

## SUBSIDIARY COMPANIES

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

### DIRECTORS' REPORT

To The Members,

Your Directors have pleasure in presenting their Fourth Annual Report on the working of the Company for the financial year ended on 31<sup>st</sup> March 2006 together with Audited Accounts and Auditors' Report.

#### OPERATIONAL REVIEW

The activities as Advisor-cum-Consultant under the "Accelerated Power Development Reforms Programme" (APDRP), an initiative taken by the Ministry of Power (MoP) for power development reforms, have been undertaken by your company.

A Memorandum of Understanding was signed between NTPC and Rural Electrification Corporation Ltd. (REC) to carry out rural electrification of villages and households in West Bengal under the Government of India's "Accelerated Rural Electrification Program". A quadripartite agreement was signed between West Bengal State Electricity Board, Government of West Bengal, NTPC and REC for the same. Upon merging of the AREP with MoP's programme of rural electrification under the name of "Rajiv Gandhi Gramen Viduyutikaran Yojana" (RGGVY), the earlier agreement was revised in line with the new scheme. NTPC has also been asked, under this new scheme, to carry out rural electrification works in the states of Chattisgarh, Jharkhand, Orissa and Madhya Pradesh for which quadripartite Agreements have been signed between REC, NTPC, respective State Governments and State Utilities. Under a Supplementary Agreement, your Company has been assigned to take up these works on behalf of NTPC.

As per these Agreements, your Company will be executing turnkey works in Kharagpur area (Blocks I and II) of West Midnapur district of West Bengal, five districts of Chattisgarh, eight districts of Jharkhand, twelve districts of Orissa and four districts of Madhya Pradesh. In Kharagpur, where the work is in progress, Distribution Transformers have already been charged in 11 villages.

Quadripartite Agreements, along with Supplementary Agreements, have also been signed for consultancy work of post award Project Monitoring and Quality Assurance services during execution of RGGVY works in the states of Madhya Pradesh and Uttaranchal. As per these Agreements, your Company will be providing services for all the three Discoms of Madhya Pradesh and all thirteen districts of Uttaranchal. Your Company has also been providing consultancy works in the areas of Project Monitoring, Quality Assurance and Inspection of APDRP work of Bhopal and Gwalior regions by Madhya Pradesh Madhya Kshetra Viduyut Vitran Company Ltd. Similar assignments of consultancy work in Indore and Ujjain circles, along with eight districts of Western Zone of Madhya Pradesh Paschim Kshetra Viduyut Vitran Company Ltd., was successfully carried out during the financial year.

Chandigarh Administration has entrusted the turnkey contract for design, supply, erection, testing and commissioning of 2 x 20 MVA sub-station along with associated HT lines at Manimajra to your company, which is in progress.

Your Company has also been entrusted, by the Uttaranchal Power Corporation Ltd., an assignment of carrying out third party inspection of their stock materials.

The Company is yet to undertake commercial activities in the are of distribution of power. It is exploring various options in this field.

#### FINANCIAL RESULTS

During the current year, the Company has recorded gross revenue of Rs. 92.14 million (previous year Rs. 74.80 million) and a profit before tax of Rs. 10.33 million as compared to the profit before tax of Rs. 2.60 million in the previous year. The profit after tax is Rs. 4.52 million (previous year Rs. 0.40 million) and a sum of Rs. 0.45 million was transferred to General Reserve during the current financial year.

#### DIVIDEND

Your Directors have recommended a maiden dividend of Rs.1.36 million, i.e. @ 167.59% of the paid up equity share capital of the Company for the financial year 2005-06. The dividend shall be paid after your approval at this Annual General Meeting.

#### PARTICULARS OF EMPLOYEES

During the period under review the Company had no employees of the category, which falls, under section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

#### FIXED DEPOSITS

The company has not accepted any fixed deposit during the period ending 31<sup>st</sup> March 2006.

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

There are no significant particulars, relating to conservation of energy, technology absorption under the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, as your Company does not own any manufacturing facility. During the period under review there are no foreign exchange earnings and outgo.

#### DIRECTORS

Shri C.P.Jain ceased to be Chairman of the Company w.e.f. 31.03.2006 A.N. consequent upon his superannuation from the services of NTPC Limited. The Board places on record its deep appreciation for the valuable contributions made by Shri C.P.Jain. Pursuant to the Articles of Association of the Company, the Chairman & Managing Director of NTPC Limited shall be the ex-officio part-time Chairman on the Board of the Company. On taking over as the Chairman & Managing Director of NTPC Limited, Shri T. Sankaralingam was appointed as Chairman of the Company w.e.f. 01.04.2006.

#### AUDITORS' REPORT AND C&AG REVIEW

The Comptroller & Auditor General of India (C&AG) has appointed M/s Kanwalia & Company, Chartered Accountants as the Statutory Auditor of the Company for the financial year ending 2005-06. There are no adverse comments, observations or reservations in the auditors report on the accounts of the company.

C&AG vide letter dated 02.06.2006 has decided not to review the report of the Auditors on the accounts of the Company for the year ended 31<sup>st</sup> March 2006 and as such has no comments to make under Section 619(4) of the Companies Act, 1956. A copy of the certificate issued by C&AG in this regard is enclosed as Annex-1.

#### DIRECTORS' RESPONSIBILITY STATEMENT

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

- in the preparation of annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2005-06 and of the profit of the company for that period;
- 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
- the directors had prepared the annual accounts on a going concern basis.

#### ACKNOWLEDGEMENT

The Board of Directors wish to place on record their appreciation for the support and co-operation extended by the Ministry of Power, various state governments, various state utilities, various customers, NTPC Ltd., the Auditors, the Bankers and the employees of the Company.

For and on behalf of the Board of Directors  
(T. SANKARALINGAM)  
CHAIRMAN

Place: New Delhi  
Date: 03.08.2006

#### ANNEXURE-I

#### COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619 (4) OF THE COMPANIES ACT, 1956, ON THE ACCOUNTS OF NTPC ELECTRIC SUPPLY COMPANY LIMITED, NEW DELHI FOR THE YEAR ENDED, 31<sup>ST</sup> MARCH, 2006

The Comptroller and Auditor General of India has decided not to review the report of the Auditors on the accounts of NTPC Electric Supply Company Limited., New Delhi for the year ended 31<sup>st</sup> March 2006 and as such he has no comments to make under Section 619(4) of the Companies Act, 1956

Place: New Delhi  
Dated: 2 June, 2006

(Meera Swraup)  
Principal Director of Commercial Audit and  
Ex-officio Member Audit Board-III  
New Delhi

#### SIGNIFICANT ACCOUNTING POLICIES

##### A. Fixed Assets

- Fixed Assets are shown at historical cost.
- Intangible assets are recorded at their cost of acquisition.

##### B. Income Recognition

- Income from consultancy service is accounted for on the basis of actual progress/ technical assessment of work executed, in line with the terms of respective consultancy contracts.
- Claims for reimbursement of expenditure are recognised as other income, as per the terms of consultancy service contracts.

##### C. Expenditure

- Depreciation is charged on straight-line method at the rates specified in Schedule XIV of the Companies Act, 1956.
- Depreciation on additions to/deductions from fixed assets during the year is charged on pro-rata basis from/up to the month in which the asset is available for use/disposal.
- Assets costing up to Rs. 5,000/- are fully depreciated in the year of capitalisation.
- Cost of computer software recognized as intangible assets is amortised on straight-line method over a period of legal right to use or 3 years, whichever is earlier.
- Where the cost of depreciable assets has undergone a change during the year due to increase/decrease in long term liabilities on account of exchange fluctuation, price adjustment, change in duties or similar factors, the unamortised balance of such asset is depreciated prospectively over the residual life determined on the basis of the rate of depreciation.
- Expenditure on training, recruitment and ex-gratia payments under voluntary retirement scheme are charged to revenue in the year of incurrence.
- Expenditure on leave travel concession to employees is recognised in the year of availment due to uncertainties in accrual.
- Pre-paid expenses and prior period expenses/income of items of Rs. 1,00,000/- and below are charged to natural heads of accounts.
- The liabilities for retirement benefits in respect of gratuity, leave encashment and post-retirement medical benefits are ascertained annually by the Holding Company on actuarial valuation at the year-end. The company provides for retirement benefits in respect of provident fund, gratuity, leave encashment and post-retirement medical benefits as apportioned by the Holding Company.

**NTPC ELECTRIC SUPPLY COMPANY LIMITED**  
**BALANCE SHEET AS AT 31ST MARCH 2006**

	Sch. No.	31.03.2006	31.03.2005
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Capital	1	809100	809100
Reserves & Surplus	2	3311836	338100
<b>TOTAL</b>		<b>4120936</b>	<b>1147200</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	3	733842	-
Less: Depreciation		196089	-
Net Block		537753	-
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Sundry Debtors	4	149950092	91111986
Cash and Bank Balances	5	171524856	72170307
Other Current Assets	6	1870276	21451
Loans & Advances	7	873051	746653
		<b>324218275</b>	<b>164050397</b>
<b>LESS : CURRENT LIABILITIES AND PROVISIONS</b>			
Liabilities	8	319095166	162903197
Provisions	9	1546179	-
		<b>320641345</b>	<b>162903197</b>
Net Current Assets		3576930	1147200
Deferred Tax Assets		6253	-
Miscellaneous Expenditure (to the extent not written off or adjusted)	10	-	-
<b>TOTAL</b>		<b>4120936</b>	<b>1147200</b>

Notes on Accounts 16  
Schedules 1 to 16, accounting policies and cashflow statement form integral part of Accounts.

As per our attached report of even date

For Kanwalia & Co.

Chartered Accountants

(B. K. Kanwalia)

Partner

Place: New Delhi

Dated: 24<sup>th</sup> May, 2006

For & on behalf of the Board of Directors

(A. K. Singhal)

Director

(T. Sankaralingam)

Chairman

**NTPC ELECTRIC SUPPLY COMPANY LIMITED**  
**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2006**

	Sch. No.	Current Year	Previous Year
<b>INCOME</b>			
Sales	11	74612419	61150963
Other Income	12	17527042	13649250
<b>TOTAL</b>		<b>92139461</b>	<b>74800213</b>
<b>EXPENDITURE</b>			
Employees' Remuneration and Benefits	13	65454022	54663655
Administration and Other Expenses	14	16144314	17519892
Depreciation		196089	-
Finance Charges	15	17248	12876
<b>TOTAL</b>		<b>81811673</b>	<b>72196423</b>
<b>Profit before tax</b>		<b>10327788</b>	<b>2603790</b>
Provision for			
- Current Tax		4621924	2167596
- Fringe Benefit Tax		1192202	-
- Deferred Tax		(6253)	35191
		<b>5807873</b>	<b>2202787</b>
<b>Profit after tax</b>		<b>4519915</b>	<b>401003</b>
Balance brought forward		338100	(62903)
Balance available for appropriation		4858015	338100
Transfer to General Reserve		452000	-
Proposed Dividend		1356000	-
Tax on Proposed Dividend		190179	-
<b>Balance carried to Balance sheet</b>		<b>2859836</b>	<b>338100</b>
Earning per Share (Equity shares, face value Rs.10/- each) - Basic and Diluted		55.86	4.96

For Kanwalia & Co.

Chartered Accountants

(B K Kanwalia)

Partner

Place: New Delhi

Dated: 24<sup>th</sup> May, 2006

For & on behalf of the Board of Directors

(A. K. Singhal)

Director

(T. Sankaralingam)

Chairman

**NTPC ELECTRIC SUPPLY COMPANY LIMITED**  
**SCHEDULES FORMING PART OF BALANCE SHEET**

**SCHEDULE 1**  
**CAPITAL**

	31.03.2006	31.03.2005
<b>Authorised</b>		
10,000,000 equity shares of Rs. 10/- each (Previous year 10,000,000 equity shares of Rs. 10/- each)	100000000	100000000
<b>Issued, Subscribed and Paid-Up</b>		
80,910 equity shares of Rs. 10/- each (Previous year 80,910 equity shares of Rs. 10/- each) are held by the holding company, NTPC Ltd. and its nominees.	809100	809100
	<b>809100</b>	<b>809100</b>

**SCHEDULE 2**  
**RESERVES AND SURPLUS**

	31.03.2006	31.03.2005
<b>General Reserve</b>		
As per last Balance Sheet	-	-
Add: Transfer from Profit & Loss Account	452000	-
Surplus, balance in Profit & Loss Account	2859836	338100
	<b>3311836</b>	<b>338100</b>

**SCHEDULE 3**  
**FIXED ASSETS**

	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01.04.2005	Additions	Deductions / Adjustments	As at 31.03.2006	As at 01.04.2005	For the year	Deductions / Adjustments	Up to 31.03.2006	As at 31.03.2006	As at 31.03.2005
Furniture, Fixtures & Other Office Equipments	-	164480	-	164480	-	19179	-	19179	145301	-
EDP & WP Machines	-	66308	-	66308	-	8092	-	8092	58216	-
Intangible Assets - Software	-	503054	-	503054	-	168818	-	168818	334236	-
<b>Total</b>	<b>-</b>	<b>733842</b>	<b>-</b>	<b>733842</b>	<b>-</b>	<b>196089</b>	<b>-</b>	<b>196089</b>	<b>537753</b>	<b>-</b>
Previous year	-	-	-	-	-	-	-	-	-	-

	Rs.	Rs.		Rs.	Rs.
	31.03.2006	31.03.2005		Current Year	Previous
<b>SCHEDULE 4</b>			<b>SCHEDULE 12</b>		
<b>SUNDRY DEBTORS</b>			<b>OTHER INCOME</b>		
Debts outstanding over six months			Reimbursibles billed to clients	11119422	13622127
- Unsecured, considered good	115944852	53161773	Interest from Indian Banks (Gross)		
Other debts			(Tax deducted at source Rs. 1437935,		
- Unsecured, considered good	34005240	37950213	previous year Rs. 5672)	6407620	97123
	<u>149950092</u>	<u>91111986</u>		<u>17527042</u>	<u>13649250</u>
<b>SCHEDULE 5</b>			<b>SCHEDULE 13</b>		
<b>CASH AND BANK BALANCES</b>			<b>EMPLOYEES' REMUNERATION AND BENEFITS</b>		
Cash on hand (includes cheques & drafts	-	13878000	Salaries, wages, bonus, allowances & benefits	51225704	45146739
on hand )			Contribution to provident and other funds	5158483	4699818
Balances with scheduled banks			Welfare expenses	9069835	4817098
- Current Account	9024856	3292307		<u>65454022</u>	<u>54663655</u>
- Term Deposit Account	162500000	55000000	<b>SCHEDULE 14</b>		
	<u>171524856</u>	<u>79170307</u>	<b>ADMINISTRATION AND OTHER EXPENSES</b>		
Cheques & Drafts on hand	-	13878000	Power Charges	210772	202220
			Rent	1186756	1072377
<b>SCHEDULE 6</b>			Repairs and Maintenance		
<b>OTHER CURRENT ASSETS</b>			Building	41862	81993
Interest accrued on Short Term Deposits			Others	51971	42437
with Indian banks	1870276	21451		<u>93833</u>	124430
	<u>1870276</u>	<u>21451</u>	Insurance	3610	8381
<b>SCHEDULE 7</b>			Training and Recruitment Expenses	-	228482
<b>LOANS &amp; ADVANCES</b>			Communication Expenses	1418284	1130494
ADVANCES			Traveling Expenses	9277057	7742421
Employees			Tender Expenses	801106	227666
- Unsecured, considered good	7500	-	Less: Receipt from sale of tenders	661500	38250
Others				<u>139606</u>	<u>189416</u>
- Unsecured, considered good	12230	-	Payment to Auditors		
DEPOSITS			Audit Fees	22448	16530
Advance tax deposit & tax deducted at source	8819184	2898390	Tax Audit Fees	5612	7670
Less: Provision	7965863	2151737	In other capacity	16530	18580
	<u>853321</u>	<u>746653</u>	Entertainment Expenses	44590	42780
	<u>873051</u>	<u>746653</u>	Expenses for Transit Camp	561132	452221
<b>SCHEDULE 8</b>			Prefeasibility Study Expenses	215737	506336
<b>CURRENT LIABILITIES</b>			Preliminary Expenses Written Off	3159	279578
Sundry Creditors			Books and periodicals	-	617824
For goods and services	20956251	1130200	Professional charges & consultancy fees	68999	77035
Deposits, retention money from			EDP hire and other charges	164113	7648
contractors and others	54875	32510	Printing and stationary	325692	312274
Advances from customers and others	21011126	1162710	Miscellaneous expenses	245166	276219
Other liabilities	4700000	8485000		<u>2185808</u>	<u>4249756</u>
Amount received against deposit works	12435200	6528443		<u>16144314</u>	<u>17519892</u>
Amount payable to NTPC Ltd.	132508081	68980000	<b>SCHEDULE 15</b>		
	<u>148440759</u>	<u>77747044</u>	<b>FINANCE CHARGES</b>		
	<u>319095166</u>	<u>162903197</u>	Bank Charges	17248	12876
<b>SCHEDULE 9</b>				<u>17248</u>	<u>12876</u>
<b>PROVISIONS</b>			<b>SCHEDULE 16</b>		
Proposed Dividend			<b>Notes on Accounts</b>		
As per last Balance Sheet	-	-	1) Related Party Disclosures		
Additions during the year	1356000	-	a. The Company is a wholly owned subsidiary of NTPC Ltd. (formerly National		
Amounts used during the year	-	-	Thermal Power Corporation Limited).		
	<u>1356000</u>	<u>-</u>	b. Key Management Personnel (appointed by the Holding Company, i.e. NTPC Ltd.)		
Tax on Proposed Dividend					
As per last Balance Sheet	-	-	Shri C. P. Jain	Chairman	
Additions during the year	190179	-	Shri K. K. Sinha	Director	Ceased to be Director w.e.f. 1 <sup>st</sup> April 2005
Amounts used during the year	-	-	Shri P. Narasimharamulu	Director	Ceased to be Director w.e.f. 1 <sup>st</sup> April 2005
	<u>190179</u>	<u>-</u>	Shri R. S. Sharma	Director	
	<u>1546179</u>	<u>-</u>	Shri R. K. Jain	Director	
<b>SCHEDULE 10</b>			Shri A. K. Singhal	Director	Appointed w.e.f. 1 <sup>st</sup> April 2005
<b>MISCELLANEOUS EXPENDITURE</b>			Shri G. K. Agarwal	Director	Appointed w.e.f. 1 <sup>st</sup> April 2005
(To the extent not written off					
or adjusted)					
<b>Preliminary (Incorporation) Expenses</b>					
Balances as per last Balance Sheet	-	617824			
Additions during the year	-	-			
Less: Deductions/Adjustments	-	617824			
	<u>-</u>	<u>-</u>			
	<u>-</u>	<u>-</u>			
<b>SCHEDULE 11</b>					
<b>SALES</b>					
Consultancy, Project Management and					
Supervision Fees	74612419	61150963			
	<u>74612419</u>	<u>61150963</u>			

- 2) The Company is operating in a single segment, that is providing consultancy, project management and supervision services.
- 3) All the employees of the Company are on secondment from the Holding Company, i.e. NTPC Ltd.
- 4) Earning per share:  
The elements considered for calculation of Earnings per share (Basic & Diluted) are as under:

	Current Year	Previous Year
Net Profit after Tax used as numerator (Rupees)	4519915	401003
Weighted average number of equity shares used as denominator	80910	80910
Earning per share (Rupees) – Basic & Diluted	55.86	4.96
Face value per share (Rupees)	10.00	10.00

5) Disclosure regarding Operating Leases:

The company's significant leasing arrangements are in respect of operating leases of premises for residential use of employees, offices and transit camps. These leasing arrangements are usually renewable on mutually agreed terms but are not non-cancellable. Employees' remuneration and benefits include Rs.52,10,555/- (Previous year Rs. 38,80,146/-) towards lease payments, net of recoveries, in respect of premises for residential use of employees. Lease payments in respect of premises for offices and transit camps are shown as Rent in Schedule 13 - Administration and other expenses.

6) The item-wise details of Deferred Tax Asset are as under:

	31.03.2006	31.03.2005
i) Difference of Book depreciation and Tax depreciation	3,530	-
ii) Provisions disallowed for tax purposes	2,723	-
Deferred Tax Asset	6,253	-

The net increase in the deferred tax asset of Rs. 6,253/- (Previous year decrease Rs. 35,191/-) has been credited to Profit and Loss Account.

7) Previous year's figures have been regrouped/rearranged wherever necessary.

For Kanwalia & Co. Chartered Accountants (B. K. Kanwalia) Partner  
 For & on behalf of the Board of Directors (A. K. Singhal) Director (T. Sankaralingam) Chairman

Place: New Delhi  
 Dated: 24<sup>th</sup> May, 2006

**INFORMATION PURSUANT TO PART IV OF SCHEDULE VI OF THE COMPANIES ACT, 1956  
 BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE:**

1. Registration Detail

State Code: 055  
 Registration No. U40108DL2002GO1116635

Date: 31  
 Month: 03  
 Year: 2006

2. Capital Raised during the year

(Rs. in Thousands)  
 Public Issue: NIL  
 Right issue: NIL  
 Bonus Issue: NIL  
 Private Placement: NIL

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

Total Liabilities: 324762  
 Total Assets: 324762

Source of Funds

Paid up Capital: 809  
 Reserve & Surplus: 3312  
 Secured Loans: NIL  
 Unsecured Loans: NIL  
 Deferred Tax Liability: NIL

Application of Funds

Net Fixed Assets: 538  
 Investments: NIL  
 Net Current assets: 3577  
 Deferred Tax Asset: 6  
 Misc. Expenditure: NIL  
 Accumulated Losses: NIL

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

Turnover: 74612  
 Total Expenditure: 81812  
 Profit Before Tax: 10328  
 Profit After Tax: 4520  
 Earning Per Share in Rs.: 55.86  
 Dividend Rate (%): 16.759

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

(As per monetary terms)

Item Code No. (ITC Code): N.A.  
 Product Description: Consultancy Services

For Kanwalia & Co. Chartered Accountants  
 For & on behalf of the Board of Directors

(B.K. Kanwalia) Partner (A. K. Singhal) Director (T. Sankaralingam) Chairman

Place: New Delhi  
 Date: 24<sup>th</sup> May, 2006

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2006**

	Current Year	Previous Year
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit/(Loss) before tax and Prior Period Adjustments	10327788	2603790
Adjustment for:		
Depreciation	196089	-
Preliminary Expenses written off	-	617824
Interest Received	(6407620)	(27123)
Operating Profit before Working Capital Changes	4116257	3194491
Adjustment for:		
Trade & Other Receivables	(58838106)	(72258899)
Trade Payables & Other Liabilities	156191969	140338299
Other Current Assets	-	-
Loans & Advances	(19730)	-
Cash generated from operations	101450390	71273891
Direct Taxes Paid	5920794	2914249
Net Cash from Operating Activities - A	95529596	68359642
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(733842)	-
Interest Received	4558795	5672
Net cash flow from Investing Activities - B	3824953	5672
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Net Cash flow from Financing Activities - C	-	-
<b>D. OTHERS</b>		
Net Increase/Decrease in Cash & Cash equivalents (A + B + C + D)	99354549	68365314
Cash & cash equivalents (Opening balance)	72170307	3804993
Cash & cash equivalents (Closing balance)	171524856	72170307

Notes: Cash & Cash equivalents consist of Cash in Hand and Balance with Banks.

Previous year's figures have been regrouped/rearranged wherever necessary

As per our Report of even date

For Kanwalia & Co. Chartered Accountants (B.K. Kanwalia) Partner (A.K. Singhal) Director (T. Sankaralingam) Chairman

Place: New Delhi  
 Dated: 24<sup>th</sup> May, 2006



## AUDITORS' REPORT

To the Members of

NTPC ELECTRIC SUPPLY COMPANY LTD.

1. We have audited the attached Balance Sheet of NTPC Electric Supply Company Ltd. (a wholly owned subsidiary of NTPC Ltd.) as at 31<sup>st</sup> March 2006, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the Auditing Standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in annexure referred to in para 3 above, we report that:
  - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - (b) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
  - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
  - (e) Being a Government company, pursuant to the Notification No. GSR 829(E) dated 17.07.2003 issued by Government of India, provisions of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956, are not applicable to the company;
  - (f) In our opinion, and according to the best of our information and according to the explanations given to us, the said accounts read with the Accounting Policies and Notes thereon in Schedule 16, give the information required by the Companies Act, 1956 in the manner so required and gives a true and fair view in conformity with the accounting principles generally accepted in India:
    - a. in the case of Balance Sheet, of the state of affairs of the company as at 31<sup>st</sup> March 2006,
    - b. in the case of Profit and Loss Account, of the profit for the year ended on that date, and
    - c. in the case of Cash Flow statement, of the cash flows for the year ended on that date.

For Kanwalia & Co.  
Chartered Accountants

(B.K.Kanwalia)  
Partner  
Membership No.: 7719

Place: New Delhi  
Date : 24<sup>th</sup> May, 2006

## ANNEXURE TO THE AUDITORS' REPORT

Referred to in paragraph 3 of our report of even date.

- (i) (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) All the assets have been physically verified by the management during the year and there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No discrepancies were noticed on such verification.
- (c) No fixed assets have been disposed off during the year.
- (ii) (a) The company does not have inventory.

- Accordingly, the provisions of clause 4(ii) (b) & (c) of the Companies (Auditors' Report) Order, 2003 are not applicable to the company.
- (iii) (a) The Company has not granted any loans secured or unsecured to any company, firm or other party covered in the register maintained under section 301 of the Companies Act 1956.  
In view of (iii) (a) above, the clauses (iii) (b), (iii) (c) and (iii) (d) are not applicable.
  - (e) The Company has not taken any loans secured or unsecured from any company, firm or other party covered in the register maintained under section 301 of the Companies Act 1956.  
In view of (iii) (e) above, the clauses (iii) (f) and (iii) (g) are not applicable.
  - (iv) In our opinion and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the company and nature of its business for purchase of fixed assets and for sale of services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control systems.
  - (v) (a) The company has not carried out any transactions required to be entered in the register maintained under section 301 of the Companies Act 1956.  
(b) In view of clause (v) (a) above, the clause (v) (b) is not applicable.
  - (vi) The Company has not accepted deposits from the public.
  - (vii) The provisions of the Order related to internal audit are not applicable to the company as the paid up capital plus reserves of the company are less than Rs. 50 lac at the commencement of the year under audit and the average annual turnover for the three consecutive financial years immediately preceding the year under audit being less than Rs. 5 crore. However, in our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
  - (viii) The maintenance of cost records under section 209(1) (d) of the Companies Act 1956 is not applicable to the company, as the company has not commenced any activities related to distribution of electricity.
  - (ix) (a) The Company is regular in depositing the statutory dues like Income Tax, Fringe Benefit Tax, Service Tax with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, service tax, customs duty, excise duty and cess were in arrears, as at 31<sup>st</sup> of March 2006 for a period of more than six months from the date they became payable. The provisions related to provident fund, investor education and protection fund and employees' state insurance etc. along with the related provisions of clause (ix) (b) are not applicable to the company.  
(b) According to the information and explanation given to us, there are no dues of sales tax, income tax, customs duty, wealth tax, excise duty and cess, which have not been deposited on account of any dispute.
  - (x) The company has no accumulated losses and has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
  - (xi) Not applicable as the company has not taken any loans from any financial institution, bank or by way of issue of debentures.
  - (xii) The company has not granted any loans or advances.
  - (xiii) The company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
  - (xiv) The company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
  - (xv) The company has not given any guarantees for loans taken by others from banks or financial institutions.
  - (xvi) The company has not raised any term loans.
  - (xvii) The company has not raised any short term or long-term funds.
  - (xviii) The company has not made preferential allotment of shares to companies, firms or other parties listed in the registers maintained under Section 301 of the Companies Act, 1956.
  - (xix) The company has not issued any debentures.
  - (xx) The company has not raised money through a public issue.
  - (xxi) According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

For Kanwalia & Co.  
Chartered Accountants

(B.K.Kanwalia)  
Partner

Place : New Delhi  
Date : 24<sup>th</sup> May, 2006

Membership No.: 7719

## NTPC HYDRO LIMITED

(A wholly owned subsidiary of NTPC Limited)

### DIRECTORS' REPORT

To,

The Members,

Your Directors have pleasure in presenting their fourth Annual Report on the performance of the Company for the financial year ended 31<sup>st</sup> March 2006 together with the Audited Accounts and Auditors' Report thereon.

#### OPERATIONAL REVIEW

Your Company's maiden venture is Lata-Tapovan Hydro Electric Power Project (3x57 MW) in the State of Uttaranchal. Detailed Project Report (DPR) of this project has been completed. Techno-Economic Clearance (TEC) from Central Electricity Authority (CEA) and Stage I & II clearance from Ministry of Environment & Forest has also been received. The project is scheduled for commissioning by March, 2012. Annual Generation from this project is estimated as approx. 869 MU of this 12% is earmarked as free power to the State of Uttaranchal.

The DPR of Rammam Stage-III Hydro Electric Power Project (3x40MW), in the State of West Bengal, has been completed and submitted to CEA for obtaining TEC. Ministry of Environment & Forest has also accorded stage-I & II approval. The implementation activities of this project are being initiated. The project is scheduled for commissioning by March 2012. Annual Generation from this project is estimated as approx. 467.50 MU out of which 85% of the power generated from this project shall be given to WBSEB and balance 15% shall rest with the Company.

#### FINANCIAL REVIEW

During the financial year ending 31<sup>st</sup> March 2006 the company has incurred expenditure of Rs 69 million, out of which Rs. 36 million has been capitalized. The Company has incurred loss of Rs. 33 million during the financial year as against loss of Rs. 30 million during the last year. In addition, Rs. 2 million were incurred on fixed assets during the financial year.

#### PARTICULARS OF EMPLOYEES

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

#### FIXED DEPOSITS

The Company has not accepted any fixed deposit during the period ending 31<sup>st</sup> March, 2006.

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

Since the projects undertaken by the Company are in implementation stage, there are no significant particulars, relating to conservation of energy, technology absorption, under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rule, 1988. During the period under review the Company had no earning in foreign exchange. However, an amount of Rs. 1,57,283 was spent in equivalent foreign currency on foreign training.

#### AUDIT COMMITTEE

As per the provisions of Section 292A of the Companies Act, 1956, the Board of Directors has constituted an Audit committee comprising of S/Shri T.Sankaralingam, A.K.Singhal and G.K.Agarwal, Directors.

#### DIRECTORS

Shri C.P.Jain ceased to be Director of the Company w.e.f. 31<sup>st</sup> March 2006 consequent upon his superannuation from the services of NTPC Limited. Your Board places on record their deep appreciation for the valuable services rendered by Shri C.P. Jain during his tenure. Further, consequent upon appointment of Shri T.Sankaralingam as the Chairman & Managing Director of NTPC Limited, he was appointed as the Chairman of the Company.

#### AUDITORS' REPORT

The Comptroller and Auditor General of India (C&AG) vide letter dated 30<sup>th</sup> August, 2005 has appointed M/s S. R. Kapoor & Company, Chartered Accountants as Statutory Auditor of the Company for the financial year 2005-06. There is no adverse comment, observation or reservation in the auditors' report on the accounts of the Company.

#### COMPTROLLER & AUDITOR GENERAL REVIEW

C&AG vide letter dated 7<sup>th</sup> June, 2006 has decided not to review the report of the Auditors on the accounts of the company for the year ended 31<sup>st</sup> March 2006 and as such has no comments to make under Section 619(4) of the Companies Act, 1956. A copy of the letter issued by C&AG in this regard is at Annex-I.

#### DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956 your Directors confirm that:

- i) in the preparation of the Annual Accounts for the financial year ended 31<sup>st</sup> March 2006, the applicable accounting standards have been followed alongwith

proper explanation relating to material departures;

- ii) the directors have selected such accounting policies and applied them consistently, and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at 31<sup>st</sup> March 2006 and of the loss of the company for the said 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 for the financial year ended 31<sup>st</sup> March 2006, on going concern basis.

#### ACKNOWLEDGEMENT

The Board of Directors wish to place on record their appreciation for the support and co-operation extended by the NTPC Limited, the holding Company, Central Electricity Authority and other agencies of Govt. of India/Govt. of Uttaranchal/ Govt. of West Bengal, Auditors and the Bankers of the Company.

For and on behalf of the Board of Directors

Place: New Delhi

(T. Sankaralingam)

Dated: 29.07.2006

Chairman

#### ANNEXURE-I

#### COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619 (4) OF THE COMPANIES ACT, 1956, ON THE ACCOUNTS OF NTPC HYDRO LIMITED, NEW DELHI FOR THE YEAR ENDED, 31<sup>ST</sup> MARCH, 2006

The Comptroller and Auditor General of India has decided not to review the report of the Auditors on the accounts of NTPC Hydro Limited, New Delhi for the year ended 31<sup>st</sup> March 2006 and as such he has no comments to make under Section 619(4) of the Companies Act, 1956

(Meera Swraup)

Place: New Delhi

Principal Director of Commercial Audit and

Dated: 7<sup>th</sup> June, 2006

Ex-officio Member Audit Board-III

New Delhi

#### SIGNIFICANT ACCOUNTING POLICIES

##### 1. FIXED ASSETS

- 1.1 Fixed Assets are shown at historical cost.
- 1.2 Intangible assets are recorded at their cost of acquisition.
- 1.3 Capital expenditure on assets not owned by the Company is reflected as a distinct item in Capital Work-in-Progress till the period of completion and thereafter in the Fixed Assets.
- 1.4 Deposits, payments/liabilities made provisionally towards compensation, rehabilitation and other expenses relating to land in possession are treated as cost of land.

##### 2. CAPITAL WORK-IN-PROGRESS

- 2.1 Incidental Expenditure during Construction (net) including corporate office expenses (allocated to the projects pro-rata to the annual capital expenditure) for the year is apportioned to Capital Work-in-Progress on the basis of accretions thereto.
- 2.2 Deposit work/ cost plus contracts are accounted for on the basis of statements of account received from the contractors.

##### 3. PROFIT AND LOSS ACCOUNT EXPENDITURE

- 3.1 Depreciation is charged on straight line method at the rates specified in Schedule XIV of the Companies Act, 1956.
- 3.2 Depreciation on additions to/deductions from fixed assets during the year is charged on pro-rata basis from/up to the month in which the asset is available for use/disposal.
- 3.3 Assets costing up to Rs. 5000/- are fully depreciated in the year of capitalization.
- 3.4 Capital expenditure referred to in Para 1.3 is amortised over a period of 4 years, from the year in which the first unit of project concerned comes into commercial operation and thereafter from the year in which the relevant asset becomes available for use.
- 3.5 Expenses on training are charged to revenue in the year of incurrence.
- 3.6 Expenditure on Leave Travel Concession to employees is recognized in the year of availment due to uncertainties in accrual.
- 3.7 Prepaid expenses and prior period expenses / income of items of Rs. 100,000/- and below are charged to natural heads of accounts.

##### 4. RETIREMENT BENEFITS

The liabilities for retirement benefits in respect of gratuity, leave encashment and Post Retirement Medical Scheme are ascertained annually by the holding company on actuarial valuation at the year end. The company provides for retirement benefits in respect of provident fund, gratuity, leave encashment and Post Retirement Medical Scheme as apportioned by the holding company.



**NTPC HYDRO LIMITED**  
**BALANCE SHEET AS AT 31<sup>ST</sup> MARCH 2006**

	SCHEDULE NO.	Rs.	
		As at 31.03.2006	As at 31.03.2005
<b>SOURCES OF FUNDS</b>			
Capital	1	100,000,000	48,121,100
		<u>100,000,000</u>	<u>48,121,100</u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	2	5,309,935	3,501,732
Less: Depreciation		802,920	582,918
Net Block		4,507,015	2,918,814
Capital Work In Progress	3	35,705,819	662,063
Construction Stores and Advances	4	1,194,698	-
		<u>41,407,532</u>	<u>3,580,877</u>
<b>Current Assets, Loans and Advances</b>			
Cash and Bank balances	5	2,879,877	1,328,901
Loans and Advances	6	330,211	149,928
		<u>3,210,088</u>	<u>1,478,829</u>
<b>Less:</b>			
<b>Current Liabilities and Provisions</b>			
Liabilities	7(a)	25,708,351	4,651,248
Provisions	7(b)	49,305	-
		<u>25,757,656</u>	<u>4,651,248</u>
Net Current Assets		(22,547,568)	(3,172,419)
<b>Profit &amp; Loss Account</b>		<u>81,140,036</u>	<u>47,712,642</u>
<b>TOTAL</b>		<u>100,000,000</u>	<u>48,121,100</u>

Notes on Accounts 12  
Schedules 1 to 12, significant accounting policies form integral part of accounts.  
For and on behalf of Board of Directors

As per our report of even date

**For S.R. Kapur & Co.**  
**Chartered Accountants**

(D.K.Gupta) (Manish Kumar) (A.K.Singhal) (T.Sankaralingam)  
Partner Company Secretary Director Chairman

Place : New Delhi  
Dated: 25<sup>th</sup> May 2006

**NTPC HYDRO LIMITED**  
**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2006**

	SCHEDULE NO.	Rs.	
		Current Year	Previous Year
<b>EXPENDITURE</b>			
Employees' remuneration and benefits	8	10,684,979	10,870,779
Administration & other expenses	9	22,474,566	19,187,622
Depreciation		91,066	407,006
Finance charges	10	4,369	1,821
<b>Total Expenditure</b>		<u>33,254,980</u>	<u>30,467,227</u>
<b>Loss before tax</b>		<u>33,254,980</u>	<u>30,467,227</u>
Provision for Fringe Benefit Tax		577,494	-
Less : FBT Allocated to IEDC		(405,080)	-
Provision for Fringe benefit tax (Net)		172,414	-
<b>Loss after tax</b>		<u>33,427,394</u>	<u>30,467,227</u>
Balance brought forward		47,712,642	17,245,415
<b>Balance carried to Balance Sheet</b>		<u>81,140,036</u>	<u>47,712,642</u>
Incidental Expenditure During Construction	11		
Earning per share(Basic/Diluted)		(5.71)	(13.85)

For and on behalf of Board of Directors

As per our report of even date

**For S.R. Kapur & Co.**  
**Chartered Accountants**

(D.K.Gupta) (Manish Kumar) (A.K.Singhal) (T.Sankaralingam)  
Partner Company Secretary Director Chairman

Place : New Delhi  
Dated: 25<sup>th</sup> May 2006

**NTPC HYDRO LIMITED**  
**SCHEDULES - FORMING PART OF ACCOUNTS**

	Rs.	
	As at 31.03.2006	As at 31.03.2005
<b>SCHEDULE 1</b>		
<b>CAPITAL</b>		
<b>AUTHORISED</b>		
25,000,000 Equity shares of Rs. 10/- each (Previous year 10,000,000 Equity shares of Rs.10/- each)	<u>250,000,000</u>	<u>100,000,000</u>

**SCHEDULE 1 (Contd.)**

	Rs.	
	As at 31.03.2006	As at 31.03.2005
<b>ISSUED, SUBSCRIBED AND PAID-UP</b>		
10,000,000 Equity shares of Rs. 10/- each fully paid up (Previous year 4,562,110 Equity shares of Rs.10/- each fully paid up) held by the holding company, NTPC Limited and its nominees	100,000,000	45,621,100
Share Capital Deposit	-	2,500,000
	<u>100,000,000</u>	<u>48,121,100</u>

**SCHEDULE 2**  
**FIXED ASSETS**

Fixed Assets	GROSS BLOCK (AT COST)				DEPRECIATION			NET BLOCK		
	As at 01.04.2005	Additions	Deductions/ Adjustments	As on 31.03.2006	As at 01.04.2005	For the Year	Deductions/ Adjustments	Upto 31.03.2006	As at 31.03.2006	As at 31.03.2005
	Furniture, fixtures & other office equipments	1,770,916	250,715	304,961	1,716,670	391,483	104,724	97,606	398,601	1,318,069
EDP-Equipments	1,116,444	1,223,475	92,198	2,247,721	149,131	218,601	3,736	363,996	1,883,725	967,313
Communication Equipments	55,500	18,784	34,284	40,000	42,304	3,739	6,043	40,000	-	13,196
Plant & Machinery	-	11,640	-	11,640	-	323	-	323	11,317	-
Capital expenditure on Assets not owned by the Company	558,872	735,032	-	1,293,904	-	-	-	-	1,293,904	558,872
	3,501,732	2,239,646	431,443	5,309,935	582,918	327,387	107,385	802,920	4,507,015	2,918,814
Previous Year	1,216,459	2,312,192	26,919	3,501,732	177,616	407,006	1,704	582,918	2,918,814	1,038,843

Depreciation for the year is allocated as given below:

	Current Year	Previous Year
Charged to Profit & Loss Account	91,066	-
Transferred to IEDC	236,321	-
	<u>327,387</u>	<u>-</u>

**SCHEDULE 3**  
**CAPITAL WORK-IN-PROGRESS**

Fixed Assets	As at 01.04.2005	Additions	Capitalise during the Year	As at 31.03.2006
Capital expenditure on Assets not owned by the company	662,063	72,969	735,032	-
Survey, investigation, consultancy and supervision charges	-	6,675,222	-	<b>6,675,222</b>
incidental Expenditure during construction	-	29,030,597	-	<b>29,030,597</b>
	662,063	35,778,788	735,032	<b>35,705,819</b>
Previous Year	-	662,063	-	<b>662,063</b>

**SCHEDULE 4**  
**CONSTRUCTION STORES AND ADVANCES**

	As at 31.03.2006	Rs. As at 31.03.2005
Advance for Captial Expenditure Unsecured, considered good	<b>1,194,698</b>	-
	<b>1,194,698</b>	-

**SCHEDULE 5**  
**CASH & BANK BALANCES**

Balances with scheduled banks	Rs.
Current Account	2,879,877
	<b>2,879,877</b>

**SCHEDULE 6**  
**LOANS AND ADVANCES**

Advances recoverable in cash or in kind or for value to be received	Rs.
Unsecured, considered good	
Employees	43,051
Others	287,160
	<b>330,211</b>

**SCHEDULE 7 (a)**  
**CURRENT LIABILITIES**

Sundry Creditors for capital expenditure other than small scale undertakings	Rs.
	3,250,880
Sundry Creditors for goods and services other than small scale undertakings	1,405,781
Amount payable to NTPC Ltd.	18,738,911
Deposits, retention money from contractors and others	1,906,255
Less: Investments held as security	(76,810)
	<b>25,225,017</b>
Other Liabilities	483,334
	<b>25,708,351</b>

**SCHEDULE 7 (b)**  
**PROVISIONS**

Provisions for Fringe Benefit tax	Rs.
	577,494
Less: Advance tax F.B.T.	528,189
	<b>49,305</b>

**SCHEDULE 8**  
**EMPLOYEES' REMUNERATION AND BENEFITS**

	Rs. Current Year	Rs. Previous Year
Employees' remuneration and benefits		
Salaries,wages,bonus,allowances & benefits	22,787,328	8,126,256
Contribution to provident and other funds	2,422,927	876,815
Welfare Expenses	3,488,405	1,867,708
	<b>28,698,660</b>	10,870,779
Less: Transferred to incidental expenditure during construction - Schedule 11	18,013,681	-
	<b>10,684,979</b>	10,870,779

**SCHEDULE 9**  
**ADMINISTRATION & OTHER EXPENSES**

	Rs. Current Year	Rs. Previous Year
Power Charges	188,063	58,332
Water Charges	6,859	5,622
Rent	3,584,668	1,785,932
Repairs & Maintenance		
Building	437,856	557,317
Others	1,649,956	-
Others Insurance	4,791	-
Environment Protection Cess	400,000	-
Training & Recruitment Expenses	458,236	180,356
Communication Expenses	693,919	491,718
Inland Travel	4,336,464	946,063
Remuneration to Auditors		
Audit Fee	22,040	16,530
In Other Capacity	21,530	21,820
Publicity Expenses	37,000	-
Entertainment Expenses	397,253	140,162
Transit Hostel Expenses	269,930	223,647
Books and Periodicals	21,381	20,748
Professional charges and consultancy fees	354,995	15,057
Legal Expenses	979,500	15,114
EDP Hire and other charges	319,888	327,478
Printing and Stationery	181,285	55,864
Survey, Investigaion, Cosultancy and Supervision Charges	17,012,328	13,177,615
Miscellaneous Expenses	1,466,688	1,148,247
	<b>32,844,630</b>	19,187,622
Less: Transferred to incidental expenditure during construction - Schedule 11	10,370,064	-
	<b>22,474,566</b>	19,187,622

**SCHEDULE 10**  
**FINANCE CHARGES**

Bank Charges	Rs.
	9,820
Less: Transferred to incidental expenditure during construction - Schedule 11	(5,451)
	<b>4,369</b>

**SCHEDULE 11**  
**INCIDENTAL EXPENDITURE DURING CONSTRUCTION**

	Rs. Current Year	Rs. Previous Year
<b>A. Employees' remuneration and othre benefits</b>		
Salaries,wages, allowances & benefits	14,869,569	-
Contribution to provident and other funds	1,582,605	-
Welfare Expenses	1,561,507	-
<b>Total (A)</b>	<b>18,013,681</b>	-
<b>B. Othre Expenses</b>		
Power Charges	132,505	-
Water Charges	5,087	-
Rent	2,442,400	-
Repairs & Maintenance	1,326,264	-
Hiring of Vehicles	709,915	-
Communication Expenses	462,330	-
Travelling Expenses	2,665,249	-
Advertainment and Publicity	32,000	-
Entertainment Expenses	260,707	-
Guest House Expenses	165,614	-
Books and Periodicals	14,215	-
Professional charges and consultancy fees	251,759	-
Legal Expenses	979,000	-
EDP Hire and other charges	218,527	-
Printing and Stationery	102,911	-
Miscellaneous Expenses	160,906	-
Auditor's Remuneration in other capacity	38,060	-
Transport Vehicle Running Expenses	2,315	-
Subscription to trade & other association	300	-
Water Cess & Environment Protection Cess	400,000	-
<b>Total (B)</b>	<b>10,370,064</b>	-
<b>C. Depreciation</b>	<b>236,321</b>	-
<b>D. Interest &amp; Finance Charges Capitalised</b>		
Bank Charges	5,451	-
<b>Total (D)</b>	<b>5,451</b>	-
<b>E. Tax provision on IEDC Income</b>	<b>405,080</b>	-
<b>Total (E)</b>	<b>405,080</b>	-
<b>Total (A+B+C+D+E)</b>	<b>29,030,597</b>	-





**NTPC HYDRO LIMITED**

**SCHEDULE 12**

**NOTES ON ACCOUNT**

- Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 299.29 lakhs.
- Related Party Disclosures
  - The Company is a wholly owned subsidiary of NTPC Ltd.
  - Key Management Personnel (appointed by the Holding Company i.e. NTPC Ltd.)

Shri C.P. Jain	Chairman *
Shri T. Sankaralingam	Director
Shri A.K. Singhal	Director
Shri G.K. Agarwal	Director

\*superannuated on 31.3.2006

- The Key Management Personnel are on appointment to the Company on part-time basis from the Holding Company NTPC Ltd. Company pays no remuneration to the key management personnel as their remuneration (being full-time employees of the Holding Company) is paid by NTPC Ltd.

**3. Earning Per Share**

The elements considered for calculation of Earning Per Share (Basic and Diluted) are as under :

	Current Period as on 31.03.06	Previous Year as on 31.03.05
Net Loss used as numerator	33,427,394	30,467,227
Weighted Average number of equity shares used as denominator	5,855,556	2,200,196.6
Earning Per Share (Rupees) - Basic and Diluted	(5.71)	(13.85)
Face value per share (Rupees)	10.00	10.00

- The company has capitalized incidental expenses during construction period w.e.f. 2nd August, 2005 relating to Lata Tapovan Project and Corporate Office as the Detailed Project Report (DPR) has been approved by the Board of Directors in their meeting held on 2nd August, 2005. Further Rammam Project was also approved by the Board of Directors on 21st March, 2006 and accordingly incidental expenses during construction has been capitalized and Corporate Office expenses has been allocated to Lata Tapovan Project and Rammam Project in the ratio of capital expenditure of the projects.
- Cost of building and trees has not been considered for working out the estimated amount of the contract remaining to be executed on capital account as the amount thereof shall be ascertained only after physical possession of the land.
- Previous year's figures have been regrouped/rearranged wherever necessary.

**INFORMATION PURSUANT TO PART IV OF SCHEDULE VI OF THE COMPANIES ACT, 1956**

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

**I Registration Details** State Code : 055  
 Registration No. U40101DL2002G01118013  
 Balance-sheet date 31 03 06

**II Capital Raised during the year (Rs. In Thousands).**  
 Public Issue NIL  
 Rights Issue NIL  
 Bonus Issue NIL  
 Private Placement 054378

**III Position of Mobilization and Deployment of Funds (Amount in Rs. Thousands)**  
 Total liabilities 1000000  
 Total Assets 1000000

Paid up Capital	1000000	Capital Deposit Account	NIL
Secured Loans	NIL	Reserve & Surplus	NIL
Deferred Tax Liability	NIL	Unsecured Loans	NIL
<b>Application of Funds</b>			
Net Fixed Assets	41408	Investments	NIL
Net Current Assets	-22548	Misc. Expenditure	NIL
Accumulated Losses	81140		

**IV. Performance of Company (Rs. in Thousands)**

Turnover (Including Other Income)	- - - - -	Total Expenditure	33255
Loss before tax	33255	Loss after tax	33427
Earning per share in Rs.	- 5.71	Dividend Rate %	NIL

**V. Generic Names of Three principal Products/Services of Company (As per monetary terms)**

Product Description:	Item Code
GENERATION OF ELECTRICITY	NA

For and on behalf of Board of Directors

In terms of our report of even date

**For S.R. Kapur & Co.**

**Chartered Accountants**

(D.K.Gupta) Partner  
(Manish Kumar) Company Secretary

(A.K.Singhal) Director  
(T.Sankaralingam) Chairman

Place : New Delhi  
Dated: 25<sup>th</sup> MAY 2006

**NTPC HYDRO LIMITED  
CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2006**

	Rs. Current Year 31.03.2006	Previous Year 31.03.2005
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Loss	(33,254,980)	(30,467,227)
Adjustment for:		
Depreciation	91,066	407,006
	91,066	
Operating Loss before Working Capital Changes	(33,163,914)	(30,060,221)
Adjustment for:		
Trade Payables and Other Liabilities	21,106,408	2,656,211
Loans and Advances	(180,283)	(117,083)
	20,926,125	2,539,128
Cash generated from operations	(12,237,789)	(27,521,093)
Direct Taxes Paid	(172,414)	-
Net Cash from Operating Activities-A	(12,410,203)	(27,521,093)
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets & CWIP & Const. Advance	(37,917,721)	(2,949,040)
	(50,327,924)	(30,470,133)

**C. CASH FLOW FROM FINANCING ACTIVITIES**

	Current Year	Rs. Previous Year
Proceeds from issuance of share capital	51,878,900	30,573,000
	<b>51,878,900</b>	<b>30,573,000</b>
<b>Net Increase in Cash and Cash equivalents(A+B+C)</b>	<b>1,550,976</b>	102,867
<b>Cash and cash equivalents (Opening Balance)</b>	<b>1,328,901</b>	1,226,034
<b>Cash and cash equivalents (Closing Balance)</b>	<b>2,879,877</b>	1,328,901

As per our report of even date

For and on behalf of Board of Directors

**For S.R. Kapur & Co.**

**Chartered Accountants**

**(D.K.Gupta)**

**(Manish Kumar)**

**(A.K.Singhal)**

**(T.Sankaralingam)**

Partner

Company Secretary

Director

Chairman

Place : New Delhi

Dated: 25<sup>th</sup> May 2006

**AUDITORS' REPORT**

**To the Members of NTPC Hydro Limited New Delhi**

- We have audited the attached Balance Sheet of **NTPC HYDRO LIMITED**, as at 31<sup>st</sup> March, 2006, the Profit and Loss Account and also the Cash Flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- Further to our comments in the Annexure referred to above, we report that-
  - We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books.
  - The Balance Sheet, Profit & Loss Account and Cash Flow statement dealt with by this report are in agreement with the books of account.
  - In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
  - We have been informed that the provisions of section 274(1)(g) of the Companies Act, 1956 are not applicable to the directors of the Company, pursuant to Circular No. 8/2002 dated 22<sup>nd</sup> March, 2002 issued by Department of Company Affairs, Government of India as the company is wholly owned subsidiary of the Government Company.
  - In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
    - in the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2006;
    - in the case of the Profit and Loss Account, of the loss for the year ended on that date; and
    - in the case of the Cash Flow statement, of the cash flow for the year ended on that date.

for S.R. Kapur & Co.  
Chartered Accountants

Place : New Delhi  
Dated: 25<sup>th</sup> May 2006

(D.K. Gupta)  
Partner  
Membership No. 089480

**Annexure referred in paragraph 3 of Auditors' Report to the Members of NTPC HYDRO LIMITED on the accounts for the year ended on 31<sup>st</sup> March, 2006**

- The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
  - All fixed assets have been physically verified by the management during the year which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.
  - In our opinion and according to the information and explanations given to us no substantial part of fixed assets of the company have been disposed off during the year.
- As the company has not purchased / sold goods during the year nor is there any opening stock, requirement of reporting on physical verification of stocks or maintenance of inventory records is not applicable.
- The company has neither taken nor granted loans, secured or unsecured from / to companies, firms and other parties covered in the register maintained under section 301 of the Companies Act 1956. Accordingly paragraphs of clauses 4(iii)(b), (c) & (d) of the Companies Auditor's Report Order 2003 are not applicable.
- In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchase of fixed assets. The company has not made any purchase / sale. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control systems.
  - According to the information and explanations given to us, we are of the opinion that the transactions that needed to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
  - In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements during the year have been made at prices which are reasonable though company has made reimbursements only.
- According to the information and explanations given to us, the company has not accepted deposits under the provisions of section 58A & 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules 1975.
- In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
- The Central Government has prescribed the maintenance of cost records for Electricity Industry under section 209 (1)(d) of the Companies Act, 1956. As the company has not yet started its commercial production, clause 4(viii) of the Companies Auditor's Report Order, 2003 is not applicable.
- The company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues applicable to it.
  - According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, sales tax, wealth-tax, service tax, customs duty, excise duty and cess were in arrears.
  - According to the information and explanation given to us, there are no dues of sales tax, income tax, customs duty, wealth tax, excise duty and cess which have not been deposited on account of any dispute.
- As the company has been registered for a period of less than five years, the provisions of clause 4(x) of the Company (Auditor's Report) Order 2003 is not applicable.
- According to the information and explanations given to us, the company has not taken loans from financial institution, banks or debenture holders.
- The company has not granted loans and advances on the basis of security by way of pledge of shares, debentures, and other securities.
- The company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 is not applicable to the company.
- The company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provision of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 is not applicable to the company.
- The company has not given any guarantee for loans taken by others from banks or financial institutions.
- The company has not taken term loans during the year.
- The company has not raised short term or long term funds during the year.
- According to the information and explanations given to us, the company has made preferential allotment of shares to NTPC Limited holding company, covered in the register maintained under section 301 of the Companies Act, 1956. In our opinion, the price at which shares have been issued is not prejudicial to the interest of the company.
- The Company has not issued debentures during the period covered by our audit.
- The company has not raised money by public issue.
- According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

for S.R. Kapur & Co.  
Chartered Accountants

Place : New Delhi  
Dated: 25<sup>th</sup> May 2006

(D.K. Gupta)  
Partner  
Membership No. 089480



**NTPC VIDYUT VYAPAR NIGAM LIMITED**  
(A wholly owned subsidiary of NTPC Limited)  
**DIRECTORS' REPORT**

To the Members,

Your Directors have pleasure in presenting the fourth Annual Report on the working of the Company for the financial year ended on 31<sup>st</sup> March 2006 together with Audited Statement of Accounts, Auditors' Report and Review by the Comptroller & Auditor General of India for the reporting period.

**FINANCIAL RESULTS**

	Year ended 31 <sup>st</sup> March, 2006	(Amount in Rs.) Year ended 31 <sup>st</sup> March, 2005
Income/Revenue	<b>444,13,91,654</b>	5,99,23,60,451
Profit before Tax	<b>5,06,74,996</b>	9,10,28,368
Less: Current Tax	<b>1,69,37,865</b>	3,37,54,101
Profit after current Tax	<b>3,37,37,131</b>	5,72,74,267
Provision for deferred Tax	<b>4,67,212</b>	(90,098)
Profit after tax	<b>3,32,69,919</b>	5,73,64,365
Balance brought forward	<b>4,50,20,176</b>	1,18,94,920
Profit available for appropriation	<b>7,82,90,095</b>	6,92,59,285
Transfer to general reserve	<b>8,31,748</b>	14,34,109
Interim Dividend	<b>1,00,00,000</b>	-
Proposed Dividend	<b>1,00,00,000</b>	2,00,00,000
Tax on Interim Dividend	<b>14,02,500</b>	-
Tax on proposed Dividend	<b>14,02,500</b>	28,05,000
Surplus carried forward	<b>5,46,53,347</b>	4,50,20,176

**DIVIDEND**

Your Directors have recommended a final dividend of Rs.10.00 million, i.e. @ 5% on the paid up capital for the financial year 2005-06, thus making the total dividend at Rs. 20 million, including the interim dividend of Rs. 10.00 million.

**POWER TRADING-BUSINESS**

During the year under review your company had traded 1643.29 MU amounting to Rs. 4343.83 million as compared to 2616.253 MU of electricity amounting to Rs.5870.50 million in the year 2004-05. The trading activity also included NTPC's unrequited surplus (URS) power of Liquid Fuel stations. The power trading activity has been affected due to licenses issued to many other new trading companies and the state power utilities resorting to the tender route for sale of power.

**NEW BUSINESS INITIATIVES**

During the year new business initiatives for export of Fly Ash and domestic sale of Cenosphere and certified Fly Ash as per IS 3812 part-I were started. The first consignment of 7508MT has been shipped on April 10, 2006 from Vizag port.

The domestic sale of Cenosphere is being conducted through e-auction portal of MSTC Limited. An agreement to this effect was signed with them and one lot of 50MT has been auctioned and sold successfully during the year.

**INITIATIVE FOR SETTING UP OF POWER EXCHANGE AT NATIONAL LEVEL**

Your company had appointed a Consortium of Consultants viz. M/s CRISIL Ltd. and M/s Nordpool Consulting, Norway to prepare a detailed Project Report for establishment of a wholesale Power Exchange at National Level in India. The consultants have submitted the DPR. Appropriate further action is being considered by CERC in this matter.

**SYSTEMS DEVELOPMENT**

The Consortium of Consultants viz. M/s CRISIL Ltd. and M/s Millhouse Associates UK is also working for development of IT-enabled trading system for NVVN.

**PARTICULARS OF EMPLOYEES**

During the period under review the Company had no employees of the category, which falls, under section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

**FIXED DEPOSITS**

The company has not accepted any fixed deposit during the period ending 31<sup>st</sup> March 2006.

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

There are no significant particulars, relating to conservation of energy, technology absorption under the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, as your Company does not own any manufacturing facility. During the period under review the Company had no earning in foreign exchange. However, an amount of Rs.92, 367/- only was spent in equivalent foreign currency.

**AUDIT COMMITTEE**

The Board of Directors during the year had constituted an Audit Committee comprising S/Shri Shyam Wadhwa, R.S.Sharma & A.K.Singhal Directors pursuant to the requirement of section 292A of the Companies Act, 1956. Three meetings of the Audit Committee were held during the financial year 2005-06.

**BOARD OF DIRECTORS**

Shri C.P.Jain ceased to be Chairman of the Company w.e.f. 31.03.2006 A.N. consequent upon his superannuation from the services of NTPC Limited. The Board places on record its deep appreciation for the valuable contributions made by Shri C.P.Jain, under whose dynamic leadership the Company was formed. Pursuant to the Articles of Association of the Company, the Chairman & Managing Director of NTPC Limited shall be the ex-officio part-time Chairman on the Board of the Company. On taking over as the Chairman & Managing Director of NTPC Limited, Shri T. Sankaralingam was appointed as Chairman of the Company w.e.f 01.04.2006.

**AUDIT REPORT & C & A G REVIEW**

The Comptroller and Auditor General of India (C & AG) has appointed M/s Rohtas & Hans, Chartered Accountants as Auditor of the Company for the financial year 2005-06. There are no adverse comments, observation or reservation in the auditors report on the accounts of the Company.

The C&AG has reviewed the annual accounts for the year ended 31.3.2006 and has made no comment upon or supplement to the Auditors' Report under Section 619 (4) of the Companies Act, 1956. Letter of C & AG on the accounts of the Company for the financial year 2005-06 are at Annexure-I.

**DIRECTORS' RESPONSIBILITY STATEMENT**

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

- (i) in the preparation of annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (ii) the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2005-06 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 the fraud and other irregularities;
- (iv) the Directors had prepared the annual accounts on going concern basis.

**ACKNOWLEDGMENT**

The Board of Directors wish to place on record their appreciation for the support and co-operation extended by NTPC Limited, the Central Electricity Regulatory Commission, the valued customers of the Company, various State Electricity Boards, the Auditors and the Bankers of the Company.

For and on behalf of the Board of Directors

Place: New Delhi  
Date: 03.08.2006

(T.SANKARALINGAM)  
CHAIRMAN

**ANNEXURE-I**

**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619 (4) OF THE COMPANIES ACT, 1956, ON THE ACCOUNTS OF NTPC VIDYUT VYAPAR NIGAM LIMITED, NEW DELHI FOR THE YEAR ENDED,31<sup>ST</sup> MARCH, 2006**

I, have to state that the Comptroller and Auditor General of India has no comments upon or supplement to the Auditors' Report under section 619(4) of the Companies Act, 1956, on the accounts of NTPC Vidyut Vyapar Nigam Limited, New Delhi for the year ended 31<sup>st</sup> March 2006.

Place: New Delhi  
Dated: 22 June, 2006

(Meera Swrap)  
Principal Director of Commercial Audit and  
Ex-officio Member Audit Board-III  
New Delhi

**NTPC VIDYUT VYPAR NIGAM LTD.**

**ACCOUNTING POLICIES**

**1 FIXED ASSETS**

- 1.1 Fixed Assets are shown at historical cost.  
1.2 Intangible assets are recorded at their cost of acquisition.

**2 INVENTORIES**

- 2.1 Inventories are valued at the lower of cost, determined on weighted average basis, and net realizable value.

**3 FOREIGN CURRENCY TRANSACTIONS**

- 3.1 Foreign currency transactions are initially recorded at the rates of exchange ruling at the date of transaction.  
3.2 At the balance sheet date, foreign currency monetary items are reported using the closing rate.

**4 PROFIT AND LOSS ACCOUNT**

**4.1 INCOME RECOGNITION**

- 4.1.1 Sale of energy is accounted for based on rates agreed with the customers.  
4.1.2 The surcharge on late payment/overdue sundry debtors for sale of energy is recognized when no significant uncertainty as to measurability or collectability exists.

**4.2 EXPENDITURE**

- 4.2.1 Depreciation is charged on straight-line method at the rates specified in Schedule XIV of the Companies Act, 1956.  
4.2.2 Depreciation on additions to/ deductions from fixed assets during the year is charged on pro-rata basis from/up to the month in which the asset is available for use/disposal.  
4.2.3 Assets costing up to Rs.5000/- are fully depreciated in the year of capitalization.  
4.2.4 Cost of Computer software recognized as intangible assets is amortized on straight-line method over a period of legal right to use or 3 years, whichever is earlier.  
4.2.5 Expenses on training, recruitment and ex-gratia payments under Voluntary Retirement scheme are charged to revenue in the year of incurrence.  
4.2.6 Expenditure on Leave Travel Concession to employees is recognized in the year of avilment due to uncertainties in accrual.  
4.2.7 Prepaid expenses and prior period expenses/income of items of Rs.1,00,000/- and below are charged to natural heads of accounts.

**5 RETIREMENT BENEFITS**

- 5.1 The liabilities for retirement benefits in respect of Gratuity, leave encashment and post retirement medical scheme are ascertained annually by the Holding Company i.e. NTPC Ltd. on actuarial valuation at the year end. The company provides for retirement benefits in respect of provident fund, gratuity, leave encashment and post retirement medical scheme as apportioned by the Holding Company.

**BALANCE SHEET AS AT 31<sup>ST</sup> MARCH 2006**

	Schedule No.	31.03.2006	31.03.2005
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Capital	1	200000000	200000000
Reserves & Surplus	2	59037387	48572468
		<u>259037387</u>	<u>248572468</u>
<b>Deffered Tax Liability (Net)</b>		443564	-
<b>TOTAL</b>		<u>259480951</u>	<u>248572468</u>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
Gross Block	3	3270886	2607734
Less: Depreciation		751402	308889
Net Block		<u>2519484</u>	<u>2298845</u>
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Inventories	4	7437068	-
Sundry Debtors	5	242649199	245757584
Cash and Bank balances	6	322306545	234448175
Other Current Assets	7	157864	12677
Loans and Advances	8	6822516	6229780
		<u>579373192</u>	<u>486448216</u>
<b>LESS: CURRENT LIABILITIES AND PROVISIONS</b>			
Liabilities	9	310961621	217393241
Provisions	10	11450104	22805000
		<u>322411725</u>	<u>240198241</u>
Net Current Assets		<u>256961467</u>	<u>246249975</u>
<b>Deffered Tax Asset (Net)</b>		-	23648
<b>TOTAL</b>		<u>259480951</u>	<u>248572468</u>

For and on behalf of the Board of Directors

As per our Report of even date

For Rohtas & Hans  
Chartered Accountants  
(Hans Kumar Jain) (Nitin Mehra) (A.K.Singhal) (T.Sankaralingam)  
Partner Company Secretary Director Chairman  
M.No. 82912

Place : New Delhi  
Dated: 26<sup>th</sup> May 2006

**NTPC VIDYUT VYPAR NIGAM LTD.**  
**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2006**

	Schedule No.	Current Year	Previous Year
<b>INCOME</b>			
Sales			
Power		4343829121	5870493765
Ash/Ash products		750000	-
Rebate on power purchase		83764179	121587973
Interest (Gross)(Tax deducted at source Rs.2764971/- Previous year Rs.58280/-)		13048354	278713
<b>TOTAL</b>		<u>4441391654</u>	<u>5992360451</u>
<b>EXPENDITURE</b>			
Power purchase		4267171550	5746745992
Open Access Charges		4298233	6605904
Ash/Ash products collection, trading & selling Expenses	11	128748	-
Employees' remuneration and benefits	12	26284202	19027197
Administration & Other Expenses	13	9283178	7681137
Rebate on power sale		83067740	120838239
Depreciation		454083	271821
Interest u/s 234C of Income Tax Act		28924	161793
<b>TOTAL</b>		<u>4390716658</u>	<u>5901332083</u>
<b>Profit before Tax</b>		50674996	91028368
Provision for Tax:			
a) Current Tax		16599728	33754101
b) Deferred Tax		467212	(90098)
c) Fringe Benefit Tax		338137	-
Total (a+b+c)		17405077	33664003
<b>Profit after Tax</b>		33269919	57364365
Balance brought forward		45020176	11894920
Balance available for appropriation		78290095	69259285
Transfer to General Reserve		831748	1434109
Dividend			
- Interim		10000000	-
- Proposed		10000000	20000000
Tax on Dividend			
- Interim		1402500	-
- Proposed		1402500	2805000
<b>Balance carried to Balance Sheet</b>		<u>54653347</u>	<u>45020176</u>
Earning per share (Equity share, face value Rs.10/- each)-Basic and diluted		1.66	2.87

For and on behalf of the Board of Directors

As per our Report of even date  
For Rohtas & Hans  
Chartered Accountants  
(Hans Kumar Jain) (Nitin Mehra) (A.K.Singhal) (T.Sankaralingam)  
Partner Company Secretary Director Chairman  
M.No. 82912  
Place : New Delhi  
Dated: 26<sup>th</sup> MAY 2006

**NTPC VIDYUT VYPAR NIGAM LTD.**  
**SCHEDULES - FORMING PART OF ACCOUNTS**

	31.03.2006	31.03.2005
<b>SCHEDULE 1</b>		
<b>CAPITAL</b>		
<b>AUTHORISED</b>		
2,00,00,000 equity shares of Rs. 10/-each (Previous Year 2,00,00,000 equity shares of Rs. 10/-each)	200000000	200000000
<b>ISSUED, SUBSCRIBED &amp; PAID UP</b>		
2,00,00,000 equity shares of Rs. 10/-each fully paid-up (Previous Year 2,00,00,000 equity shares of Rs. 10/- each fully paid up)	200000000	200000000
All shares are held by the holding company, NTPC Limited and its' nominees.		
<b>SCHEDULE 2</b>		
<b>RESERVES &amp; SURPLUS</b>		
General Reserve	3552292	2118183
As per last Balance Sheet	831748	1434109
Add: Transfer from Profit and Loss Account	4384040	3552292
Surplus, balance in Profit and Loss Account	54653347	45020176
<b>TOTAL</b>	<u>59037387</u>	<u>48572468</u>

**SCHEDULE 3  
FIXED ASSETS**

	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 1.04.2005	Additions	Deductions/ Adjustments	As at 31.03.2006	As at 1.04.2005	For the Year	Deductions/ Adjustments	upto 31.03.2006	As at 31.03.2006	As at 31.03.2005
Furniture, fixtures & other office equipment	426491	178775	116487	<b>488779</b>	46501	66667	11570	<b>101598</b>	<b>387181</b>	379990
EDP & WP machines	2167723	578879	-	<b>2746602</b>	253374	374919	-	<b>628293</b>	<b>2118309</b>	1914349
Intangible assets-software	13520	21985	-	<b>35505</b>	9014	12497	-	<b>21511</b>	<b>13994</b>	4506
<b>Total</b>	<b>2607734</b>	<b>779639</b>	<b>116487</b>	<b>3270886</b>	<b>308889</b>	<b>454083</b>	<b>11570</b>	<b>751402</b>	<b>2519484</b>	2298845
Previous Year	845690	1793744	31700	2607734	37295	271821	227	308889	2298845	808395

**SCHEDULE 4  
INVENTORIES**

(Valuation as per Accounting Policy No.2)

Fly Ash (packed bags)	<b>4680652</b>	-	
Packing material	<b>2594973</b>	-	
Cenosphere	<b>161443</b>	-	
<b>TOTAL</b>	<b>7437068</b>	-	

**SCHEDULE 5  
SUNDRY DEBTORS**

Debts outstanding over six months

- Unsecured, considered good	<b>2918337</b>	334796	
Other debts			
- Unsecured, considered good	<b>239730862</b>	245422788	
<b>TOTAL</b>	<b>242649199</b>	245757584	

**SCHEDULE 6  
CASH & BANK BALANCES**

Cash on hand	<b>930</b>	1930	
Balances with Scheduled Banks			
-Current Account	<b>13373</b>	192392300	
-Current account linked-Term Deposit Account	<b>322292242</b>	42053945	
<b>TOTAL</b>	<b>322306545</b>	234448175	

**SCHEDULE 7  
OTHER CURRENT ASSETS**

Interest accrued	<b>157864</b>	12677	
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**SCHEDULE 8  
LOANS AND ADVANCES**

ADVANCES  
(recoverable in cash or kind for value to be received)

Advance deposit with RLDCs	<b>3408865</b>	3093312	
-Unsecured, considered good			
Earnest money deposit with suppliers	<b>1000000</b>	1300000	
-Unsecured, considered good	<b>4408865</b>	4393312	

Advance Income Tax Deposit & Tax deducted at source

Less: Provision for Income Tax	<b>19013379</b>	35590569	
	<b>16599728</b>	33754101	
	<b>2413651</b>	1836468	
<b>TOTAL</b>	<b>6822516</b>	6229780	

**SCHEDULE 9  
CURRENT LIABILITIES**

Sundry Creditors  
For goods and services

- Suppliers & Contractors	<b>275149476</b>	209161366	
- NTPC Ltd. (Holding Company)	<b>10775851</b>	5735928	
- Others	<b>949397</b>	70528	
Book Overdraft	<b>3582897</b>	-	
Deposits, retention money from buyers	<b>1089327</b>	-	
	<b>291546948</b>	214967822	

Advances from customers and others

Other liabilities	<b>19367068</b>	2425419	
	<b>47605</b>	-	
<b>TOTAL</b>	<b>310961621</b>	217393241	

**SCHEDULE 10  
PROVISIONS**

Proposed dividend  
As per last balance sheet

Additions during the year	<b>20000000</b>	6354548	
Amounts used during the year	<b>10000000</b>	20000000	
Closing Balance (Proposed Dividend)	<b>20000000</b>	6354548	
	<b>10000000</b>	20000000	

(Rs.)

Tax on proposed dividend As per last balance sheet	<b>2805000</b>	814176	
Additions during the year	<b>1402500</b>	2805000	
Amounts used during the year	<b>2805000</b>	814176	
	<b>1402500</b>	2805000	
Provision for Interest u/s 234C of Income Tax Act	<b>28924</b>	161793	
Less: Interest paid	-	161793	
	<b>28924</b>	-	
Provision for Fringe Benefit Tax	<b>338137</b>	-	
Less: Fringe Benefit Tax paid	<b>319457</b>	-	
	<b>18680</b>	-	
<b>TOTAL</b>	<b>11450104</b>	22805000	

**SCHEDULE 11  
ASH/ASH PRODUCTS COLLECTION, TRADING & SELLING EXPENSES**

	Current Year	Previous Year
Ash testing charges	<b>30636</b>	-
Cenosphere collection charges	<b>73317</b>	-
E-auction charges	<b>24795</b>	-
<b>TOTAL</b>	<b>128748</b>	-

**SCHEDULE 12  
EMPLOYEES' REMUNERATION AND BENEFITS**

Salaries, wages, bonus, allowances & benefits	<b>21071079</b>	14956229
Contribution to provident and other funds	<b>2212497</b>	1529986
Welfare expenses	<b>3000626</b>	2540982
<b>TOTAL</b>	<b>26284202</b>	19027197

**SCHEDULE 13  
ADMINISTRATION & OTHER EXPENSES**

Power Charges	<b>39000</b>	29400
Repairs & Maintenance		
Leased building-residential	<b>399226</b>	241174
Office	<b>42180</b>	61675
Rates & Taxes	<b>1511600</b>	1058600
Training & recruitment expenses	<b>750</b>	840613
Communication expenses	<b>610253</b>	449857
Travelling expenses	<b>3171333</b>	2424197
Tender expenses	<b>1342467</b>	21000
Less: Receipt from sale of tenders	<b>215000</b>	-
Remuneration to auditors		
Audit fee	<b>33060</b>	33060
Tax audit fee	<b>9918</b>	9918
In other capacity	<b>16530</b>	20872
Out of pocket expenses	<b>11305</b>	-
Business promotion and advertisement	<b>31000</b>	289482
Entertainment expenses	<b>266438</b>	75012
Brokerage & commission	<b>3350</b>	-
Books and periodicals	<b>24332</b>	25992
Professional charges and consultancy fee	<b>81983</b>	140089
Legal Expenses	<b>1380</b>	180
EDP hire and other charges	<b>203601</b>	212231
Printing & stationery	<b>166153</b>	166102
Loss on disposal of fixed assets	<b>9762</b>	7471
Bank and other Charges	<b>1036890</b>	1414137
Miscellaneous expenses	<b>485667</b>	160075
<b>TOTAL</b>	<b>9283178</b>	7681137

**SCHEDULE 14  
NOTES ON ACCOUNTS**

- Balances shown under debtors, advances and creditors in so far as these have not been since realized/discharged or adjusted are subject to confirmation/reconciliation and consequential adjustment, if any.
- The Sales and Purchase are recognized on the basis of monthly Regional Energy Accounts (REA) issued by the concerned Regional Electricity Boards (REBs).

3. Contingent liability: Claims against the company not acknowledged as Debts is **Rs. NIL** (Previous year-Rs. NIL).
4. The effect of foreign exchange fluctuation during the year is as under:
- a) The amount of exchange difference debited to the Profit and Loss Account is **Rs.3904/-** (Previous year Rs. NIL)
5. Segment information
- Accounting standard (AS-17) 'Segment Reporting' is applicable to the company but there are no reportable segments.
6. Related Party Disclosures
- a) The Company is a wholly owned subsidiary of NTPC Limited.
- b) Key Management Personnel (appointed by the Holding Company i.e. NTPC Limited.)

Shri C.P.Jain	Chairman
Shri R.S.Sharma	Director
Shri Shyam Wadhwa	Director
Shri Chandan Roy	Director
Shri A.K.Singhal	Director
Shri G.K.Agarwal	Director

- c) The Key Management Personnel are on appointment to the Company on part-time basis from the Holding Company NTPC Limited. The Company pays no remuneration to the key management personnel as their remuneration (being full-time employees of the Holding Company) is paid by NTPC Limited. In case of Shri Shyam Wadhwa, as he is full time employee of Power Finance Corporation Ltd. (PFC Ltd.), his remuneration is paid by PFC Ltd.

7. Earnings per share
- The elements considered for calculation of Earning per share (Basic) are as under:

	Current Year	Previous Year
Net Profit/(Loss) after Tax used as numerator (Rupees)	<b>33269919</b>	57364365
Weighted average number of equity shares used as denominator	<b>20000000</b>	20000000
Earning/(Loss) per share (Rupees)	<b>1.66</b>	2.87
Face value per share (Rupees)	<b>10</b>	10

8. In compliance of Accounting Standard -22 on "Accounting for taxes on Income" issued by the Institute of Chartered Accountants of India, the item wise details of Deferred tax liability (net) are as under:

	(Rs.)	31.03.2006	31.03.2005
Deferred Tax liability			
i) Difference of Book depreciation and Tax depreciation	<b>446335</b>		293344
	<b>446335</b>		293344
Less: Deferred Tax Assets			
i) Provision disallowed for tax purpose	<b>2771</b>		5541
ii) Disallowed u/s 43B of the Income Tax Act, 1961	-		311451
	<b>2771</b>		316992
Deferred Tax Liability/(Asset) (net)	<b>443564</b>		(23648)

The net increase in the deferred tax liability of **Rs. 467212/-** (Previous year (-) Rs.90098/-) has been debited to Profit & Loss Account.

9. Licensed and Installed Capacities:
- a) Licensed Capacity - Not Applicable
- b) Installed Capacity - Not Applicable
10. Quantitative information:
- a) Purchase and sale of power (in KWH)

	Current Year	Previous Year
Purchase	<b>1643299451</b>	2616252909
Sale	<b>1643299451</b>	2616252909

- b) Trading of Fly Ash and ash based products (MT)
- |  |           |     |
|--|-----------|-----|
|  | <b>50</b> | NIL |
|--|-----------|-----|

11. Expenditure in foreign currency (Rs.)
- a) Training & recruitment expenses
- |  |            |        |
|--|------------|--------|
|  | <b>NIL</b> | 153893 |
|--|------------|--------|
- b) Foreign travel
- |  |              |     |
|--|--------------|-----|
|  | <b>92367</b> | NIL |
|--|--------------|-----|
12. All the employees of the company are on secondment from the Holding Company.
13. Previous year's figures have been regrouped/rearranged wherever necessary.

For and on behalf of the Board of Directors

As per our Report of even date

For Rohtas & Hans  
Chartered Accountants

(Hans Kumar Jain) Partner M.No. 82912	(Nitin Mehra) Company Secretary	(A.K.Singhal) Director	(T.Sankaralingam) Chairman
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Place : New Delhi  
Dated: 26<sup>th</sup> May 2006

### INFORMATION PURSUANT TO PART IV OF SCHEDULE VI OF THE COMPANIES ACT, 1956

#### BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

**I. Registration Detail** State Code: **055**

Registration No. **U40108DL2002GO1117584**

Balance Sheet Date Date Month Year  
**31 03 2006**

#### II. Capital Raised during the year (Rs. in Thousand)

Public Issue	Right issue
<b>NIL</b>	<b>NIL</b>
Bonus Issue	Private Placement
<b>NIL</b>	<b>NIL</b>

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

Total Liability	Total Assets
<b>581893</b>	<b>581893</b>

#### Source of Funds

Paid up Capital	Reserves & Surplus
<b>200000</b>	<b>59037</b>
Secured Loans	Unsecured Loans
<b>NIL</b>	<b>NIL</b>
Deferred Tax Liabilities	
<b>444</b>	

#### Application of Funds

Net Fixed Assets	Investment
<b>2520</b>	<b>NIL</b>
Net Current assets	Misc. Expenditure
<b>256961</b>	<b>NIL</b>
Accumulated Losses	
<b>NIL</b>	

#### IV. Performance of Company (Amount in Rs. Thousands)

Turnover	Total Expenditure
<b>4344579</b>	<b>4390717</b>
Profit/Loss before Tax	Profit After Tax
<b>50675</b>	<b>33270</b>
Earning Per Share in Rs.	Dividend Rate (%)
<b>1.66</b>	<b>10</b>

#### V. Generic name of three Principal Products/Services of Company

(As per monetary terms)

Product Description	Item Code No.
1. Trading of Electric Power	<b>NA</b>
2. Trading of Fly Ash and Ash based products	<b>NA</b>

For and on behalf of the Board of Directors

As per our Report of even date

For Rohtas & Hans  
Chartered Accountants

(Hans Kumar Jain) Partner M.No. 82912	(Nitin Mehra) Company Secretary	(A.K.Singhal) Director	(T.Sankaralingam) Chairman
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Place : New Delhi  
Dated: 26<sup>th</sup> May 2006

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2006**

(Rs.)

	Current Year	Previous Year
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Net profit before tax</b>	<b>50674996</b>	91028368
<b>Adjustment for:</b>		
Depreciation	454083	271821
Interest income	(13048354)	(278713)
Interest paid u/s 234C of Income tax Act	28924	161793
<b>Operating profit before Working Capital Changes</b>	<b>38109649</b>	91183269
<b>Adjustment for:</b>		
Inventories	(7437068)	-
Trade and Other Receivables	3108385	(17660556)
Trade Payable and Other Liabilities	93568380	14589262
Loans and Advances	(15553)	(4393312)
<b>Cash generated from operations</b>	<b>127333793</b>	83718663
Direct Taxes Paid	(17496368)	(36401528)
<b>Net cash from Operating Activities-A</b>	<b>109837425</b>	47317135
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Expenditure on Fixed Assets	(674722)	(1762271)
Interest received	12903167	266036
<b>Net Cash in Investing Activities -B</b>	<b>12228445</b>	(1496235)
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Dividend	(30000000)	(6354548)
Tax on Dividend	(4207500)	(814176)
<b>Net Cash flow from Financing Activities-C</b>	<b>(34207500)</b>	(7168724)
<b>Net Increase/(Decrease) in Cash and Cash equivalents (A+B+C)</b>	<b>87858370</b>	38652176
<b>Cash and Cash equivalents (Opening balance) *</b>	<b>234448175</b>	195795999
<b>Cash and Cash equivalents (Closing balance)*</b>	<b>322306545</b>	234448175

\*NOTE: Cash and Cash Equivalents consist of Cash in Hand &amp; Balance with Banks.

For and on behalf of the Board of Directors

As per our Report of even date  
For Rohtas & Hans  
Chartered Accountants  
(Hans Kumar Jain)  
Partner  
M.No. 82912

(Nitin Mehra)  
Company Secretary

(A.K.Singhal)  
Director

(T.Sankaralingam)  
Chairman

Place : New Delhi  
Dated: 26<sup>th</sup> MAY 2006

**AUDITORS' REPORT**

To the Members of

**NTPC Vidyut Vyapar Nigam Limited**

- We have audited the attached Balance Sheet of NTPC VIDYUT VYAPAR NIGAM LIMITED, as at 31st March 2006, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- We conducted our audit in accordance with Auditing Standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Government of India in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 & 5 of the said order.
- Further to our comments in the Annexure referred to above, we report that:

- We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
- The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- Being a Government Company, pursuant to the Notification no. GSR 829 (E) dated 21.10.2003 issued by Government of India, provisions of Section 274 (1) (g) of the Companies Act, 1956, are not applicable to the Company;
- In our opinion, and to the best of our information and according to the explanations given to us, the said accounts read with the Accounting Policies and Notes thereon in Schedule 14, give the information required by the Companies Act, 1956, in the manner so required and gives a true and fair view in conformity with the accounting principles generally accepted in India;
  - in the case of Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2006,
  - in the case of Profit and Loss Account, of the profit for the year ended on that date, and
  - in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For Rohtas & Hans  
Chartered Accountants  
(Hans Kumar Jain)  
Partner  
M.N.82912

Place : New Delhi  
Dated : 26<sup>th</sup> May 2006

**Annexure to the Auditor's Report**Statement referred to in paragraph (3) of our report of even date to the members of NTPC VIDYUT VYAPAR NIGAM LIMITED on the accounts for the year ended 31<sup>st</sup> March 2006.

- (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) Physical verification of fixed assets has been carried out by an independent Chartered Accountant firm appointed for the purpose, which in our opinion is considered reasonable having regard to the size and nature of its assets & no material discrepancies were noticed on such verification.
- (c) No substantial part of fixed assets has been disposed off during the year.
- (ii) (a) The physical verification of inventory has been conducted by the management.
- (b) The procedure of the physical verification of Inventory followed by the management is reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) The company has maintained proper records of inventory and no material discrepancies were noticed on such verification.
- (iii) (a) The Company has not granted or taken any loans, secured or unsecured to/from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
- (b) In view of clause (iii) (a) above, the clause (iii) (b), (iii) (c) and (iii) (d), are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and nature of its business with regard to purchase of Inventory, fixed assets and sale of goods. During the course of audit, we have not observed any continuing failure to correct major weaknesses in internal control systems.
- (v) (a) According to the information and explanation given to us, during the year under audit there have been no transaction which need to be entered into the register maintained under section 301 of the companies Act, 1956.
- (b) In view of clause (v) (a) above, the clause (v) (b) is not applicable.
- (vi) The Company has not accepted deposits from the public.

(vii) The Company has appointed a Chartered Accountant firm separately to conduct Internal audit during the year and in our opinion, this is commensurate with the size of the company and nature of its business.

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

(ix) (a) The employees of NVVN are on secondment basis from its holding company i.e. NTPC Ltd. Both companies are regular in depositing undisputed statutory dues including dues like Provident Fund, Income Tax, Sales Tax and Service Tax etc. with appropriate authorities. According to the information and explanations given to us, there are no undisputed Provident Fund, Income Tax, Sales Tax and Service Tax etc. in arrear as at 31.03.2006 for a period of more than six months from the date they became payable.

(b) In view of clause (ix) (a) above, the clause (ix) (b) is not applicable.

(x) The clause is not applicable.

(xi) The clause is not applicable.

(xii) The clause is not applicable.

(xiii) The clause (xiii) (a), (b), (c) and (d) are not applicable.

(xiv) The clause is not applicable.

(xv) The clause is not applicable.

(xvi) The clause is not applicable.

(xvii) The clause is not applicable.

(xviii) The clause is not applicable.

(xix) The clause is not applicable.

(xx) The clause is not applicable.

(xxi) According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

For Rohtas & Hans  
Chartered Accountants  
(Hans Kumar Jain)  
Partner  
M.N.82912

Place : New Delhi  
Dated : 26<sup>th</sup> May 2006

**PIPAVAV POWER DEVELOPMENT COMPANY LIMITED**  
(A wholly owned subsidiary of NTPC Limited)

**DIRECTORS' REPORT**

To,

The Members,

Your Directors have pleasure in presenting their 5<sup>th</sup> Annual Report and Audited statement of Accounts for the financial year ended 31<sup>st</sup> March 2006 together with the Auditors' Report thereon.

**OPERATIONAL REVIEW**

During the period under review, studies pertaining to fuel transportation and seismic study have been completed. Environmental Impact Assessment study, Area drainage study and feasibility study are in progress.

Various agencies like NTPC Vidyut Vyapar Nigam Ltd. and Madhya Pradesh State Electricity Board have expressed their willingness for purchasing power from the proposed power project carried out by the Company. Efforts are on for obtaining "Mega Power Project" status.

The Company has applied for allotment of "Nuagaon, Telishahi" coal mine block and is pursuing the matter with concerned authorities.

**FINANCIAL REVIEW**

During the year Company has incurred loss of Rs. 40,083/- as against loss of Rs. 24,252/- incurred last year.

**PARTICULARS OF EMPLOYEES**

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

**AUDITORS' REPORT**

The Comptroller and Auditor General of India (C&AG) has appointed M/s Sanjeev Chopra & Company, Chartered Accountants as Auditor of the Company for the financial year 2005-06. There are no adverse comments, observation or reservation in the auditors' report on the accounts of the Company.

**COMPTROLLERS & AUDITOR GENERAL REVIEW**

C&AG vide letter dated 7<sup>th</sup> June, 2006 has decided not to review the report of the Auditors on the accounts of the company for the year ended 31<sup>st</sup> March 2006 and as such has no comments to make under Section 619(4) of the Companies Act, 1956. A copy of the letter issued by C&AG in this regard is at Annex-I.

**SECRETARIAL COMPLIANCE REPORT**

The Company appointed M/s. K.K. Malhotra & Company, Company Secretaries for the Certificate of compliance under Section 383A(1) of the Companies Act, 1956 for the financial year 2005-06. The Certificate is attached with the Directors' Report as Annex-II.

**FIXED DEPOSITS**

The Company has not accepted any fixed deposit during the period ending 31<sup>st</sup> March 2006.

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

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

**DIRECTORS' RESPONSIBILITY STATEMENT**

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

- i) In the preparation of the Annual Accounts, the applicable accounting standards had been followed alongwith proper explanation relating to material departures;
- ii) The Directors had selected such accounting policies and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as on 31<sup>st</sup> March 2006 and of the loss of the company for that period;
- iii) The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities; and
- iv) The Directors had prepared the annual accounts on going concern basis.

**DIRECTORS**

Smt. Vijaylaxmi Joshi, Chairman and Managing Director, Gujarat State Electricity Corporation Limited was nominated by Gujarat State Electricity Corporation to the Board of the Company w.e.f.24<sup>th</sup> July, 2005.

Dr. Joy I. Cheenath, ceased to be Director of the Company w.e.f. 14<sup>th</sup> March 2006. Directors place on record deep appreciation for valuable contributions made by him.

**ACKNOWLEDGEMENT**

The Board of Directors wish to place on record their appreciation for the support and co-operation extended by the Union Ministry of Power, Government of Gujarat, NTPC Ltd., Gujarat Power Corporation Ltd., Gujarat State Electricity Corporation and other agencies of Govt. of India/Govt. of Gujarat, Auditors and the Bankers of the company.

For and on behalf of the Board of Directors

(T. Sankaralingam)  
Chairman

Place: New Delhi  
Dated:14<sup>th</sup> June, 2006

**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619 (4) OF THE COMPANIES ACT, 1956, ON THE ACCOUNTS OF PIPAVAV POWER DEVELOPMENT COMPANY LIMITED, NEW DELHI FOR THE YEAR ENDED,31ST MARCH, 2006**

The Comptroller and Auditor General of India has decided not to review the report of the Auditors on the accounts of Pipavav Power Development Company Limited. New Delhi for the year ended 31<sup>st</sup> March 2006 and as such he has no comments to make under Section 619(4) of the Companies Act, 1956

Place: New Delhi  
Dated: 7<sup>th</sup> June, 2006

(Meera Swraup)  
Principal Director of Commercial Audit and  
Ex-officio Member Audit Board-III  
New Delhi



Annex-II

The Members

Pipavav Power Development Company Limited

We have examined the registers, records, books and papers of **PIPAVAV POWER DEVELOPMENT COMPANY LIMITED (the Company)** as required to be maintained under the Companies Act, 1956 (the **Act**) and the rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the company for the financial year ended 31 March, 2006 (**Financial Year**). In our opinion and to the best of our information and according to the examination carried out by us and explanations furnished to us by the company, its officers and agents and on the basis of the Auditors' Report, we certify that in respect of the aforesaid financial year:

1. The company has kept and maintained all registers as stated in the **Annexure 'A'** to this certificate, as per the provisions of the Act and the rules made thereunder and all entries therein have been duly recorded.
2. The company has duly filed the forms and returns as stated in the **Annexure 'B'** to this certificate, with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities within the time prescribed under the Act and the rules made there under.
3. The company being a public limited company, comments are not required.
4. The Board of Directors duly met **4(Four)** times respectively on 30/5/2005, 28/9/2005, 23/12/2005 and 25/03/2006 in respect of which meeting proper notices were given and the proceedings were properly recorded and signed including the circular resolutions passed in the Minutes Book maintained for the purpose.
5. The company has not closed its Register of members or Debenture holders during the financial year.
6. The Annual General Meeting for the financial year ended on 31<sup>st</sup> March, 2005 was held on 15th July 2005 after giving due notice to the members of the company and other concerned and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.
7. No Extra Ordinary General Meeting was held during the financial year.
8. The Company has not advanced any loans to its directors or persons or firms or companies referred to under section 295 of the Act during the financial year.
9. The Company has not entered into any contracts falling within the purview of section 297 of the Act.
10. The Company was not required to make any entries in the register maintained under section 301(1) of the Act. However, it made all the necessary entries in the register maintained under section 301(3) of the Act.
11. As there were no instances falling within the purview of section 314 of the Act, the company has not obtained any approvals from the Board of Directors, Members or Central Government.
12. The Company has not issued any duplicate share certificates during the financial year.
13. The company has:
  - (i) delivered all the certificates on Allotment of shares & lodgement thereof and on transfer/transmission of securities in accordance with the provisions of the Act.
  - (ii) not deposited any amount in a separate Bank Account as no dividend was declared during the financial year.
  - (iii) not posted warrants to any member of the company as no dividend was declared during the financial year.
  - (iv) not transferred any amounts to the Investor Education and Protection Fund during the year.
  - (v) duly complied with the requirements of section 217 of the Act.
14. The Board of Directors of the company is duly constituted and the appointment of directors, additional directors, alternate directors and directors to fill the casual vacancies have been duly made.
15. The company has not appointed any Managing Director/Whole time Director/Manager during the financial year.
16. The company has not appointed any sole -selling agent during the financial year.
17. The company has not obtained any approvals of the Central Government, Company Law Board, Regional Director, Registrar and/or such other authorities prescribed under the various provisions of the Act during the financial year.
18. The Directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and the rules made there under.
19. The company has issued 5000 Equity Shares during the financial year and duly complied with the provisions of the Act.
20. The company has not bought back any shares during the financial year.
21. There was no redemption of preference shares or debentures during the financial year.
22. There were no transactions necessitating the Company to keep in abeyance rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
23. The company has not invited/accepted any deposits including any unsecured loan falling within the purview of section 58 A during the financial year.
24. The company has not made any borrowing during the financial year ended 31st March, 2006.
25. The company has not made any loans or advances or given guarantees or provided securities to other bodies corporate and consequently no entries have been made in the register kept for the purpose.
26. The company has not altered the provisions of the Memorandum with respect to situation of the company's registered office from one state to another during the year under scrutiny.
27. The company has not altered the provisions of the Memorandum with respect to

- the objects of the company during the financial year under scrutiny.
28. The company has not altered the provisions of the Memorandum with respect to the name of the company during the financial year under scrutiny.
29. The company has not altered the provisions of the Memorandum with respect to the share capital of the company during the financial year under scrutiny.
30. The company has not altered its Articles of Association during the financial year.
31. There was no prosecution initiated against or show cause notices received by the company and no fines or penalties or any other punishments were imposed on the company during the financial year, for offences under the Act.
32. The company has not received any money as security from its employees during the financial year.
33. The company has not constituted a separate provident Fund trust for its employees or any class of its employees as contemplated under section 418 of the Act.

For K.K. Malhotra & Co.  
Company Secretaries

K.K. Malhotra  
C.P. No. 446

Place : New Delhi

Date : 25<sup>th</sup> May 2006

**Annexure A**

Registers as maintained by the company:

1. Register of members u/s 150.
2. Index of members u/s 151.
3. Registers of transfers.
4. Books of accounts u/s 209.
5. Register of contracts under which directors are interested u/s 301.
6. Register of Directors, Managing Director, Secretary, Manager u/s 303.
7. Register of Director's Shareholding u/s 307.
8. Register of Directors attendance.
9. Minutes books of General/Board Meetings.
10. Register of Share application & allotment.

**Annexure B**

Forms and Returns as filed by the Company with Registrar of Companies, Regional Director, Central Government or other authorities during the financial year ending 31<sup>st</sup> March, 2006.

1. Annual Return u/s 159 on 29/07/2005
2. Balance Sheet u/s 220 on 27/07/2005.
3. Compliance certificate u/s 383A on 27/07/2005.
4. Form no. 32 u/s 303(2) on 17/08/2005 .

**PIPAVAV POWER DEVELOPMENT COMPANY LIMITED  
BALANCE SHEET AS AT 31<sup>ST</sup> MARCH 2006**

	Schedule No.	31.03.2006	(Rs.) 31.03.2005
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Capital	1	37,00,000	36,50,000
<b>APPLICATION OF FUNDS</b>			
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Cash and Bank balances	2	30,379	17,632
Loans & Advances	3	6,05,00,000	6,05,00,000
		6,05,30,379	6,05,17,632
<b>LESS : CURRENT LIABILITIES AND PROVISIONS</b>			
Liabilities	4	6,05,20,462	6,05,17,632
Net Current Assets		9,917	-
Profit & Loss Account		36,90,083	36,50,000
<b>TOTAL</b>		<b>37,00,000</b>	<b>36,50,000</b>

Notes on Accounts

Schedules 1 to 5 form integral part of Annual Accounts.

For and on behalf of Board of Directors  
(K. Prakasa Rao) (T. Sankaralingam)  
Director Chairman

In terms of our report of even date  
For Sanjeev Chopra & Co.  
Chartered Accountants

(Praveen Kumar)  
Partner

Place : New Delhi

Dated : 25<sup>th</sup> May 2006

**PIPAVAY POWER DEVELOPMENT COMPANY LIMITED**  
**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2006**

	Rs.	
	Current Year	Previous Year
<b>EXPENDITURE</b>		
Filing fees	3,000	2,000
Bank charges	-	300
Secretarial audit fees	4,490	4,408
Audit fees	13,428	17,544
Travelling Expenses	18,075	-
Miscellaneous Expenses	1,090	-
<b>Total</b>	<b>40,083</b>	<b>24,252</b>
Profit/ (Loss) before Tax	<b>(40,083)</b>	<b>(24,252)</b>
Balance brought forward	<b>(36,50,000)</b>	<b>(36,25,748)</b>
<b>Balance carried to Balance sheet</b>	<b>(36,90,083)</b>	<b>(36,50,000)</b>
Earnings per share (Equity share, face value Rs.10/- each) - Basic and Diluted	<b>(0.11)</b>	<b>(0.07)</b>

For and on behalf of Board of Directors  
(K. Prakasa Rao) (T. Sankaralingam)  
Director Chairman

In terms of our report of even date  
For Sanjeev Chopra & Co.  
Chartered Accountants

(Praveen Kumar)  
Partner

Place : New Delhi  
Dated : 25<sup>th</sup> May 2006

**PIPAVAY POWER DEVELOPMENT COMPANY LIMITED**  
**SCHEDULES - FORMING PART OF ACCOUNTS**

	Rs.	
	31.03.2006	31.03.2005
<b>SCHEDULE 1</b>		
<b>CAPITAL</b>		
<b>Authorised</b>		
1,00,00,000 equity shares of Rs. 10/- each	10,00,00,000	10,00,00,000
<b>Issued, Subscribed and Paid-up</b>		
3,70,000 equity shares (Previous year 3,65,000 equity shares) of Rs. 10/- each held by the holding company, NTPC Limited and its nominees	37,00,000	36,50,000

	Rs.	
	31.03.2006	31.03.2005
<b>SCHEDULE 2</b>		
<b>CASH AND BANK BALANCES</b>		
Cash in hand	199	749
Balance with scheduled Bank in Current Account	30,180	16,883
<b>Total</b>	<b>30,379</b>	<b>17,632</b>

	Rs.	
	31.03.2006	31.03.2005
<b>SCHEDULE 3</b>		
<b>LOANS &amp; ADVANCES</b>		
(Advances recoverable in cash or in kind or for value to be received)		
Unsecured, considered good		
Advance to Gujarat Power Corporation Limited	6,05,00,000	6,05,00,000

	Rs.	
	31.03.2006	31.03.2005
<b>SCHEDULE 4</b>		
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>		
Sundry Creditors - For Goods & Services	20,462	17,632
Other Liabilities - Advance from NTPC Limited	6,05,00,000	6,05,00,000
<b>Total</b>	<b>6,05,20,462</b>	<b>6,05,17,632</b>

**SCHEDULE-5**  
**Notes on Accounts :**

- Pursuant to Presidential Directive received under Articles of Association of NTPC Limited, NTPC had paid a sum of Rs.6,05,00,000 for acquisition of 212 hectares of land in Amreli District of Gujarat to M/s Gujarat Power Corporation Ltd. (GPCL). The payment was made by NTPC on behalf of Pipavay Power Development Company Limited and accordingly it has been shown as advance to GPCL. The land is yet to be transferred in the name of the Company.
- GPCL has given No Objection Certificate to Revenue Deptt. of Govt. of Gujarat for transfer of 3.68 hectare of land (out of 212 hectare) to Railways for laying new railway line between Rajula and Pipavay port. An amount of Rs. 10.85 lac has since been received by GPCL from Western Railways. Cost of 3.68 hectares of land transferred to Railways and received by GPCL shall be recovered from GPCL once the net cost of the land is determined as per the Joint Venture Agreement to be executed between NTPC, GPCL and Gujarat Urja Vikas Nigam Ltd. or its associates.

- Related Party Disclosures :
  - The company is a wholly owned subsidiary of NTPC Limited.
  - Key Management Personnel [appointed by NTPC Limited, GPCL and Gujarat State Electricity Corporation Limited (GSECL)]:
 

Sh. T. Sankaralingam	Chairman	
Sh. S. Trivedi	Director	
Sh. K. Prakasa Rao	Director	
Dr. Joy I. Cheenath	Director	w.e.f. 01.05.2005
Smt. Vijaylaxmi Joshi	Director	w.e.f. 24.07.2005

- The Key Management Personnel are on appointment to the company on part-time basis. The Company pays no remuneration to the key management personnel as their remuneration is paid by NTPC Limited or GPCL or GSECL.

- Earning per Share :  
The elements considered for calculation of Earning per Share (Basic and Diluted) are as under :

	Current Year	Previous Year
Net Profit before Tax used as numerator	<b>(40,083)</b>	<b>(24,252)</b>
Weighted Average number of Equity Shares used as denominator	<b>3,65,096</b>	<b>3,65,000</b>
Earning per Share - Basic and Diluted	<b>(0.11)</b>	<b>(0.07)</b>
Face value per share	<b>10</b>	<b>10</b>

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE:**

- Registration Detail**  
State Code : 055  
Registration No. U40105DL2001UGC113508  
Date Month Year  
31 03 2006

- Capital Raised during the year** (Amounts in Rs. Thousand)  
Public Issue NIL  
Right issue NIL  
Bonus Issue NIL  
Private Placement 50

- Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousand)  
Total Liabilities 64220  
Total Assets 64220

Source of Funds	
Paid up Capital	3700
Secured Loans	NIL
Reserve & Surplus	NIL
Unsecured Loans	NIL

Application of Funds	
Net Fixed Assets	NIL
Net Current assets	10
Accumulated Losses	3690
Investments	NIL
Misc. Expenditure	NIL

- Performance of Company (Amount in Rs. Thousand)  
Turnover NIL  
Total Expenditure 40  
Loss Before Tax 40  
Loss After Tax 40  
Earning Per Share in Rs. (-)0.11  
Dividend NIL

- Generic name of three principal products/services of Company (As per monetary terms)  
Item Code No. -  
(ITC Code) -  
Product Description -

For and on behalf of the Board of Directors  
(K. Prakasa Rao) (T. Sankaralingam)  
Director Chairman

In terms of our report of even date  
For Sanjeev Chopra & Co.  
Chartered Accountants  
(Praveen Kumar)  
Partner  
Place : New Delhi  
Dated : 25<sup>th</sup> May 2006

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2006**

	Rs	
	Current Year	Previous Year
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Operating Profit (Loss) before working capital changes	(40,083)	(24,252)
Adjustment for sundry creditors	2,830	2,512
<b>Net Cash flow outgo from operating activities - A</b>	<b>(37,253)</b>	<b>(21,740)</b>
<b>B. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Issue of share capital	50,000	-
<b>Net Cash flow (outgo) from Financing activities - B</b>	<b>50,000</b>	<b>-</b>
<b>Net Increase (Decrease) in cash and cash equivalents (A+B)</b>	<b>12,747</b>	<b>(21,740)</b>
<b>Cash &amp; Cash equivalents (Opening Balance)</b>	<b>17,632</b>	39,372
<b>Cash &amp; Cash equivalents (Closing Balance)</b>	<b>30,379</b>	17,632

Note: Cash & Cash equivalents includes cash in hand and balance with banks.

For and on behalf of Board of Directors  
(K. Prakasa Rao) (T. Sankaralingam)  
Director Chairman

In terms of our report of even date  
For Sanjeev Chopra & Co.  
Chartered Accountants

(Praveen Kumar)  
Partner

Place : New Delhi  
Dated : 25<sup>th</sup> May 2006

**Auditor's Report**

To the Members of  
Pipavav Power Development Company Limited

We have audited the attached balance sheet of **Pipavav Power Development Company Limited**, New Delhi as at 31st March 2006, the profit & loss account and also the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurances about whether the financial statements are free of material misstatement(s). An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We report that:

- (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
- (iii) The balance sheet, profit & loss account and cash flow statement dealt with by this report are in agreement with books of account;
- (iv) In our opinion, the balance sheet, profit & loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- (v) Being a Government Company, clause (g) of sub-section (1) of section 274 of the Companies Act, 1956 is not applicable to the company (Notification No. GSR 829 (E) dated 21.10.2003 issued by the Department of Company Affairs);
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (a) in the case of balance sheet, of the state of affairs of the company as at 31st March, 2006;
  - (b) in the case of profit & loss account, of the loss for the year ended on that date; and

(c) in the case of cash flow statement, of the cash flows for the year ended on that date.

As required by the Companies (Auditor's Report) Order, 2003 (the Order) issued by the Central government of India under sub-section (4 A) of section 227 of the Companies Act, 1956, we further report in terms of matters specified in paragraphs 4 and 5 of the said Order that:

- (i) Since the company has not commenced any business operations and is not having any fixed assets/stocks, clauses (i) & (ii) of the paragraph 4 of the Order are not applicable to the company;
- (ii) Since the company has neither granted nor taken any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under section 301 of Act, clause (iii) of the paragraph 4 of the Order is not applicable to the company;
- (iii) Since there is no inventory, fixed assets and sale of goods, clause (iv) of the paragraph 4 of the Order is not applicable to the company;
- (iv) According to the information given to us, there are no transactions that need to be entered in the register maintained u/s 301 of the Act, therefore clause (v) of the paragraph 4 of the Order is not applicable to the company;
- (v) According to the information and explanations given to us, the company has not accepted any deposits from public during the year, therefore, clause (vi) of the paragraph 4 of the Order is not applicable to the company;
- (vi) Since the company is neither a listed company and/nor having a paid up capital exceeding Rs. 50 Lakhs as at the commencement of the financial year concerned nor having an average annual turnover exceeding five crore rupees for a period of three consecutive financial years immediately preceding the financial year concerned, clause (vii) of the paragraph 4 of the Order is not applicable to the company;
- (vii) The Central Government has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 for the company, therefore, clause (viii) of the paragraph 4 of the Order is not applicable to the company;
- (viii) According to the information and explanations given to us, since the company has not commenced any business operations, various provisions with regard to payments of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Custom Duty, Excise Duty, cess and any other statutory dues are not applicable to company for the time being, therefore, clause (ix) of the paragraph 4 of the Order is not applicable to the company;
- (ix) Since the company is in existence for a period less than five years, clause (x) of the paragraph 4 of the Order is not applicable to the company;
- (x) As per the information and explanations given to us, clause (xi) of the paragraph 4 of the Order is not applicable to the company, since there is no dues payable by the company to a financial institutions or bank or debenture holders;
- (xi) The company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities, therefore, clause (xii) of the paragraph 4 of the Order is not applicable to the company;
- (xii) Since the company is not a chit fund/nidhi/mutual benefit fund/society, clause (xiii) of the paragraph 4 of the Order is not applicable to the company;
- (xiii) Since the company is not dealing or trading in shares, securities, debentures and other investments, clause (xiv) of the paragraph 4 of the Order is not applicable to the company;
- (xiv) As per the information and explanations given to us, the company has not given any guarantee for loans taken by others from bank or financial institutions, therefore, clause (xv) of the paragraph 4 of the Order is not applicable to the company;
- (xv) Since the company has not taken/raised any loans, clauses (xvi) & (xvii) of the paragraph 4 of the Order are not applicable to the company;
- (xvi) As per the information and explanations given to us, the company has not given any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Act, therefore, clause (xviii) of the paragraph 4 of the Order is not applicable to the company;
- (xvii) Since the company has not issued any debentures, clause (xix) of the paragraph 4 of the order is not applicable to the company;
- (xviii) Since the company has not raised money by public issue, clause (xx) of the paragraph 4 of the Order is not applicable to the company;
- (xix) As per information and explanations given to us, there are not frauds on or by the company has been noticed or reported during the year, therefore, clause (xxi) of the paragraph 4 of the Order is not applicable to the company.

For Sanjeev Chopra & Company  
Chartered Accountants

(Praveen Kumar)  
(M.S.No. 88192)  
Partner

Place : New Delhi  
Date : 25<sup>th</sup> May, 2006