGCIL), Power Finance Corporation Limited and NHPC and the balance 68% from Damoder Valley Corporation, Financial Institutions, Banks and general public.

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. PTC has traded in total 8,887 MUs in financial year 2004-05.

NTPC's investment in the equity capital of the company is Rs.120 million as on 31st March 2005. The financial performance of the company for the year 2004-05 and year 2003-04 is as follows:

Particulars	2004-05	2003-04
Gross Income (Rs. million)	20372	23780
Profit After Tax (Rs million)	240	325
Book Value per Share (Rs.)	14.59	13.81
Earnings Per Share (Rs.)	1.60	4.13

The company has paid a dividend of Rs.120 million for the FY 2004-05, matching the dividend paid for the last year. The share of NTPC in the dividend is Rs. 9.6 million.

b) NTPC Tamil Nadu Energy Company Ltd.

NTPC Tamil Nadu Energy Company Ltd., a 50:50 joint venture of NTPC and the Tamil Nadu Electricity Board was formed on 23rd May 2003 with an authorized capital of Rs.50 million. The objective of the JVC is to establish and operate a 1000 MW thermal power project in Tamil Nadu. All site specific studies except for coal transportation studies have been completed and Feasibility Report is under preparation.

NTPC and Tamil Nadu Electricity Board have invested Rs.5 million each towards the share capital of the company as on 31st March 2005. The company is

yet to begin operations and the expenses incurred has resulted in a loss of Rs. 2 million for the year 2004-05 as against a loss of Rs. 5 million in the previous year.

c) Utility Powertech Limited (UPL)

Utility Powertech Limited (UPL), a Joint Venture Company (JVC) of NTPC and Reliance Energy, has been taking up construction, erection and supervision in power sector and other sectors in India and abroad. UPL is a 50:50 Joint Venture Company between NTPC and Reliance Energy, each having contributed Rs.10 million towards the equity of the company.

The financial performance of the company for the year 2004-05 and year 2003-04 is as follows:

Particulars	2004-05	2003-04
Gross Income (Rs. million)	1124	867
Profit After Tax (Rs. million)	57	34
Book Value per Share (Rs.)	54.01	42.33
Earnings Per Share (Rs.)	28.63	17.24

The company has paid a dividend @ 150%, being Rs. 30 Million for the year 2004-05, the share of NTPC being Rs.15 Million. NTPC also received an amount of Rs.10 million as dividend for the year 2003-04.

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

NTPC and ALSTOM Power Generation AG, Germany had formed a 50:50 Joint Venture Company namely NTPC-ALSTOM Power Services Private Ltd. (NASL), with an authorised capital of Rs.500 million, to undertake the works of Renovation & Modernisation of under performing power stations in India and abroad. Both NTPC and ALSTOM Power have so far subscribed an amount of Rs.30 million each towards their share of equity capital in the company up to 31st March 2005.

The financial performance of the company for the year 2004-05 and year 2003-04 is as follows:

Particulars	2004-05	2003-04
Gross Income (Rs. million)	1021	1078
Profit After Tax (Rs million)	21	23
Book Value per Share (Rs.)	12.56	10.20
Earnings per Share (Rs.)	3.50	3.89

The company has proposed a dividend of Rs.6 million, the share of NTPC being Rs. 3 million as against a dividend of Rs. 3 million paid in the previous year.

e) NTPC-SAIL Power Co. Private Ltd.

NTPC-SAIL Power Company Private Ltd., a Joint Venture Company of NTPC and SAIL, with an authorized capital of Rs.1300 million, owns and operates the captive power plants at Durgapur (120 MW) and Rourkela (120 MW) steel plants of SAIL. Both NTPC and SAIL have subscribed an amount of Rs.586.5 million each towards the paid-up capital of the joint venture company.

The financial performance of the company for the year 2004-05 and year 2003-04 is as follows:

Particulars	2004-05	2003-04
Gross Income (Rs. million)	1322	1549
Profit After Tax (Rs million)	233	240
Book Value per Share (Rs.)	11.95	11.45
Earnings Per Share (Rs.)	1.99	2.05

During the year 2004-05, NTPC received an amount of Rs.80 million as dividend for the year 2003-04. For the year 2004-05 also the company has proposed a dividend of Rs.160 million, the share of NTPC being Rs.80 million.

f) Bhilai Electric Supply Company Pvt. Ltd.

NTPC has formed another joint venture with SAIL, by acquiring 50% of the equity of Bhilai Electric Supply Company Pvt. Ltd., a Company formed by SAIL, to own and manage the Captive Power Plant at Bhilai Steel Plant (74 MW). BESCL has commenced the expansion of a 500 MW Unit. The authorised capital of the company at present is Rs.4000 million. Both NTPC and SAIL have subscribed an amount of Rs.566 million each towards the paid-up capital of this joint venture company and the paid-up capital of the Company is Rs.1132 million as on 31st March 2005.

The financial performance of the company for the year 2004-05 and year 2003-04 is as follows:

Particulars	2004-05	2003-04
Gross Income (Rs. million)	607	610
Profit After Tax (Rs million)	61	66
Book Value per Share (Rs.)	11.30	13.28
Earnings Per Share (Rs.)	0.54	2.00

During the year 2004-05, NTPC has received a dividend of Rs.10 million for the year 2003-04. For the year 2004-05 the company has proposed a dividend of Rs.20 million, the share of NTPC being Rs. 10 million.

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

Consolidated Financial Statements have been prepared in addition to the individual financial statements in compliance of the requirements of Clause 32 of the Listing Agreement. The audited Consolidated Financial Statements of NTPC Group of Companies , comprising Balance Sheet as on 31st March 2005, Profit & Loss Account for the year ended on 31st March 2005 , Schedules thereof and Cash Flow Statement along with the Auditor's Report have been included in the Annual Report.

The Subsidiary and Joint Venture companies considered for consolidation are as follows:

Name of the Company	Proportion of Ownership Interest (%)
Subsidiaries	
1. NTPC Electric Supply Company Ltd	100
2. NTPC Vidyut Vyapar Nigam Ltd	100
3. Pipavav Power Development Company Ltd	100
4. NTPC Hydro Ltd	100
Joint Ventures	
1. Utility Powertech Ltd	50
2. NTPC Alstom Power Services Private Limited	50
3. PTC India Ltd	8
4. NTPC-SAIL Power Company Private Ltd	50
5. Bhilai Electric Supply Company Private Ltd	50
6. NTPC- Tamilnadu Energy Company Ltd	50

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". Summarised consolidated profitability statement of the NTPC Group is as under :

Rs. Million

S. No.	Description of Items	For the year ended 31st March 2005
1	Income :	
	Sales	235161
	Other Income	30010
	Total	265171
2	Expenditure :	
	Fuel, other Operation & Administrative Expenses	167080
	Depreciation	19824
	Provisions	75
	Interest & Finance Charge	17219
	Total	204198
3.	Profit before tax after prior period adjustments	61075
4.	Provision for current tax (net)	2782
5.	Profit after current tax	58293
6.	Provision for deferred tax (net)	7
7.	Profit after Tax	58286

Earning Per Share (Face Value Rs. 10/- each)- Basic and Diluted of the Group is Rs. 7.29 /-

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", "project" and similar expressions or variations of such expressions, that 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

(C.P.JAIN)
CHAIRMAN & MANAGING DIRECTOR

Place: New Delhi
Date : 12.08.2005