

## SUBSIDIARY COMPANIES

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

### DIRECTORS' REPORT

#### To The Members, NTPC Electric Supply Company Limited

Your Directors have pleasure in presenting their Third Annual Report on the working of the Company for the financial year ended on 31<sup>st</sup> March 2005 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 for power development reforms, has been undertaken by your company.

Your company has been awarded consultancy work in the areas of Project Monitoring, Quality Assurance and inspection of APDRP work of Bhopal and Gwalior regions by Central Zone of Madhya Pradesh State Electricity Board/Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Ltd. Similar assignments of consultancy work in Indore and Ujjain circles along with eight districts of Western Zone of Madhya Pradesh State Electricity Board/Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Ltd. are also in progress since last year.

Chandigarh Administration has decided to entrust the Turnkey Contract for design, supply, erection, testing and commissioning of a 2X20 MVA sub-station along with associated HT line at Mani majra to your Company.

NTPC signed an MOU with Rural Electrification Corporation Ltd.(REC) for taking up rural electrification work in West Bengal under Government of India's Accelerated Rural Electrification Programme. A quadripartite Agreement has been signed between REC, WBSEB, Government of West Bengal and NTPC for the same along with a Supplementary Agreement between REC and your company for execution of the work. As per the agreement with REC, your company will be executing the work in Kharagpur Block -1 and 2 of West Midnapore Distt. of West Bengal.

The company is yet to undertake commercial activities in the area of distribution of power. It is exploring various options in this field. Your company is in discussions with the Government of Karnataka for acquisition of Manglore circle of Manglore Electric Supply Company Ltd. (MESCOM) in Karnataka. Based on the detailed discussions with Government of Karnataka, Karnataka Power Transmission Corporation Ltd. and MESCOM a draft Agreement for acquisition of electricity distribution business in Mangalore circle has been sent to Government of Karnataka.

An Expression of interest was submitted to Gujarat Electricity Board for appointment as city distribution franchisee in the cities of Baroda and Rajkot. Discussions are in progress for identification of a suitable distribution area in Gujarat, which is to be handed over to the Joint Venture Company to ensure bankability of the proposed 1000 MW power project at Pipavav as per the provisions of the MOU signed between NTPC, Gujarat Power Corporation Ltd. and Gujarat Electricity Board.

Your company has also decided to take up the distribution of electricity in the neighbouring areas of NTPC power stations. For this purpose the matter regarding required allocation of power from the unallocated quota of NTPC power stations has already been taken up with the Ministry of Power. Distribution of electricity in these areas is proposed to be undertaken by applying to the State Electricity Regulatory Commission for parallel license. As a pilot scheme, Electricity Distribution in the Korba Revenue District near NTPC station in Chattisgarh is being undertaken.

#### FINANCIAL RESULTS

During the current year the Company has recorded gross revenue of Rs. 748.00 lacs (previous year Rs. 176.83 lac) and a profit before tax of Rs. 26.04 lac as compared to the loss of Rs. 0.52 lac (before tax) in the previous year. The profit after tax for the current financial year is Rs. 4.01 lac. The Directors do not recommended any dividend.

#### PARTICULARS OF EMPLOYEES

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

#### DIRECTORS

Shri R.S.Sharma was nominated as Director by NTPC w.e.f. 26.07.2004. Shri S.L.Kapur ceased to be Director with effect from 31.08.2004 consequent upon his superannuation from the services of NTPC and Shri R.K. Jain was nominated as Director by NTPC on 06.09.2004. Shri P. Narasimharamulu and Shri K.K. Sinha also ceased to be Directors of the Company w.e.f. 1<sup>st</sup> April 2005 and in their place S/Sh. A.K. Singhal and G.K. Agarwal respectively were nominated as Directors on the Board.

The Board wishes to place on record its deep appreciation for the valuable services rendered by S/Shri S.L. Kapur, P.Narasimharamulu and K.K.Sinha.

#### FIXED DEPOSITS

The company has not accepted any fixed deposit during the period ending 31<sup>st</sup> March 2005.

#### AUDITORS'S 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 2004-05. There are no adverse comment, observation or reservation in the auditors report on the accounts of the Company. C&AG vide letter dated 13.06.2005 have stated that they have no comments upon or supplement to the Auditors' Report under section 619 (4) of the companies Act, 1956 on the annual accounts of the Company for the year ended on 31<sup>st</sup> March 2005. A copy of the certificate issued by C&AG in this regard is enclosed as Annex-1.

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

Particulars in respect of conservation of energy, technology absorption and foreign exchange earnings and outgo are not applicable.

#### 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 their 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 2004-05 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 the 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, Government of Karnataka, Government of Gujarat, various customers, National Thermal power Corporation Ltd., the Auditors, the Bankers and the employees of the Company.

For and on behalf of the Board of Directors

Place: New Delhi  
Date: 20.07.2005

( C.P. JAIN )  
CHAIRMAN

#### 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, 2005.

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, 2005 and as such he has no comments to make under Section 619(4) of the Companies Act, 1956.

(Revathi Bedi)  
Principal Director of Commercial Audit and  
ex-officio Member Audit Board-III,  
New Delhi

Place : New Delhi  
Dated : 13th June, 2005

#### SIGNIFICANT ACCOUNTING POLICIES

##### A. 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.

##### B. EXPENDITURE

- 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.
- Retirement Benefits

- The liability for retirement benefits for employees in respect of Provident Fund and Gratuity, which is ascertained annually on accrual valuation at the year end, are accrued and funded separately.
- The liabilities for leave encashment and post retirement medical benefits to employees are accounted for on accrual basis based on actuarial valuation at the year end.

**NTPC ELECTRIC SUPPLY COMPANY LIMITED  
BALANCE SHEET AS AT 31ST MARCH 2005**

|   | SCH. No. | 31.03.2005       | 31.03.2004      |
|---|----------|------------------|-----------------|
| <b>SOURCES OF FUNDS</b>   |          |                  |                 |
| <b>SHAREHOLDERS' FUNDS</b>  |          |                  |                 |
| Capital   | 1        | 809100           | 809100          |
| Reserves & Surplus  | 2        | 338100           | -               |
| <b>TOTAL</b>  |          | <b>1147200</b>   | <b>809100</b>   |
| <b>APPLICATION OF FUNDS</b>   |          |                  |                 |
| <b>CURRENT ASSETS, LOANS AND ADVANCES</b>                                   |          |                  |                 |
| Sundry debtors  | 3        | 91111986         | 18853087        |
| Cash and Bank balances  | 4        | 72170307         | 3804993         |
| Other current assets  | 5        | 21451            | -               |
| Loans & Advances  | 6        | 746653           | -               |
|   |          | <b>164050397</b> | <b>22568080</b> |
| <b>LESS: CURRENT LIABILITIES AND PROVISIONS</b>                             |          |                  |                 |
| Liabilities   | 7        | 162903197        | 22564898        |
|   |          | <b>162903197</b> | <b>22564898</b> |
| <b>Net Current Assets</b>   |          | <b>1147200</b>   | <b>93182</b>    |
| <b>Deffered Tax Assets</b>  |          | -                | 35191           |
| Miscellaneous Expenditure<br>(to the extent not written off<br>or adjusted) | 8        | -                | 617824          |
| Profit & Loss Account   |          | -                | 62903           |
| <b>TOTAL</b>  |          | <b>1147200</b>   | <b>809100</b>   |

Notes on Accounts 14  
Schedules 1 to 14, accounting policies and cashflow statement form integral part of Accounts.

As per our attached report of even date

For Kanwalia & Co.

Chartered Accountants

For & on behalf of the Board of Directors

(B.K.Kanwalia)

(A.K. Singhal)

(C.P.Jain)

Partner

Director

Chairman

Place : New Delhi

Date : 21st May, 2005

**NTPC Electric Supply Company Limited  
PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2005**

|   | Sch. No. | Current Year    | Previous Year   |
|---|----------|-----------------|-----------------|
| <b>INCOME</b>   |          |                 |                 |
| Sales   | 9        | 61150963        | 14630513        |
| Other income  | 10       | 13649250        | 3052133         |
| <b>TOTAL</b>  |          | <b>74800213</b> | <b>17682646</b> |
| <b>EXPENDITURE</b>  |          |                 |                 |
| Employees' remuneration<br>and benefits   | 11       | 54663655        | 13141022        |
| Administration and other expenses   | 12       | 17519892        | 4580278         |
| Finance charges   | 13       | 12876           | 13447           |
| <b>Total</b>  |          | <b>72196423</b> | <b>17734747</b> |
| Profit/ (Loss) before Tax   |          | <b>2603790</b>  | (52101)         |
| Provision for Current Tax   |          | <b>2167596</b>  | -               |
| Profit/ (Loss) after Current Tax  |          | <b>436194</b>   | (52101)         |
| Provision for deffered tax  |          | <b>35191</b>    | 18691           |
| Profit/ (Loss) after tax  |          | <b>401003</b>   | (33410)         |
| Balance brought forward   |          | <b>(62903)</b>  | (29493)         |
| Balance carried to Balance sheet  |          | <b>338100</b>   | (62903)         |
| Earnings per share (Equity share,<br>face value Rs.10/- each) - Basic and Diluted |          | 4.96            | (0.41)          |

As per our attached report of even date

For Kanwalia & Co.

Chartered Accountants

For & on behalf of the Board of Directors

(B.K.Kanwalia)

(A.K. Singhal)

(C.P.Jain)

Partner

Director

Chairman

Place : New Delhi

Date : 21st May, 2005

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

|   | 31.03.2005       | 31.03.2004       |
|---|------------------|------------------|
| <b>Schedule 1</b>   |                  |                  |
| <b>CAPITAL</b>  |                  |                  |
| <b>Authorised</b>   |                  |                  |
| 10,000,000 equity shares of Rs. 10/- each<br>(previous year 10,000,000 equity shares<br>of Rs. 10/- each)   | <b>100000000</b> | <b>100000000</b> |
| <b>Issued , Subscribed and Paid-up</b>  |                  |                  |
| 80,910 equity shares of Rs. 10/- each<br>(Previous year 80,910 equity shares of<br>Rs. 10/- each) are held by the holding company,<br>National Thermal Power Corporation Ltd.<br>and its nominees | <b>809100</b>    | <b>809100</b>    |
|   | <b>809100</b>    | <b>809100</b>    |
| <b>Schedule 2</b>   |                  |                  |
| <b>RESERVES AND SURPLUS</b>   |                  |                  |
| Surplus, balance in Profit and Loss Account   | <b>338100</b>    | (62903)          |
|   | <b>338100</b>    | (62903)          |
| <b>Schedule 3</b>   |                  |                  |
| <b>SUNDRY DEBTORS</b>   |                  |                  |
| Outstanding over six months   |                  |                  |
| —Unsecured, considered good   | <b>53161773</b>  | -                |
|   | <b>53161773</b>  | -                |
| Others  |                  |                  |
| —Unsecured, considered good   | <b>37950213</b>  | 18853087         |
|   | <b>37950213</b>  | 18853087         |
|   | <b>91111986</b>  | 18853087         |
| <b>Schedule 4</b>   |                  |                  |
| <b>CASH AND BANK BALANCES</b>   |                  |                  |
| Cash on hand  |                  |                  |
| (includes Cheques & Drafts on hand )  | <b>13878000</b>  | 3779383          |
| Balances with scheduled Banks   |                  |                  |
| — Current Account   | <b>3292307</b>   | 25610            |
| — Term Deposit Account  | <b>55000000</b>  | -                |
|   | <b>72170307</b>  | 3804993          |
| Cheques & Drafts on hand  | <b>13878000</b>  | 3777450          |
| <b>Schedule 5</b>   |                  |                  |
| <b>OTHER CURRENT ASSETS</b>   |                  |                  |
| Interest accrued on Short Term Deposits<br>with Indian Banks  | <b>21451</b>     | -                |
|   | <b>21451</b>     | -                |
| <b>SCHEDULE 6</b>   |                  |                  |
| <b>LOANS &amp; ADVANCES</b>   |                  |                  |
| Advance Tax deposit & tax deducted at source  | <b>2898390</b>   | -                |
| Less: Provision   | <b>2151737</b>   | -                |
|   | <b>746653</b>    | -                |
| <b>Schedule 7</b>   |                  |                  |
| <b>CURRENT LIABILITIES &amp; PROVISIONS</b>   |                  |                  |
| <b>Sundry Creditors</b>   |                  |                  |
| For goods and services  |                  |                  |
| -Others   | <b>1130200</b>   | 10800            |
| Deposits, retention money<br>from contractors and others  | <b>32510</b>     | -                |
|   | <b>1162710</b>   | 10800            |
| Advances from customers and others  | <b>8485000</b>   | 3785000          |
| Other Liabilities   | <b>6528443</b>   | 1170441          |
| Amount received against deposit works   | <b>68980000</b>  | -                |
| Amount payable to NTPC Ltd.   | <b>77747044</b>  | 17598657         |
|   | <b>162903197</b> | <b>22564898</b>  |



#### Schedule 8

##### MISCELLANEOUS EXPENDITURE

(To the extent not written off or Adjusted)

|   | 31.03.2005 | 31.03.2004    |
|---|------------|---------------|
| <b>Premiminary (incorporation) expenses</b> |            |               |
| Balances as per last Balance Sheet          | 617824     | 772280        |
| Additions during the year                   |            |               |
| Less Deductions/Adjustments                 | 617824     | 154456        |
|   | <u>-</u>   | <u>617824</u> |

#### Schedule 9

##### SALES

|  | Current Year    | Previous Year   |
|--|-----------------|-----------------|
| Consultancy, project management and supervision fees | 61150963        | 14630513        |
|  | <u>61150963</u> | <u>14630513</u> |

#### Schedule 10

##### OTHER INCOME

|  | 31.03.2005      | 30.03.2004     |
|--|-----------------|----------------|
| Reimbursibles billed to clients  | 13622127        | 3052133        |
| Interest from Indian Banks (Gross)<br>(Tax deducted at source Rs.5672,<br>previous year Rs. NIL) | 27123           | -              |
|  | <u>13649250</u> | <u>3052133</u> |

#### Schedule 11

##### EMPLOYEES' REMUNERATION AND BENEFITS

|   | 31.03.2005      | 30.03.2004      |
|---|-----------------|-----------------|
| Salaries, Wages, Bonus, allowances & benefits | 45146739        | 11032671        |
| Contribution to Provident and other funds     | 4699818         | 981348          |
| Welfare Expenses                              | 4817098         | 1127003         |
|   | <u>54663655</u> | <u>13141092</u> |

#### Schedule 12

##### ADMINISTRATION AND OTHER EXPENSES

|   | 31.03.2005      | 30.03.2004     |
|---|-----------------|----------------|
| Power charges                           | 202220          | 47560          |
| Rent                                    | 1072377         | 258678         |
| Repairs and maintenance                 |                 |                |
| Building                                | 81993           | -              |
| Others                                  | 42437           | 10182          |
|   | <u>124430</u>   | <u>10182</u>   |
| Insurance                               | 8381            | 2364           |
| Training and recruitment expenses       | 228482          | 39000          |
| Communication expenses                  | 1130494         | 339381         |
| Inland travel                           | 7742421         | 2042998        |
| Tender expenses                         | 227666          | 2530           |
| Less: Receipt from sale of tenders      | 38250           | -              |
|   | <u>189416</u>   | <u>2530</u>    |
| Remuneration to Auditors                |                 |                |
| Audit fees                              | 16530           | 10800          |
| Tax Audit fees                          | 7670            | -              |
| In Other Capacity                       | 18580           | -              |
| Out of pocket expenses                  | -               | -              |
|   | <u>42780</u>    | <u>10800</u>   |
| Entertainment expenses                  | 452221          | 102042         |
| Expenses for transit camp               | 506336          | 22330          |
| Prefeasibility study expenses           | 279578          | -              |
| Preliminary expenses written off        | 617824          | 154456         |
| Books and periodicals                   | 77035           | 21216          |
| Professional Charges & Consultancy fees | 7648            | -              |
| EDP hire and other charges              | 312274          | 117431         |
| Printing and stationary                 | 276219          | 7561           |
| Misc. expenses                          | 4249756         | 1401749        |
|   | <u>17519892</u> | <u>4580278</u> |

#### Breakup of miscellaneous expenses

|  | Current Year   | Previous Year  |
|--|----------------|----------------|
| Expenses on hiring of vehicles               | 2805844        | 917210         |
| Transport vehicle running expenses           | 22462          | -              |
| Furnishing expenses                          | 575207         | 21300          |
| Other Reimbursibles billed to clients        | 538005         | -              |
| Subscription to trade and other associations | 7361           | 800            |
| Others                                       | 300877         | 462439         |
|  | <u>4249756</u> | <u>1401749</u> |

#### Schedule 13

##### FINANCE CHARGES

|              | Current Year | Previous Year |
|--------------|--------------|---------------|
| Bank Charges | 12876        | 13447         |
|              | <u>12876</u> | <u>13447</u>  |

#### Schedule 14

##### Notes on Accounts

i) During the year, the Company has revised its accounting policies with respect to income recognition and accounting of Pre-paid expenses and prior period expenses/income. There is no impact of the revision of the above accounting policies on the accounts for the current year.

ii) Related Party Disclosures

- The Company is a wholly owned subsidiary of National Thermal Power Corporation Limited (NTPC Ltd.).
- Key Management Personnel (appointed by the Holding Company i.e. NTPC Ltd.)

| Name                   | Designation | Remarks                     |
|------------------------|-------------|-----------------------------|
| Shri C.P.Jain          | Chairman    |                             |
| Shri K.K.Sinha         | Director    |                             |
| Shri P.Narasimharamulu | Director    |                             |
| Shri S.L.Kapur         | Director    | Superannuated on 31.08.2004 |
| Shri R.D.Gupta         | Director    | Resigned w.e.f. 30.06.2004  |
| Shri R.S.Sharma        | Director    |                             |
| Shri R.K.Jain          | Director    |                             |

- The Key Management Personnel are on appointment to the Company on part-time basis from the Holding Company NTPC Ltd. 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 Ltd.

iii) The Company is operating in a single segment, that is providing consultancy, project management and supervision services.

iv) All the employees of the Company are on secondment from the Holding Company i.e. NTPC Ltd. The liabilities for retirement benefits in respect of Gratuity, leave encashment and post retirement medical benefits to employees have been accounted for as apportioned by the Holding Company.

v) Earnings 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 (Rs.)                 | 401003       | (33410)       |
| Weighted average number of equity shares used as denominator | 80910        | 80910         |
| Earnings per share (Rupees)                                  | 4.96         | (0.41)        |
| Face value per share (Rupees)                                | 10.00        | 10.00         |

vi) The provision for tax for the current year amounting to Rs. 21,67,596/- (Previous year Nil) includes the tax for the previous year amounting to Rs. 15,859/-.

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

viii) 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:   
 Registration No.

Date  Month  Year   
 Balance Sheet Date

**2. Capital Raised during the year**  
 (Amounts in Rs. Thousand)

Public Issue  Right issue   
 Bonus Issue  Private Placement

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

Total Liabilities  Total Assets

**Source of Funds**

Paid up Capital  Reserve & Surplus   
 Secured Loans  Unsecured Loans

**Application of Funds**

Net Fixed Assets  Investments   
 Net Current assets  Deferred Tax Asset   
 Misc. Expenditure  Accumulated Losses

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

Turnover  Total Expenditure   
 Profit Before Tax  Profit After Tax   
 Earning Per Share in Rs.  Dividend Rate (%)

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

(As per monetary terms)

Item Code No.   
 (ITC Code)  
 Product Description

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

(B.K.Kanwalia) Partner (A. K. Singhal) Director (C.P.Jain) Chairman

Place: New Delhi  
 Date : 21st May, 2005

**CASH FLOW STATEMENT**

| A. CASHFLOW FROM OPERATING ACTIVITIES                         | Rounded in Rs. |               |
|---|----------------|---------------|
|   | Current Year   | Previous Year |
| <b>Net Profit / (Loss) before tax and extraordinary items</b> | 2603790        | (52101)       |
| <b>Adjustment for:</b>  |                |               |
| write off of preliminary expenses                             | 617824         | 154456        |
| <b>Operating profit before working capital changes</b>        | 3221614        | 102355        |
| <b>Adjustments for:</b>                                       |                |               |
| Trade payables & other liabilities                            | 140338299      | 22523614      |
| Trade & other receivables                                     | (72280350)     | (18853087)    |
| <b>Cash from operations</b>                                   | 68057949       | 3670527       |
| <b>Direct Taxes Paid</b>                                      | 71279563       | 3772882       |
| <b>Net Cash from operating activities - A</b>                 | 2914249        | -             |
|   | 68365314       | 3772882       |

**B. CASHFLOW FROM INVESTING ACTIVITIES**

**C. CASHFLOW FROM FINANCING ACTIVITIES**

**D. OTHERS**

|  |          |         |
|--|----------|---------|
| Net increase / Decrease in cash & cash equivalents (A+B+C+D) | 68365314 | 3772882 |
| Cash & Cash equivalents (opening balance)                    | 3804993  | 32111   |
| Cash & Cash equivalents (closing balance)                    | 72170307 | 3804993 |

Note: Cash & Cash equivalents includes cash on hand and balance with banks. As per our report of even date

For Kanwalia & Co.

Chartered Accountants

(B.K.Kanwalia)

Partner

Place: New Delhi

Date : 21st May, 2005

**AUDITORS' REPORT**

The Members

M/s. NTPC Electric Supply Company Ltd.

New Delhi

We have audited the attached balance sheet of M/s NTPC Electric Supply Company Ltd. (a wholly owned subsidiary of NTPC Ltd.) as at 31<sup>st</sup> March 2005, the profit and loss account and also the cash flow statement for the quarter 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 purpose 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;
- The provisions of clause (g) of subsection (1) of section 274 of the Companies Act, 1956 are not applicable in view of the notification issued by the Central Government vide GSR 829(E) dated 21.10.2003.
- 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:
  - in the case of the balance sheet, of the state of affairs of the company as at 31<sup>st</sup> March 2005;
  - in the case of the profit and loss account, of the profit for the year ended on that date; and
  - in the case of the 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 : 21st May, 2005



## ANNEXURE TO THE AUDITORS' REPORT

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

- (i) (a) The company does not have Fixed Assets. Accordingly, the provisions of clause 4(i) (b) & (c) of the Companies (Auditors' Report) Order, 2003 are not applicable to the company.
- (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 to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act 1956. Accordingly, the provisions of clause 4(iii) (b), (c) & (d) of the Companies (Auditors' Report) Order, 2003 are not applicable to the company.
- (e) No loans have been taken from companies, firms or other parties listed in the registers maintained under Section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii) (f) & (g) of the Companies (Auditors' Report) Order, 2003 are not applicable to the company.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the company and nature of its business with regard to the sale of services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
- (v) (a) The company has not carried out any transactions required to be entered into the register maintained under section 301 of the Companies Act 1956. Accordingly, the provisions of clause 4 (v) (b) of the Companies (Auditors' Report) Order, 2003 are not applicable to the company.
- (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, 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 2005 for a period of more than six months from the date they became payable. The provisions related to provident fund, investor 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) Not applicable as the company has been in existence for less than three years as on 31<sup>st</sup> of March 2005 having been incorporated in August 2002.
- (xi) Not applicable as the company has not taken any loans from a financial institution, bank or by way of issue of debentures.
- (xii) The company has not granted any loans or advances.
- (xiii) In our opinion, the company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) as well as the sub-clauses (a), (b), (c) & (d) of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xiv) In our opinion, 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 (Auditors' 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  
Membership No.: 7719

Place : New Delhi  
Date : 21st May, 2005

## NTPC HYDRO LIMITED (A wholly owned subsidiary of NTPC) DIRECTORS' REPORT

### To the Members NTPC Hydro Limited

Your Directors have pleasure in presenting their Third Annual Report on the performance of the company for the financial year ended 31<sup>st</sup> March 2005 together with Audited Accounts and Auditors' Report.

### OPERATIONAL REVIEW

Your Company has entered into an Agreement with West Bengal State Electricity Board for implementation of Rammam Stage III, Hydro Electric Project (90 MW), subject to its Techno-Commercial viability and statutory clearances. The Company has since started activities related to updating of Detailed Project Report (DPR). Actions are also initiated towards implementation of the project.

Your Company has also completed the activities related to preparation of DPR for Lata-Tapovan Hydro-Electric Project on river Dhauliganga in the state of Uttaranchal. The Installed Capacity of the project envisaged in DPR is 162 MW (3 x 54 MW). DPR has been submitted to CEA. Implementation activities of the Project shall be initiated after receipt of Techno-Economic Clearance.

The Company, in order to explore business development opportunities in Hydro sector, has short-listed approx. 7500 MW for NTPC (>250 MW) and 700 MW for NHL, (<250 MW) in various states like Uttaranchal, Arunachal Pradesh, Karnataka, Andhra Pradesh, J&K and Meghalaya. Out of the above, Govt. of Arunachal Pradesh has allotted two projects namely Hutong and Kalai with total Installed Capacity of approx. 4400 MW and Govt. of Uttaranchal allotted Rupsiabagad-Khasiabada (260 MW) to NTPC. Implementation activities of these projects shall be initiated by NTPC on establishing techno-commercial viability and statutory clearances and entering into implementation agreement.

The Company plans to implement approx. 252 MW upto XI plan period from the following projects.

|  |          |
|--|----------|
| • Lata-Tapovan Project in Uttaranchal  | : 162 MW |
| • Rammam St-III Project in West Bengal | : 90 MW  |
|  | 252 MW   |

### FINANCIAL REVIEW

During the financial year ending on 31<sup>st</sup> March 2005 the company has incurred a loss of Rs.30,467,227 as against a loss of Rs.17,245,415 during the last year. The loss was on account of charging of employees' remuneration, administrative and other expenses to Profit & Loss Account since as per Accounting Standard-26 on Intangible Assets, pending approval of Detailed Project Report all expenditure relating to the project are to be charged to Profit & Loss Account.

### PARTICULARS OF EMPLOYEES

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

### DIRECTORS

Shri P. Narasimharamulu and Shri K.K. Sinha ceased to be Directors of the Company w.e.f. 1<sup>st</sup> April 2005 and in their place S/Sh. A.K. Singhal and G.K. Agarwal respectively were nominated as Directors on the Board.

The Board wishes to place on record its deep appreciation for the valuable services rendered by S/Sh. P. Narasimharamulu and K.K. Sinha.

### FIXED DEPOSITS

The company has not accepted any fixed deposit during the period ending 31<sup>st</sup> March 2005.

### AUDITORS REPORT & C&AG REVIEW

The Comptroller and Auditor General of India (C&AG) has appointed M/s S. R. Kapur & Co., Chartered Accountants as Statutory Auditor of the Company for the financial year 2004-2005. They were the Statutory Auditor of the company for the previous financial year as well. The C&AG vide their letter dated 22.07.2005 reviewed the report of the Auditors on the Annual Accounts of the company for the year ended on 2004-2005 and had stated that they have no comments upon or supplement to the Auditors' Report 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.

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

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 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 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, 2005 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 for safeguarding the assets of the company and for preventing and detecting the fraud and other irregularities; and
- iv) the directors had prepared the annual accounts on a going concern basis.

**ACKNOWLEDGEMENT**

The Board of Directors wish to place on record its appreciation for the support and co-operation extended by National Thermal Power Corporation Ltd., Govt. of Uttaranchal, West Bengal, Arunachal Pradesh, Andhra Pradesh, Karnataka, J&K, Meghalaya, the Auditors, the Bankers and the employees of the Company.

For and on behalf of the Board of Directors

Place: New Delhi  
 Date: 02.08.2005

(C.P.JAIN)  
 CHAIRMAN

**Annex-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 31st MARCH 2005**

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 Hydro Limited, New Delhi for the year ended 31st March, 2005.

Place : New Delhi  
 Dated : 22 July, 2005

(Revathi Bedi)  
 Principal Director of Commercial Audit and  
 ex-officio Member Audit Board - III,  
 New Delhi

**SIGNIFICANT ACCOUNTING POLICIES**

1. The accounts have been prepared on historical cost basis following accrual method of accounting.
2. Fixed Assets are shown at historical cost.
3. Intangible assets are recorded at their cost of acquisition.
4. Depreciation is charged on straight line method at the rates specified in Schedule XIV of the Companies Act, 1956.
5. 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.
6. Assets costing up to Rs. 5000/- are fully depreciated in the year of capitalization.
7. 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.
8. Capital expenditure referred to in Para 7 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.
9. Expenditure on Leave Travel Concession to employees is recognized in the year of availment due to uncertainties in accrual.
10. Retirement Benefits
  - a) The liability for retirement benefits of employees in respect of Provident Funds and Gratuity, which is ascertained on actuarial valuation at the year end, are accrued and funded separately.
  - b) The liabilities for leave encashment and post retirement medical benefits to employees are accounted for on accrual basis on actuarial valuation at the year end.

**NTPC HYDRO LIMITED**  
**BALANCE SHEET AS AT 31ST MARCH 2005**

|   |   | Rs.                |                   |
|---|---|--------------------|-------------------|
|   |   | As at              | As at             |
|   |   | 31.03.2005         | 31.03.2004        |
| <b>I. SOURCES OF FUNDS</b>                    |   |                    |                   |
| <b>Shareholders' Funds</b>                    |   |                    |                   |
| Capital                                       | 1 | 48,121,100         | 17,548,100        |
| <b>TOTAL</b>                                  |   | <b>48,121,100</b>  | <b>17,548,100</b> |
| <b>II. APPLICATION OF FUNDS</b>               |   |                    |                   |
| <b>(1) Fixed Assets</b>                       |   |                    |                   |
| (a) Gross Block                               | 2 | 3,501,732          | 1,216,459         |
| (b) Less: Depreciation                        |   | 582,918            | 177,616           |
| (c) Net Block                                 |   | 2,918,814          | 1,038,843         |
| (d) Capital Work In Progress                  | 3 | 662,063            | -                 |
|   |   | <b>3,580,877</b>   | <b>1,038,843</b>  |
| <b>(2) Current Assets, Loans and Advances</b> |   |                    |                   |
| (a) Cash and Bank balances                    | 4 | 1,328,901          | 1,226,034         |
| (b) Loans and Advances                        | 5 | 174,378            | 57,295            |
|   |   | <b>1,503,279</b>   | <b>1,283,329</b>  |
| <b>Less:</b>                                  |   |                    |                   |
| <b>Current Liabilities and Provisions</b>     |   |                    |                   |
| (a) Liabilities                               | 6 | 4,675,698          | 2,019,487         |
| Net Current Assets                            |   | <b>(3,172,419)</b> | <b>(736,158)</b>  |
| <b>(3)(a) Miscellaneous Expenditure</b>       |   | 7                  | -                 |
| (to the extent not written off or adjusted)   |   |                    |                   |
| <b>(b) Profit &amp; Loss Account</b>          |   | <b>47,712,642</b>  | <b>17,245,415</b> |
| <b>TOTAL</b>                                  |   | <b>48,121,100</b>  | <b>17,548,100</b> |

Notes on Accounts 10  
 Schedules 1 to 10, significant accounting policies and cash flow statement 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** (A.K.Singhal) (C.P.Jain)  
 (D.K.Gupta) Director Chairman

Partner

Place : New Delhi

Date : 19 MAY 2005

**NTPC HYDRO LIMITED**  
**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2005**

|  |   | Rs.               |                   |
|--|---|-------------------|-------------------|
|  |   | Current Year      | Previous Year     |
|  |   | SCHEDULE NO.      |                   |
| <b>EXPENDITURE</b>                                 |   |                   |                   |
| Employees' remuneration and benefits               | 8 | 10,870,779        | 5,854,922         |
| Administration & other expenses                    | 9 | 19,187,622        | 10,421,220        |
| Depreciation                                       |   | 407,006           | 177,616           |
| Finance charges                                    |   | 1,821             | 2,164             |
| Preliminary and Pre-operative Expenses written off |   | -                 | 789,493           |
| <b>Loss</b>  |   | <b>30,467,227</b> | <b>17,245,415</b> |
| <b>Balance brought forward</b>                     |   | <b>17,245,415</b> | <b>-</b>          |
| <b>Balance carried to Balance Sheet</b>            |   | <b>47,712,642</b> | <b>17,245,415</b> |
| <b>Earning per share(Basic/Diluted)</b>            |   | <b>(13.85)</b>    | <b>(52.94)</b>    |

For and on behalf of Board of Directors

As per our report of even date

**For S.R. KAPUR & CO.**

**Chartered Accountants** (A.K.Singhal) (C.P.Jain)  
 (D.K.Gupta) Director Chairman

Partner

Place : New Delhi

Date : 19 MAY 2005



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

|  | As at<br>31.03.2005 | Rs.<br>As at<br>31.03.2004 |
|--|---------------------|----------------------------|
| <b>Schedule 1</b>  |                     |                            |
| <b>CAPITAL AUTHORISED</b>  |                     |                            |
| 10,000,000 Equity shares of Rs. 10/- each (Previous year 10,000,000 Equity shares of Rs.10/- each) | <u>100,000,000</u>  | <u>100,000,000</u>         |
| <b>ISSUED</b>  |                     |                            |
| 10,000,000 Equity shares of Rs. 10/- each (Previous year 10,000,000 Equity shares of Rs.10/- each) | <u>100,000,000</u>  | <u>100,000,000</u>         |

**Schedule 2**  
**FIXED ASSETS**

| Fixed Assets   | GROSS BLOCK (AT COST) |           |                            |                     | DEPRECIATION       |                 |                            |                    | NET BLOCK           |                     |
|--|-----------------------|-----------|----------------------------|---------------------|--------------------|-----------------|----------------------------|--------------------|---------------------|---------------------|
|  | As at<br>01.04.2004   | Additions | Deductions/<br>Adjustments | As on<br>31.03.2005 | Upto<br>31.03.2004 | For the<br>Year | Deductions/<br>Adjustments | Upto<br>31.03.2005 | As at<br>31.03.2005 | As at<br>31.03.2004 |
| Furniture, fixtures & other office equipments          | 757,109               | 1,040,726 | 26,919                     | <b>1,770,916</b>    | 135,459            | 257,728         | 1,704                      | <b>391,483</b>     | <b>1,379,433</b>    | 621,650             |
| EDP-Computers  | 452,350               | 664,094   | -                          | <b>1,116,444</b>    | 41,935             | 107,196         | -                          | <b>149,131</b>     | <b>967,313</b>      | 410,415             |
| Communication Equipments                               | 7,000                 | 48,500    | -                          | <b>55,500</b>       | 222                | 42,082          | -                          | <b>42,304</b>      | <b>13,196</b>       | 6,778               |
| Capital expenditure on Assets not owned by the Company | -                     | 558,872   | -                          | <b>558,872</b>      | -                  | -               | -                          | -                  | <b>558,872</b>      | -                   |
|  | 1,216,459             | 2,312,192 | 26,919                     | <b>3,501,732</b>    | 177,616            | 407,006         | 1,704                      | <b>582,918</b>     | <b>2,918,814</b>    | 1,038,843           |
| Previous Year  | -                     | 1,216,459 | -                          | <b>1,216,459</b>    | -                  | 177,616         | -                          | <b>177,616</b>     | <b>1,038,843</b>    | -                   |

|  | As at<br>31.03.2005 | Rs.<br>As at<br>31.03.2004 |
|--|---------------------|----------------------------|
| <b>Schedule 3</b>                                      |                     |                            |
| <b>CAPITAL WORK-IN-PROGRESS AT COST</b>                |                     |                            |
| Capital expenditure on assets not owned by the company |                     |                            |
| Opening Balance  | -                   | -                          |
| Add: Addition During the Year                          | 662,063             | -                          |
| Closing Balance  | <u>662,063</u>      | <u>-</u>                   |

|                                 | As at<br>31.03.2005 | Rs.<br>As at<br>31.03.2004 |
|---------------------------------|---------------------|----------------------------|
| <b>Schedule 4</b>               |                     |                            |
| <b>CASH &amp; BANK BALANCES</b> |                     |                            |
| Cash In hand                    | -                   | 335                        |
| Balances with scheduled banks   |                     |                            |
| Current Account                 | <u>1,328,901</u>    | <u>1,225,699</u>           |
|                                 | <u>1,328,901</u>    | <u>1,226,034</u>           |

|   | As at<br>31.03.2005 | Rs.<br>As at<br>31.03.2004 |
|---|---------------------|----------------------------|
| <b>Schedule 5</b>   |                     |                            |
| <b>LOANS AND ADVANCES</b>   |                     |                            |
| Advances recoverable in cash or in kind or for value to be received |                     |                            |
| Unsecured, considered good  |                     |                            |
| Employees   | <u>97,800</u>       | 12,295                     |
| Others  | <u>52,128</u>       | 45,000                     |
| Security deposit other than cash                                    | <u>24,450</u>       | -                          |
|   | <u>174,378</u>      | <u>57,295</u>              |

|  | As at<br>31.03.2005 | Rs.<br>As at<br>31.03.2004 |
|--|---------------------|----------------------------|
| <b>Schedule 6</b>  |                     |                            |
| <b>CURRENT LIABILITIES</b>   |                     |                            |
| Sundry Creditors for goods and services including Rs.1774648/- (Previous year Rs. 16,77,843/-) payable to NTPC Ltd., Holding Company | <u>4,014,673</u>    | 1,807,317                  |
| Deposits, retention money from contractors and others  | <u>259,307</u>      | 37,000                     |
| Other Liabilities  | <u>401,718</u>      | 175,170                    |
|  | <u>4,675,698</u>    | <u>2,019,487</u>           |

**Schedule 1 (Contd.)**

|   | As at<br>31.03.2005 | Rs.<br>As at<br>31.03.2004 |
|---|---------------------|----------------------------|
| <b>SUBSCRIBED AND PAID-UP</b>   |                     |                            |
| 45,62,110 Equity shares of Rs. 10/- each (Previous year 16,54,810 Equity shares of Rs.10/- each) fully paid up.                       | <u>45,621,100</u>   | 16,548,100                 |
| 45,62,110 Equity shares of Rs.10/- each are held by the holding company, National Thermal Power Corporation Limited and its nominees) |                     |                            |
| Share Capital Deposit   | <u>2,500,000</u>    | 1,000,000                  |
|   | <u>48,121,100</u>   | <u>17,548,100</u>          |

**Schedule 7**

|  | As at<br>31.03.2005 | Rs.<br>As at<br>31.03.2004 |
|--|---------------------|----------------------------|
| <b>Schedule 7</b>  |                     |                            |
| <b>MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)</b> |                     |                            |
| Preliminary Expenses   | -                   | 773,100                    |
| Pre-operative Expenses   | -                   | 16,393                     |
| As per last Balance Sheet  | -                   | 789,493                    |
| Less: Adjustment   | -                   | 789,493                    |
|  | <u>-</u>            | <u>-</u>                   |

|   | Current Year      | Rs.<br>Previous Year |
|---|-------------------|----------------------|
| <b>Schedule 8</b>                             |                   |                      |
| <b>EMPLOYEES' REMUNERATION AND BENEFITS</b>   |                   |                      |
| Employees' remuneration and benefits          |                   |                      |
| Salaries, wages, bonus, allowances & benefits | <u>8,126,256</u>  | 4,774,119            |
| Contribution to provident and other funds     | <u>876,815</u>    | 476,725              |
| Welfare Expenses                              | <u>1,867,708</u>  | 604,078              |
|   | <u>10,870,779</u> | <u>5,854,922</u>     |

|  | Current Year     | Rs.<br>Previous Year |
|--|------------------|----------------------|
| <b>Schedule 9</b>                          |                  |                      |
| <b>ADMINISTRATION &amp; OTHER EXPENSES</b> |                  |                      |
| Power Charges                              | <u>58,322</u>    | 11,053               |
| Water Charges                              | <u>5,622</u>     | -                    |
| Rent                                       | <u>1,785,932</u> | 90,000               |
| Repairs & Maintenance                      | <u>557,317</u>   | 295,357              |
| Training & Recruitment Expenses            | <u>180,356</u>   | -                    |
| Communication Expenses                     | <u>491,718</u>   | 282,142              |
| Travelling Expenses                        | <u>946,063</u>   | 666,637              |
| Remuneration to Auditors                   |                  |                      |
| Audit Fee                                  | <u>16,530</u>    | 10,800               |
| In Other Capacity                          | <u>21,820</u>    | -                    |
| Brokerage & Commission                     | -                | 7,500                |
| Books and Periodicals                      | <u>20,748</u>    | 4,052                |
| Professional charges and consultancy fees  | <u>15,057</u>    | 3,726,766            |

**Schedule 9 (Contd.)**

|  | Current Year      | Previous Year     |
|--|-------------------|-------------------|
| Survey, Investigation, Consultancy and Supervision Charges | 13,177,615        | 4,325,400         |
| Legal Expenses   | 15,114            | 18,767            |
| EDP Hire and other charges                                 | 327,478           | 194,618           |
| Expenses on Hiring of Vehicle                              | 1,000,861         | 143,779           |
| Printing and Stationery                                    | 55,864            | 71,631            |
| Entertainment Expenses                                     | 140,162           | 243,284           |
| Miscellaneous Expenses                                     | 147,386           | 329,434           |
| Transit Hostel Expenses                                    | 223,647           | -                 |
|  | <b>19,187,622</b> | <b>10,421,920</b> |

**Schedule 10**

**NOTES ON ACCOUNT**

- Previous year's figures have been regrouped/rearranged wherever necessary.
- Estimated amount of contractors remaining to be executed on capital account and not provided for Rs. 319.87 lakhs.
- Related Party Disclosures

- The Company is a wholly owned subsidiary of National Thermal Power Corporation Limited (NTPC Ltd.)
- Key Management Personnel (appointed by the Holding Company i.e. NTPC Ltd.)

|                       |          |
|-----------------------|----------|
| Shri C.P. Jain        | Chairman |
| Shri K.K. Sinha       | Director |
| Shri P. Narasimhamulu | Director |
| Shri T. Sankaralingam | Director |

- The Key Management Personnel are on appointment to the Company on part-time basis from the Holding Company NTPC Ltd. 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 Ltd.
- All the employees are deputed from the parent company. The gratuity, liabilities for leave encashment and post retirement medical benefits to employees have been accounted for as apportioned by the parent company.
- Earning Per Share  
The elements considered for calculation of Earning Per Share (Basic and Diluted) are as under :

|  | Current Year | Previous Year |
|--|--------------|---------------|
| Net Loss used as numerator                                   | 30,467,227   | 17,245,415    |
| Weighted Average number of equity shares used as denominator | 22,001,966   | 3,257,479     |
| Earning Per Share (Rupees)- Basic and Diluted                | (13.85)      | (52.94)       |
| Face value per share (Rupees)                                | 10.00        | 10.00         |

**NTPC HYDRO LIMITED**  
**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

State Code : 055

**I Registration Details**

Registration No. U40101DL2002GO1118013

Balance-sheet date 31 03 05

**II Capital Raised during the year (Rs. In Thousands).**

Public Issue NIL

Rights Issue NIL

Bonus Issue NIL

Private Placement 29073

**III Position of Mobilization and Deployment of Funds (Amount in Rs. Thousands)**

Total liabilities

48121

Total Assets

48121

**Sources of Funds**

Paid up Capital 45621 Capital Deposit Account 2500

Secured Loans NIL

Reserve & Surplus NIL

Deferred Tax Liability NIL

Unsecured Loans NIL

**Application of Funds**

Net Fixed Assets 3580

Investments NIL

Net Current Assets -3172

Misc. Expenditure NIL

Accumulated Losses 47713

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

Turnover (Including Other Income) - - - - -

Total Expenditure 30467

Loss before tax 30467

Loss after tax 30467

Earning per share in Rs. - 13.85

Dividend Rate % NIL

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

Product Description: GENERATION OF ELECTRICITY Item Code 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

(A.K.Singhal)  
 Director

(C.P. Jain)  
 Chairman

Place : New Delhi  
 Dated: 19 MAY 2005

**NTPC HYDRO LIMITED**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2005**

|   | Current Year        | Previous Year       |
|---|---------------------|---------------------|
| <b>A CASH FLOW FROM OPERATING ACTIVITIES</b>  |                     |                     |
| Net Loss                                      | (30,467,227)        | (17,245,415)        |
| Adjustment for:                               |                     |                     |
| Depreciation                                  | 407,006             | 177,616             |
| Preliminary & Pre-operative Expenses          | -                   | 789,493             |
|   | <b>407,006</b>      | <b>967,109</b>      |
| Operating Loss before Working Capital Changes | (30,060,221)        | (16,278,306)        |
| Adjustment for:                               |                     |                     |
| Trade Payables and Other Liabilities          | 2,656,211           | 2,003,694           |
| Loans and Advances                            | (117,083)           | (57,295)            |
|   | <b>2,539,128</b>    | <b>1,946,399</b>    |
| Net Cash from Operating Activities-A          | (27,521,093)        | (14,331,907)        |
| <b>B CASH FLOW FROM INVESTING ACTIVITIES</b>  |                     |                     |
| Expenditure on Fixed Assets                   | (2,286,977)         | (1,216,459)         |
| Expenditure on Capital Work In Progress       | (662,063)           | -                   |
|   | <b>(30,470,133)</b> | <b>(15,548,366)</b> |





**C CASH FLOW FROM FINANCING ACTIVITIES**

|   | Current Year      | Rs.<br>Previous Year |
|---|-------------------|----------------------|
| Proceeds from issuance of share capital                 | <b>30,573,000</b> | 16,725,000           |
| <b>Net Increase in Cash and Cash equivalents(A+B+C)</b> | <b>102,867</b>    | 1,176,634            |
| <b>Cash and cash equivalents (Opening Balance)</b>      | <b>1,226,034</b>  | 49,400               |
| <b>Cash and cash equivalents (Closing Balance)</b>      | <b>1,328,901</b>  | 1,226,034            |

**Note: Cash and Cash Equivalents consists of Cash in hand and Balance with Banks**

As per our report of even date For and on behalf of the Board of Directors

|                                 |                      |                   |
|---------------------------------|----------------------|-------------------|
| <b>For S.R. KAPUR &amp; CO.</b> | <b>(A.K.Singhal)</b> | <b>(C.P.Jain)</b> |
| <b>Chartered Accountants</b>    | Director             | Chairman          |
| <b>(D.K.Gupta)</b>              |                      |                   |
| Partner                         |                      |                   |
| Place : New Delhi               |                      |                   |
| Date : 19 MAY 2005              |                      |                   |

**AUDITOR'S REPORT**

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

1. We have audited the attached Balance Sheet of **NTPC HYDRO LIMITED** as at 31<sup>st</sup> March, 2005, 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 of 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 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.
3. 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.
4. Further to our comments in the Annexure referred to above, 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 the 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. 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.
  - vi. 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;
    - a) in the case of the Balance Sheet of the state of affairs of the Company as at 31<sup>st</sup> March, 2005;
    - b) in the case of the Profit & Loss Account, of the loss for the year ended on that date; and
    - c) 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 (D.K. Gupta)  
Dated: 19 MAY 2005 Partner  
Membership No. 089480

**Annexure referred in paragraph 3 of Auditor's Report to the Members of NTPC HYDRO LIMITED on the accounts for the year ended on 31st March, 2005**

- i) a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- b) 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.
- c) 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.
- ii) 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.
- iii) 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.
- 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 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.
- v) a) 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.
- b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakhs in respect of each party during the year have been made at prices which are reasonable and during the year the company has made reimbursements only.
- vi) According to the information and explanations given to us, the company has not accepted deposits under the provisions of section 58A & 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules 1975.
- vii) In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
- viii) 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.
- ix) a) The company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education protection fund, employee's state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it.
- b) 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.
- c) According to the information and explanations 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) 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.
- xi) According to the information and explanations given to us, the company has not taken loans from financial institution, banks or debenture holders.
- xii) The company has not granted loans and advances on the basis of security by way of pledge of shares, debentures, and other securities.
- 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 is not applicable to the company.
- xiv) 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.
- (xv) The company has not given any guarantee for loans taken by others from banks or financial institutions.
- xvi) The company has not taken term loans during the year.
- xvii) The company has not raised short term or long term funds during the year.
- xviii) According to the information and explanations given to us, the company has made preferential allotment of shares to National Thermal Power Corporation 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.
- xix) The company has not issued debentures during the period covered by our audit.
- xx) The company has not raised money by 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 S.R. Kapur & Co.  
Chartered Accountants

Place : New Delhi (D.K. Gupta)  
Dated: 19 MAY 2005 Partner  
Membership No. 089480

**NTPC VIDYUT VYAPAR NIGAM LIMITED**  
(A wholly owned subsidiary of NTPC)

**DIRECTORS' REPORT**

**To the Members,  
NTPC Vidyut Vyapar Nigam Ltd.**

Your Directors have pleasure in presenting their Third Annual Report on the working of the Company for the financial year ended on 31<sup>st</sup> March 2005 together with Audited Statement of Accounts, Auditors' Report and Review by the Comptroller & Auditor General of India for this reporting period.

**FINANCIAL RESULTS**

|                                    | Year ended<br><b>31.03.2005</b> | Year ended<br>31.03. 2004 |
|------------------------------------|---------------------------------|---------------------------|
| Gross Revenue                      | <b>5,99,23,60,451</b>           | 2,29,13,58,387            |
| Profit before Tax                  | <b>9,11,90,161</b>              | 3,36,47,091               |
| Less: Provision for Current Tax    | <b>3,39,15,894</b>              | 1,21,93,301               |
| Profit after current Tax           | <b>5,72,74,267</b>              | 2,14,53,790               |
| Provision for deferred Tax         | <b>(90,098)</b>                 | 1,40,178                  |
| Profit after tax                   | <b>5,73,64,365</b>              | 2,13,13,612               |
| Balance brought forward            | <b>1,18,94,920</b>              | (1,31,785)                |
| Profit available for appropriation | <b>6,92,59,285</b>              | 2,11,81,827               |
| Transfer to General Reserve        | <b>14,34,109</b>                | 21,18,183                 |
| Proposed Dividend                  | <b>2,00,00,000</b>              | 63,54,548                 |
| Tax on proposed Dividend           | <b>28,05,000</b>                | 8,14,176                  |
| Surplus carried forward            | <b>4,50,20,176</b>              | 1,18,94,920               |

(Amount in Rs.)

**DIVIDEND**

Your Directors have recommended a dividend of Rs.2.00 crore, i.e. @ 10% of the paid up capital for the financial year 2004-05 as against Rs.63, 54,548/- paid last year. The dividend shall be paid after your approval at this Annual General meeting.

**BUSINESS SCENARIO**

In accordance to CERC notification your company was granted a trading license for 'E' category in the year 2004-05. However, with increased trading volumes beyond 1000 Mu, your company has moved to category 'F' trader within this year itself and CERC has been approached for upgradation of license category.

**BUSINESS ACTIVITIES**

During the year under review your company had traded 2616.253 Mu of electricity with various entities amounting to Rs.587.05 crores. The trading activity also included NTPC's unrequisioned surplus power of Liquid Fuel stations and facilitated transaction of 200.94 Mu of electricity pursuant to agreement entered into with TNEB and KSEB for sale of 150MW of power of RGCCPP of NTPC. During the year your company has transacted business with 19 State Power Utilities spread over all the five Electricity Regions of India. The Company is also in business discussions with other SEBs / State Power Utilities/ Transcos' and Discoms' of various states both for purchase and sale of power. However, with trading licenses issued to many other new trading companies, both buyers and sellers SEBs/state power utilities prefer the tender route for purchase and sale of power. This shall impact the future business activities of your company.

As per the Company's plans to expand its business interests of Trading of power from the Projects under development by NTPC, the company has entered into a PPA with NTPC on 31.03.2005 for purchase of 945 MW power from the upcoming projects.

Further, your Company also has plans to take initiatives for Long Term power purchase from Generators, Utilities/SEBs etc for which it shall invite competitive bids on Open tender basis.

**POWER EXCHANGE AT NATIONAL LEVEL**

On behalf of the holding company, your company 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.

**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 and B2B trading platform 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 2005.

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

Your Company does not own manufacturing facility. Hence, particulars in respect of conservation of energy, technology absorption are not applicable. During the period under review the Company had no earning in foreign exchange. However, an amount of Rs.153893/- only was spent in equivalent foreign currency towards expenses for foreign training programme.

**AUDIT COMMITTEE**

The Board of Directors had constituted an Audit Committee comprising S/Shri P. Narasimhamulu, R.D. Gupta and Shyam Wadhwa, Directors pursuant to the requirement of section 292A of the Companies Act, 1956. During the year, the Board nominated Shri R.S.Sharma and Shri A.K.Singhal in place of Shri R.D. Gupta and Shri P.Narasimhamulu respectively.

**BOARD OF DIRECTORS**

Shri R.D. Gupta ceased to be Director of the company w.e.f. 30.06.2004 and Shri R.S.Sharma, was appointed Director of the company in his place. S/Shri A.K.Singhal, Executive Director (Finance), NTPC and Shri G.K.Agarwal, Executive Director (HR), NTPC was nominated on the Board in place of S/Shri.P.Narasimhamulu and K.K.Sinha, Directors respectively.

The Board places on record its deep appreciation for the valuable contribution made by S/Shri R.D. Gupta, P.Narasimhamulu and K.K.Sinha.

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

The Comptroller and Auditor General of India (C & AG) has appointed M/s Kumra Bhatia & Co., Chartered Accountants as Auditor of the Company for the financial year ending 2004-05. There are no adverse comment, 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 31.3.2005 and has made no comment upon or supplement to the Auditors' Report under Section 619 (4) of the Companies Act, 1956. Comments of C & AG on the accounts of the Company for the financial year 2004-05 are at Annexure-1.

**DIRECTOR'S 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 2004-05 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 the fraud and other irregularities;
- 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 National Thermal Power Corporation Ltd., 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: 13.07.2005

(C.P.JAIN)  
CHAIRMAN

**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, 2005.**

I have to state that the Comptroller and Auditor General of India has no comments upon or supplement to the Auditor's 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, 2005.

(Revathi Bedi)

Principal Director of Commercial Audit and  
ex-officio Member Audit Board-III,  
New Delhi

Place : New Delhi  
Dated : 21st June, 2005

**NTPC VIDYUT VYAPAR 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. PROFIT AND LOSS ACCOUNT**

**2.1 INCOME RECOGNITION**

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

**2.2 EXPENDITURE**

- 2.2.1 Depreciation is charged on straight-line method at the rates specified in Schedule XIV of the Companies Act, 1956.  
2.2.2 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.  
2.2.3 Assets costing up to Rs.5000/- are fully depreciated in the year of capitalization.  
2.2.4 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.  
2.2.5 Expenses on training, recruitment and ex-gratia payments under Voluntary Retirement scheme are charged to revenue in the year of incurrence.  
2.2.6 Expenditure on Leave Travel Concession to employees is recognized in the year of avilment due to uncertainties in accrual.  
2.2.7 Prepaid expenses and prior period expenses/income of items of Rs.1, 00,000/- and below are charged to natural heads of accounts.

**3. RETIREMENT BENEFITS**

- 3.1 The liability for retirement benefits of employees in respect of Provident Fund and Gratuity, which is ascertained annually on actuarial valuation at the year end, are accrued and funded separately.  
3.2 The liabilities for leave encashment and post retirement medical benefits to employees are accounted for on accrual basis based on actuarial valuation at the year end.

**BALANCE SHEET AS AT 31<sup>st</sup> MARCH 2005**

|   | Schedule No. | 31.3.2005        | (Amount in Rs.)<br>31.3.2004 |
|---|--------------|------------------|------------------------------|
| <b>SOURCES OF FUNDS</b>                         |              |                  |                              |
| <b>SHAREHOLDERS' FUNDS</b>                      |              |                  |                              |
| Capital   | 1            | 200000000        | 200000000                    |
| Reserves & Surplus                              | 2            | 48572468         | 14013103                     |
| Deferred Tax Liability (Net)                    |              | -                | 66450                        |
| <b>TOTAL</b>                                    |              | <b>248572468</b> | <b>214079553</b>             |
| <b>APPLICATION OF FUNDS</b>                     |              |                  |                              |
| <b>FIXED ASSETS</b>                             |              |                  |                              |
| Gross Block                                     | 3            | 2607734          | 845690                       |
| Less: Depreciation                              |              | 308889           | 37295                        |
| Net Block                                       |              | <b>2298845</b>   | 808395                       |
| <b>CURRENT ASSETS, LOANS AND ADVANCES</b>       |              |                  |                              |
| Sundry debtors                                  | 4            | 245757584        | 228097028                    |
| Cash and bank balances                          | 5            | 234448175        | 195795999                    |
| Other current assets                            | 6            | 12677            | -                            |
| Loans and advances                              | 7            | 6229780          | -                            |
|   |              | <b>486448216</b> | <b>423893027</b>             |
| <b>LESS: CURRENT LIABILITIES AND PROVISIONS</b> |              |                  |                              |
| Liabilities                                     | 8            | 217393241        | 202803979                    |
| Provisions                                      | 9            | 22805000         | 7817890                      |
|   |              | <b>240198241</b> | <b>210621869</b>             |
| Net current assets                              |              | <b>246249975</b> | 213271158                    |
| Deferred Tax Asset (Net)                        |              | 23648            | -                            |
| <b>TOTAL</b>                                    |              | <b>248572468</b> | <b>214079553</b>             |

Notes on Accounts, Cash Flow Statement, Schedules 1 to 12 and accounting policies form integral part of accounts.

For and on behalf of the Board of Directors

As per our Report of even date (A. K. Singhal) (C.P.Jain)  
For Kumra Bhatia & Co. Director Chairman  
Chartered Accountants  
(Sharad Pathak)  
Partner  
M. No. 81724  
Place : New Delhi  
Dated : 26<sup>th</sup> May 2005

**NTPC VIDYUT VYAPAR NIGAM LTD**  
**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2005**

|   | Schedule No. | Current Year      | (Amount in Rs.)<br>Previous Year |
|---|--------------|-------------------|----------------------------------|
| <b>INCOME</b>   |              |                   |                                  |
| Sale  |              | 5870493765        | 2240284833                       |
| Rebate on Purchase  |              | 121587973         | 51004607                         |
| Interest (Gross)  |              |                   |                                  |
| (Tax deducted at source Rs.58280/-)   |              |                   |                                  |
| (Previous year Rs.14135/-)  |              | 278713            | 68947                            |
| <b>Total</b>  |              | <b>5992360451</b> | <b>2291358387</b>                |
| <b>EXPENDITURE</b>  |              |                   |                                  |
| Purchase  |              | 5746745992        | 2192164927                       |
| Open Access Charges   |              | 6605904           | -                                |
| Employees' remuneration and benefits  | 11           | 19027197          | 9505905                          |
| Administration & other expenses   | 12           | 7681137           | 5282944                          |
| Rebate on sale  |              | 120838239         | 50101745                         |
| Depreciation  |              | 271821            | 37295                            |
| Preliminary Expenses written off  | 10           | -                 | 618480                           |
| <b>Total</b>  |              | <b>5901170290</b> | <b>2257711296</b>                |
| <b>Profit before tax</b>  |              | <b>91190161</b>   | 33647091                         |
| Provision for current tax   |              | 33915894          | 12193301                         |
| <b>Profit after current tax</b>   |              | <b>57274267</b>   | 21453790                         |
| Provision for Deferred tax  |              | (90098)           | 140178                           |
| <b>Profit after tax</b>   |              | <b>57364365</b>   | 21313612                         |
| Balance brought forward   |              | 11894920          | (131785)                         |
| Balance available for appropriation   |              | <b>69259285</b>   | 21181827                         |
| Transfer to General Reserve   |              | 1434109           | 2118183                          |
| Proposed Dividend   |              | 20000000          | 6354548                          |
| Tax on Proposed Dividend  |              | 2805000           | 814176                           |
| <b>Balance carried to Balance Sheet</b>                                       |              | <b>45020176</b>   | <b>11894920</b>                  |
| Earnings per share (Equity share<br>face value Rs.10/-each)-Basic and Diluted |              | <b>2.87</b>       | 17.86                            |

For and on behalf of the Board of Directors

As per our Report of even date (A. K. Singhal) (C.P.Jain)  
For Kumra Bhatia & Co. Director Chairman  
Chartered Accountants  
(Sharad Pathak)  
Partner  
M. No. 81724  
Place : New Delhi  
Dated : 26<sup>th</sup> May 2005

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

|  | Schedule No. | 31.3.2005        | (Amount in Rs.)<br>31.3.2004 |
|--|--------------|------------------|------------------------------|
| <b>Schedule 1</b>  |              |                  |                              |
| <b>CAPITAL</b>   |              |                  |                              |
| <b>AUTHORISED</b>  |              |                  |                              |
| 2,00,00,000 equity shares of Rs. 10/-each  |              | 200000000        | 200000000                    |
| (Previous Year 2,00,00,000 equity shares of Rs.10/-each)   |              |                  |                              |
| <b>ISSUED, SUBSCRIBED AND 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) |              | <b>200000000</b> | <b>200000000</b>             |
| are held by the holding company, National Thermal Power Corporation Ltd., and its nominees                                     |              |                  |                              |
| <b>Schedule 2</b>  |              |                  |                              |
| <b>RESERVES &amp; SURPLUS</b>  |              |                  |                              |
| <b>General Reserve</b>   |              |                  |                              |
| As per last Balance Sheet  |              | 2118183          | -                            |
| Add: Transfer from Profit and Loss Account   |              | 1434109          | 2118183                      |
| Surplus, balance in Profit & Loss Account  |              | <b>45020176</b>  | <b>11894920</b>              |
|  |              | <b>48572468</b>  | <b>14013103</b>              |

**SCHEDULE 3  
FIXED ASSETS**

|  | <b>GROSS BLOCK</b> |           |                            |                     | <b>DEPRECIATION</b> |                 |                            | <b>NET BLOCK</b>   |                     |                     |
|--|--------------------|-----------|----------------------------|---------------------|---------------------|-----------------|----------------------------|--------------------|---------------------|---------------------|
|  | As at<br>1.04.2004 | Additions | Deductions/<br>Adjustments | As at<br>31.03.2005 | As at<br>1.04.2004  | For the<br>Year | Deductions/<br>Adjustments | upto<br>31.03.2005 | As at<br>31.03.2005 | As at<br>31.03.2004 |
| Furniture, fixtures & other office equipment | 58080              | 400111    | 31700                      | 426491              | 925                 | 45803           | 227                        | 46501              | 379990              | 57155               |
| EDP & WP machines                            | 774090             | 1393633   | -                          | 2167723             | 31863               | 221511          | -                          | 253374             | 1914349             | 742227              |
| Intangible assets-software                   | 13520              | -         | -                          | 13520               | 4507                | 4507            | -                          | 9014               | 4506                | 9013                |
| <b>Total</b>                                 | 845690             | 1793744   | 31700                      | 2607734             | 37295               | 271821          | 227                        | 308889             | 2298845             | 808395              |
| Previous Year 2003-04                        | -                  | 845690    | -                          | 845690              | -                   | 37295           | -                          | 37295              | 808395              | -                   |

**Schedule 4  
SUNDRY DEBTORS**

|                                   | 31.03.2005       | 31.3.2004        |
|-----------------------------------|------------------|------------------|
| Debts outstanding over six months |                  |                  |
| -Unsecured, considered good       | 334796           | -                |
| Other Debts                       |                  |                  |
| -Unsecured, considered good       | 245422788        | 228097028        |
|                                   | <b>245757584</b> | <b>228097028</b> |

**Schedule 5  
CASH & BANK BALANCES**

|  | 31.03.2005       | 31.3.2004        |
|--|------------------|------------------|
| Cash in hand                                 | 1930             | 5000             |
| Balances with scheduled banks                |                  |                  |
| -Current Account                             | 192392300        | 195790999        |
| -Current account linked-Term Deposit Account | 42053945         | -                |
|  | <b>234448175</b> | <b>195795999</b> |

**Schedule 6  
OTHER CURRENT ASSETS**

|  | 31.03.2005   | 31.3.2004 |
|--|--------------|-----------|
| Interest accrued on-term deposit account | 12677        | -         |
|  | <b>12677</b> | <b>-</b>  |

**Schedule 7  
LOANS AND ADVANCES**

|   | 31.03.2005     | 31.3.2004 |
|---|----------------|-----------|
| ADVANCES RECOVERABLE IN CASH OR IN KIND OR FOR VALUE TO BE RECEIVED |                |           |
| Advance deposit with WRLDC  |                |           |
| -Unsecured, considered good   | 3093312        | -         |
| Earnest money deposit with suppliers                                | 1300000        | -         |
| Advance Income Tax Deposit & Tax deducted at source                 | 35752362       | -         |
| Less: Provision for Income Tax                                      | 33915894       | -         |
|   | 1836468        | -         |
|   | <b>6229780</b> | <b>-</b>  |

**Schedule 8  
CURRENT LIABILITIES**

|                                      | 31.03.2005       | 31.3.2004        |
|--------------------------------------|------------------|------------------|
| Sundry Creditors                     |                  |                  |
| For goods and services               |                  |                  |
| -Suppliers/credit balances of buyers | 211586785        | 187345105        |
| -NTPC Ltd. (Holding Company)         | 5735928          | 13954502         |
| Other liabilities                    | 70528            | 1504372          |
|                                      | <b>217393241</b> | <b>202803979</b> |

**Schedule 9  
PROVISIONS**

|   | 31.03.2005      | 31.3.2004      |
|---|-----------------|----------------|
| Proposed dividend   |                 |                |
| As per last Balance Sheet                                 | 6354548         | -              |
| Additions during the year                                 | 20000000        | 6354548        |
| Amounts used during the year                              | 6354548         | -              |
| Closing Balance (Proposed Dividend)                       | 20000000        | 6354548        |
| Tax on proposed dividend                                  |                 |                |
| As per last Balance Sheet                                 | 814176          | -              |
| Additions during the year                                 | 2805000         | 814176         |
| Amounts used during the year                              | 814176          | -              |
| Closing Balance (Tax on proposed dividend)                | 2805000         | 814176         |
| Provision for Income Tax                                  | -               | 12193301       |
| Less: Advance Income Tax Deposit & Tax deducted at source | -               | 11544135       |
|   | <b>22805000</b> | <b>7817890</b> |

**Schedule 10  
MISCELLANEOUS EXPENDITURE  
(To the extent not written off or adjusted)**

|                                   | Current Year | Previous Year |
|-----------------------------------|--------------|---------------|
| Preliminary expenses              |              |               |
| Balance as per last Balance Sheet | -            | 618480        |
| Less: charged off to P&L Account  | -            | 618480        |
|                                   | <b>-</b>     | <b>-</b>      |

**Schedule 11  
EMPLOYEES' REMUNERATION AND BENEFITS**

|  | Current Year    | Previous Year  |
|--|-----------------|----------------|
| Salaries, wages, bonus, allowance & benefits | 14956229        | 7649176        |
| Contribution to provident and other funds    | 1560642         | 704640         |
| Welfare expenses                             | 2510326         | 1152089        |
|  | <b>19027197</b> | <b>9505905</b> |

**Schedule 12  
ADMINISTRATION & OTHER EXPENSES**

|   | Current Year   | Previous Year  |
|---|----------------|----------------|
| Repairs & Maintenance                     |                |                |
| Leased buildings-residential              | 241174         | -              |
| Office                                    | 91075          | 9073           |
| Rates and taxes                           | 1058600        | 139765         |
| Training & recruitment expenses           | 840613         | 309663         |
| Communication expenses                    | 449857         | 347937         |
| Travelling expenses                       | 2424197        | 2211148        |
| Tender expenses                           | 21000          | 18700          |
| Remuneration to auditors                  |                |                |
| Audit fee                                 | 33060          | 21600          |
| Tax audit fee                             | 9918           | 6480           |
| In other capacity                         | 20872          | -              |
| Business promotion and advertisement      | 289482         | 281965         |
| Entertainment expenses                    | 75012          | 126345         |
| Books, periodicals and subscriptions      | 25992          | 15658          |
| Professional charges and consultancy fees | 140089         | 310992         |
| Legal expenses                            | 180            | 897335         |
| EDP hire and other charges                | 212231         | 180870         |
| Printing and stationery                   | 166102         | 93083          |
| Bank and other Charges                    | 1414137        | 240393         |
| Loss on disposal of fixed assets          | 7471           | -              |
| Miscellaneous expenses                    | 160075         | 71937          |
|   | <b>7681137</b> | <b>5282944</b> |

**SCHEDULE 13**

**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) as on date.
- Contingent liability: Claims against the company not acknowledged as Debts is Rs. NIL (Previous year-Rs. 9, 07, 772/-).
- AS-17 on segment reporting is not applicable as the company deals in single segment. Company's principal business is trading of power. The company has not carried out any other business.



5. Accounting Policies of the Company have been revised to bring the same in line with Accounting Policies of the Holding Company. However, there is no impact of these changes on the financial results of the Company.

6. Related Party Disclosures

a) The Company is a wholly owned subsidiary of National Thermal Power Corporation Limited (NTPC Ltd.)

b) Key Management Personnel (appointed by the Holding Company i.e. NTPC Ltd.)

|                      |          |                           |
|----------------------|----------|---------------------------|
| Shri C.P.Jain        | Chairman |                           |
| Shri K.K.Sinha       | Director |                           |
| Shri P.Narasimhamulu | Director |                           |
| Shri R.D.Gupta       | Director | Resigned w.e.f.30.06.2004 |
| Shri Shyam Wadhwa    | Director |                           |
| Shri Chandan Roy     | Director |                           |
| Shri R.S.Sharma      | Director |                           |

c) The Key Management Personnel are on appointment to the Company on part-time basis from the Holding Company NTPC Ltd. 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 Ltd. In case of Shri Shyam Wadhwa, as he is now 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 & Diluted) are as under:

|  | <u>Current year</u> | <u>Previous year</u> |
|--|---------------------|----------------------|
| Net Profit after Tax used as numerator (Rupees)              | 57364365            | 21313612             |
| Weighted average number of equity shares used as denominator | 20000000            | 1192988              |
| Earning per share (Rupees)                                   | 2.87                | 17.86                |
| Face value per share (Rupees)                                | 10.00               | 10.00                |

8. In compliance of Accounting Standard -22 on "Accounting for taxes on Income" issued by the Institute of Chartered Accountants of India, provision for deferred tax Assets for the year ended 31<sup>st</sup> March 2005 has been made as under:

|   | <u>31.03.2005</u> | <u>31.03.2004</u> |
|---|-------------------|-------------------|
| <b>Deferred Tax Asset</b>   | <b>8859</b>       | 73728             |
| Less: I) Deferred Tax Asset created during the year (Permanent disallowable for Tax purpose). | 308133            | 64869             |
| Deferred Tax Asset (Balance)  | 316992            | 8859              |
| <b>Deferred Tax Liability</b>   | <b>75309</b>      | -                 |
| Add: Difference of Book depreciation and Tax depreciation                                     | 218035            | 75309             |
| Deferred Tax Liability (Balance)/(Net)  | 293344            | 66450             |
| <b>Deferred Tax Asset (Net)</b>   | <b>23648</b>      | -                 |

9. Licensed and Installed Capacities:

- a) Licensed Capacity - Not Applicable  
b) Installed Capacity - Not Applicable

10. Quantitative information in respect of purchase and sale of power (in KWH.)

|          | <u>Current Year</u> | <u>Previous Year</u> |
|----------|---------------------|----------------------|
| Purchase | <b>2616252909</b>   | 962235500            |
| Sale     | <b>2616252909</b>   | 962235500            |

11. Expenditure in foreign currency

(Amount in Rs.)

a) Training & recruitment expenses **153893** NIL

12. All the employees of the company are on secondment from the Holding Company i.e. NTPC Ltd. The liabilities for retirement benefits in respect of Gratuity, leave encashment and post retirement medical benefits to employees have been accounted for as apportioned by the Holding Company.

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

14. 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

Date: 31 Month: 03 Year: 2005

**II. Capital Raised during the year**

(Amounts in Rs. Thousand)

|              |     |                   |     |
|--------------|-----|-------------------|-----|
| Public Issue | NIL | Right issue       | NIL |
| Bonus Issue  | NIL | Private Placement | NIL |

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

Total Liabilities: 488771 Total Assets: 488771

**Source of Funds**

|                          |        |                    |       |
|--------------------------|--------|--------------------|-------|
| Paid up Capital          | 200000 | Reserves & Surplus | 48573 |
| Secured Loans            | NIL    | Unsecured Loans    | NIL   |
| Deferred Tax Liabilities | NIL    |                    |       |

**Application of Funds**

|                    |        |                     |     |
|--------------------|--------|---------------------|-----|
| Net Fixed Assets   | 2299   | Investments         | NIL |
| Net Current assets | 246250 | Misc. Expenditure   | NIL |
| Accumulated Losses | NIL    | Deferred Tax Assets | 24  |

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

|                                   |         |                   |         |
|-----------------------------------|---------|-------------------|---------|
| Turnover (Including other income) | 5992360 | Total Expenditure | 5901170 |
| Profit/Loss before Tax            | 91190   | Profit After Tax  | 57364   |
| Earning Per Share in Rs.          | 2.87    | Dividend Rate (%) | 10      |

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

(As per monetary terms)

|                     |                  |               |    |
|---------------------|------------------|---------------|----|
| Product Description | Trading of Power | Item Code No. | NA |
|---------------------|------------------|---------------|----|

For and on behalf of the Board of Directors

(A. K. Singhal) (C.P.Jain)  
Director Chairman

As per our Report of even date

For Kumra Bhatia & Co.

Chartered Accountants

(Sharad Pathak)

Partner

M. No. 81724

Place : New Delhi

Dated : 26<sup>th</sup> May 2005

**AUDITORS' REPORT**

Auditor's Report to the Members of **NTPC Vidyut Vyapar Nigam Limited**

1. We have audited the attached Balance Sheet of NTPC VIDYUT VYAPAR NIGAM LIMITED, as at 31<sup>st</sup> March 2005, 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 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.

3. 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.
4. 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 13, 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, 2005,
    - 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 Kumra Bhatia & Co.  
 Chartered Accountants  
 (SHARAD PATHAK)  
 Partner  
 M.N.81724

Place : New Delhi  
 Dated : 26<sup>th</sup> May 2005

**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 2005.

- (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
  - 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.
  - No substantial part of fixed assets has been disposed off during the year.
- (a), (b) & (c) are Not Applicable.
- (a) The Company has not granted any loans to, secured or unsecured to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
  - In view of clause (iii)(a) above, the clause (iii)(b), (iii)(c) and (iii)(d), are not applicable.
  - The Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Act [clause (iii) (e)].
  - In view of the clause (iii)(c) above, the clause (iii)(f) and (iii)(g) 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 nature of its business with regard to 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.
- (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.
  - In view of clause (v)(a) above, the clause (v)(b) is not applicable.
- The Company has not accepted deposits from the public.
- In our opinion the Company has an Internal Audit system, which is commensurate with the size of the company and nature of its business.
- The Central Government has not prescribed maintenance of cost records under section 209(1)(d) of the Companies Act, 1956.
- (a) The employees of NVVN are on secondment basis from its holding company i.e. NTPC Ltd. The holding company is regular in depositing undisputed statutory dues including dues like Provident Fund, Income Tax, Sales Tax and Services 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 31.03.2005 for a period of more than six months from the date they became payable.
- In view of clause (ix)(a) above, the clause (ix)(b) is not applicable.
  - The clause is not applicable.
  - The clause is not applicable.
  - The clause is not applicable.
  - The clause (xiii)(a), (b), (c) and (d) are not applicable.
  - The clause is not applicable.
  - The clause is not applicable.
  - The clause is not applicable.
  - The clause is not applicable.
  - The clause is not applicable.
  - The clause is not applicable.
  - The clause is not applicable.
  - The clause is not applicable.
  - The clause is not applicable.
  - The clause is not applicable.
  - 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 Kumra Bhatia & Co.  
 Chartered Accountants  
 (SHARAD PATHAK)  
 Partner  
 M.N.81724

Place : New Delhi  
 Dated : 26<sup>th</sup> May 2005

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2005**

(Amount in Rs)

|   | Current Year     | Previous Year     |
|---|------------------|-------------------|
| <b>A CASH FLOW FROM OPERATING ACTIVITIES</b>                        |                  |                   |
| Net profit before tax   | 91190161         | 33647091          |
| Adjustment for:   |                  |                   |
| Depreciation  | 271821           | 37295             |
| Preliminary Expenses written off                                    | -                | 618480            |
| <b>Operating profit before Working Capital Changes</b>              | <b>91461982</b>  | <b>34302866</b>   |
| Adjustment for:   |                  |                   |
| Trade and Other Receivables   | (17660556)       | (219435410)       |
| Trade Payable and Other Liabilities                                 | 14589262         | 184921216         |
| Other current Assets  | (12677)          |                   |
| Loans and Advances  | (6229780)        | (9313751)         |
| <b>Cash generated from operations</b>                               | <b>82148231</b>  | <b>(211328)</b>   |
| Direct Taxes Paid   | 34565060         | 11544135          |
| <b>Net Cash from Operating Activities-A</b>                         | <b>47583171</b>  | <b>(11755463)</b> |
| <b>B CASH FLOW FROM INVESTING ACTIVITIES</b>                        |                  |                   |
| Expenditure on Fixed Assets   | (1762271)        | 845690            |
| <b>Net Cash in Investing Activities -B</b>                          | <b>(1762271)</b> | <b>(845690)</b>   |
| <b>C CASH FLOW FROM FINANCING ACTIVITIES</b>                        |                  |                   |
| Equity Capital Issued   | -                | 199176900         |
| Dividend  | (6354548)        |                   |
| Tax on Dividend   | (814176)         |                   |
| <b>Net Cash flow from Financing Activities-C</b>                    | <b>(7168724)</b> | <b>199176900</b>  |
| <b>Net Increase/(Decrease) in Cash and cash equivalents (A+B+C)</b> | <b>38652176</b>  | <b>186575747</b>  |
| <b>Cash and cash equivalents (Opening balance) *</b>                | <b>195795999</b> | <b>9220252</b>    |
| <b>Cash and cash equivalents (Closing balance)*</b>                 | <b>234448175</b> | <b>195795999</b>  |

\*Note: Cash and cash equivalents consist of Cash in Hand & Balance with Banks.

For and on behalf of the Board of Directors  
 (A. K. Singhal) (C.P.Jain)  
 Director Chairman  
 As per our Report of even date  
 For Kumra Bhatia & Co.  
 Chartered Accountants  
 (Sharad Pathak)  
 Partner  
 M. No. 81724  
 Place : New Delhi  
 Dated : 26<sup>th</sup> May 2005



## PIPAVAV POWER DEVELOPMENT COMPANY LIMITED

### DIRECTORS' REPORT

To

#### The Members

#### Pipavav Power Development Company Ltd.

Your Directors have pleasure in presenting their 4<sup>th</sup> Annual Report on the Working of the Company together with Audited Accounts for the financial year 2004-2005.

#### IMPLEMENTATION OF PIPAVAV MEGA POWER PROJECT

Your company (PPDCL) was established as a wholly owned subsidiary company of National Thermal Power Corporation Ltd. (NTPC) pursuant to a Presidential directive from the Government of India for the purpose of acquisition of land and development of infrastructure for setting up of a power project in Amreli District of Gujarat. After completion of all pre-development activities for Pipavav Power Project, identified under NTPC's scope of work, Ministry of Power was requested to consider approaching Government of Gujarat to ascertain if it or any of its agencies is interested in implementation of this project.

Ministry of Power, after discussing the matter with the Government of Gujarat, conveyed that the project may be developed through a Joint Venture Company between NTPC and Government of Gujarat/ Agencies of Government of Gujarat. Accordingly, a Memorandum of Understanding was signed on 20<sup>th</sup> February 2004 between NTPC, Gujarat Power Corporation Ltd. (GPCL) and Gujarat Electricity Board (GEB). As per the MOU the Pipavav Power Project shall be set up in Joint Venture of NTPC with GPCL with equal participation (NTPC -50% and GPCL -50%) in a new company or GPCL will purchase from NTPC 50% of its shareholding in PPDCL.

In compliance with the Presidential directive issued by MOP vide letter dated 15.12.1999, in January 2000, NTPC made the payment of Rs.6.05 crore to GPCL towards compensation for 212 hectares of land for the main plant area of Pipavav Mega Power Project.

NTPC/PPDCL had requested GPCL / Govt. of Gujarat for transfer of the above referred 212 hectares of land in favour of the Company free from all encumbrances/ litigation. However, the land alongwith necessary documents has not yet been transferred in favour of the Company. GPCL has also been requested to promptly pay back to NTPC/ PPDCL, the compensation received / to be received from Railways towards the cost of land transferred to Railways.

For development of Pipavav Power Project in Gujarat as per the MOU signed between NTPC and GPCL and GEB, GPCL will secure, with the help of Government of Gujarat, required land for the project and transfer and hand-over the physical possession of the proposed land free from all encumbrances, litigation and charges. As regards the expenditure incurred on land acquisition and other related activities by both NTPC/PPDCL and GPCL/GOG, the same will be discussed at the time of finalisation of Joint Venture Agreement.

#### FINANCIAL REVIEW

The expenses incurred during the year was Rs. 24,252 which has been charged to the Profit & Loss Account during the reporting year. The net loss, therefore, during the financial year ending 31<sup>st</sup> March 2005 was Rs.24,252/-.

#### PARTICULARS OF EMPLOYEES

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

#### DIRECTORS

Shri S.L. Kapur ceased to be Director of the Company w.e.f. 8<sup>th</sup> September 2004 and Shri R.K. Jain, Executive Director, NTPC was appointed as Director of the company w.e.f. 8<sup>th</sup> September 2004. Shri R.K. Jain, ceased to be Director of the company w.e.f. 1<sup>st</sup> April 2005 and in his place Shri K. Prakasa Rao, Executive Director(Engg.), NTPC was appointed as Director of the Company.

Your Board placed on record its deep appreciation for the valuable services rendered by S/Sh S.L. Kapur and R.K. Jain during the initial stage of the Company.

Dr. Joy I. Cheenath, Managing Director, GPCL was appointed as Director on the Board as GPCL's representative w.e.f. 1<sup>st</sup> May 2005.

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

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 2004-05. There are no adverse comment, observation or reservation in the auditors report on the accounts of the Company. C&AG vide letter dated 10<sup>th</sup> June 2005 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 2005 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 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 2004-05. 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 2005.

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

Since 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 at 31<sup>st</sup> March 2005 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 ongoing concern basis.

#### 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, National Thermal Power Corporation Ltd., Gujarat Power Corporation Ltd., Gujarat Electricity Board, 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: 15<sup>th</sup> July, 2005

Annex-I

#### 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 2005.

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, 2005 and as such he has no comments to make under section 619(4) of the Companies Act, 1956.

(Revathi Bedi)  
Principal Director of Commercial Audit and  
ex-officio Member Audit Board-III,  
New Delhi

Place : New Delhi  
Dated : 10<sup>th</sup> June, 2005

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<sup>st</sup> March, 2005 (**Financial Year**). In our opinion and to the best of our information and according to the examinations carried out by us and explanations furnished to us by the company, its officers and agents, we certify that in respect of the aforesaid financial year :

1. The Company has kept and maintained all registers as stated in **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 on the dates as stated in **Annexure 'B'** to this certificate with the Registrar of companies, Regional Director, Central Government, Company Law Board or other authorities as required 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 on 31/5/2004, 28/7/2004, 7/12/2004 and 30/03/2005 in respect of which meetings 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 for the financial year.
  6. The Annual General Meeting for the financial year ended on 31st March, 2004 was held on 28th July, 2004 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 u/s 301(3).
  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 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 amount in Inversot Education and Protection Fund during the financial 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 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 agents during the financial year.
  17. The company has not obtained any approvals of the Central Government, Company Law Board, Regional Director, Registrar of Companies and/or such 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 thereunder.
  19. The company has not issued any shares, debentures or other securities during the financial year.
  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 the 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 loans falling within the purview of Section 58 A during the financial year.
  24. The company has not made any borrowings during the financial year ended 31st March, 2005.
  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 financial 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 name of the company during the financial year under scrutiny.
  29. The company has not altered the provisions of the Memorandum with respect to 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 punishment was 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 provident fund trust for its employee or 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 : 30.05.05

Annexure 'A'  
 Registers as maintained by the company.

1. Register of Members u/s 150
2. Index of Members u/s 151
3. Register of transfers
4. Books of Accounts u/s 209
5. Register of particulars of contracts in which directors are interested u/s 301
6. Registers of Directors, Managing Director, Manager and Secretary under sec 303
7. Register of Directors' Shareholdings u/s 307
8. Register of Directors' Attendance
9. Minutes Books for General Meetings / Board Meetings
10. Register of Share application & allotment

Annexure 'B'

Forms and Returns as filed by the company with the Registrar of Companies, Regional Director, Central Government or other authorities during the financial year ending on 31st March, 2005.

1. Balance Sheet u/s 220 on 18/8/2004
2. Compliance Certificates u/s 383A on 18/8/2004
3. Form No. 32 u/s 303(2) on 13/9/2004
4. Annual Returns u/s 159 on 21/9/2004

#### Accounting Policies

The accounts have been prepared under historical cost convention on accrual basis as per the applicable Accounting Standards.

#### PIPAVAY POWER DEVELOPMENT COMPANY LIMITED BALANCE SHEET AS AT 31ST MARCH 2005

|   |                   | (Amount in Rs.)   |  |
|---|-------------------|-------------------|--|
| Schedule No.  | 31.3.2005         | 31.3.2004         |  |
| <b>SOURCES OF FUNDS</b>   |                   |                   |  |
| <b>SHAREHOLDERS' FUNDS</b>  |                   |                   |  |
| Capital   | 3,650,000         | 3,650,000         |  |
| <b>TOTAL</b>  | <b>3,650,000</b>  | <b>3,650,000</b>  |  |
| <b>APPLICATION OF FUNDS</b>   |                   |                   |  |
| <b>CURRENT ASSETS, LOANS AND ADVANCES</b>                             |                   |                   |  |
| Cash and Bank balances  | 17,632            | 39,372            |  |
| Loans & Advances  | 60,500,000        | 60,500,000        |  |
|   | <b>60,517,632</b> | <b>60,539,372</b> |  |
| <b>LESS : CURENT LIABILITIES AND PROVISIONS</b>                       |                   |                   |  |
| Liabilities   | 60,517,632        | 60,515,120        |  |
| Net Current Assets  | -                 | 24,252            |  |
| Miscellaneous Expenditure (to the extent not written off or adjusted) | -                 | -                 |  |
| Profit & Loss Account   | 3,650,000         | 3,625,748         |  |
| <b>TOTAL</b>  | <b>3,650,000</b>  | <b>3,650,000</b>  |  |

Notes on Accounts  
 Schedules 1 to 6, accounting policies and cashflow statement form integral part of Accounts.  
 For and on behalf of Board of Directors  
 (K. Prakasa Rao) (T. Sankaralingam)  
 Director Chairman

As per our Report of even date  
 For Sanjeev Chopra & Co.  
 Chartered Accountants  
 (Praveen Kumar)  
 Partner

Place : New Delhi  
 Dated : 30<sup>th</sup> May 2005





**PIPAVAY POWER DEVELOPMENT COMPANY LIMITED**  
**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2005**

|  | Rounded in Rs.     |                    |
|--|--------------------|--------------------|
|  | Current Year       | Previous Year      |
| <b>EXPENDITURE</b>   |                    |                    |
| Miscellaneous Expenses   | -                  | 50                 |
| Filing fees  | 2,000              | 2,500              |
| Bank charges   | 300                | -                  |
| Secretarial audit fees   | 4,408              | 4,320              |
| Audit fees   | 17,544             | 10,800             |
| Survey and Investigation expenses written off                                  | -                  | 2,810,162          |
| Preliminary and Pre-operative expenses written off                             | -                  | 797,916            |
| <b>Total</b>   | <b>24,252</b>      | <b>3,625,748</b>   |
| Profit/ (Loss) before Tax  | <b>(24,252)</b>    | <b>(3,625,748)</b> |
| Provision for Current Tax  | -                  | -                  |
| Profit/ (Loss) after current Tax   | <b>(24,252)</b>    | <b>(3,625,748)</b> |
| Provision for deferred tax   | -                  | -                  |
| Profit/ (Loss) after tax   | <b>(24,252)</b>    | <b>(3,625,748)</b> |
| Balance brought forward  | <b>(3,625,748)</b> | -                  |
| Balance carried to Balance sheet   | <b>(3,650,000)</b> | <b>(3,625,748)</b> |
| Earnings per share (Equity share, face value Rs.10/- each) - Basic and Diluted | <b>(0.07)</b>      | <b>(9.93)</b>      |

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

As per our attached report of even date.  
For Sanjeev Chopra & Co.  
Chartered Accountants  
(Praveen Kumar)  
Partner

Place : New Delhi  
Dated : 30<sup>th</sup> May 2005

**PIPAVAY POWER DEVELOPMENT COMPANY LIMITED**

|   | Rounded in Rs.     |                    |
|---|--------------------|--------------------|
|   | 31.03.2005         | 31.03.2004         |
| <b>SCHEDULE 1</b>   |                    |                    |
| <b>CAPITAL</b>  |                    |                    |
| <b>Authorised</b>   |                    |                    |
| 10,000,000 equity shares of Rs. 10/- each<br>(previous year 10,000,000 equity shares<br>of Rs. 10/- each)   | <b>100,000,000</b> | <b>100,000,000</b> |
| <b>Issued, Subscribed and Paid-up</b>   |                    |                    |
| 365,000 equity shares of Rs. 10/- each<br>(Previous year 365,000 equity shares of<br>Rs. 10/- each) are held by the holding company,<br>National Thermal Power Corporation Ltd.<br>and its nominees | <b>3,650,000</b>   | <b>3,650,000</b>   |
|   | <b>3,650,000</b>   | <b>3,650,000</b>   |

|                               | 749           | 749           |
|-------------------------------|---------------|---------------|
| <b>SCHEDULE 2</b>             |               |               |
| <b>CASH AND BANK BALANCES</b> |               |               |
| Cash in hand                  | 749           | 749           |
| Balances with schedule Banks  |               |               |
| - Current Account             | <b>16,883</b> | <b>38,623</b> |
|                               | <b>17,632</b> | <b>39,372</b> |

|  |                   |                   |
|--|-------------------|-------------------|
| <b>SCHEDULE 3</b>  |                   |                   |
| <b>LOANS &amp; ADVANCES</b>  |                   |                   |
| (Advances recoverable in cash or in kind<br>for value to be received)      |                   |                   |
| Advance to Gujarat Power Corporation Limited<br>Unsecured, considered good | <b>60,500,000</b> | <b>60,500,000</b> |

|   | 17,632            | 15,120            |
|---|-------------------|-------------------|
| <b>SCHEDULE 4</b>                                       |                   |                   |
| <b>CURRENT LIABILITIES &amp; PROVISIONS</b>             |                   |                   |
| <b>Sundry Creditors</b>                                 |                   |                   |
| For goods and services                                  | 17,632            | 15,120            |
| -Others   | <b>17,632</b>     | <b>15,120</b>     |
| Advance from<br>National Thermal Power Corporation Ltd. | <b>60,500,000</b> | <b>60,500,000</b> |
|   | <b>60,517,632</b> | <b>60,515,120</b> |

**SCHEDULE 5**

**MISCELLANEOUS EXPENDITURE**  
( To the extent not written off or Adjusted)

|  |   |           |
|--|---|-----------|
| Preliminary Expenses                       | - | 772,200   |
| Pre-operative expenses                     | - | 25,716    |
| Survey and Investigation expenses          | - | 2,810,162 |
| Less: Transferred to Profit & Loss Account | - | 3,608,078 |
|  | - | 0         |

**SCHEDULE-6**

**Notes on Accounts**

- Pursuant to Presidential Directive received under Articles of Association of National Thermal Power Corporation Limited (NTPC), 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.
- Previous year figures have been regrouped/rearranged wherever necessary.
- Related Party Disclosures
  - The company is a wholly owned subsidiary of National Thermal Power Corporation Limited (NTPC Ltd.)
  - Key Management Personnel (appointed by the Holding Company i.e. NTPC Ltd.)
 

|                      |          |                                       |
|----------------------|----------|---------------------------------------|
| Shri T.Sankaralingam | Chairman |                                       |
| Shri S.L. Kapur      | Director | Ceased to be Director w.e.f. 08.09.04 |
| Shri S. Trivedi      | Director |                                       |
| Shri R.K. Jain       | Director | Appointed w.e.f. 08.09.04             |
  - The Key Management Personnel are on appointment to the company on part-time basis from the Holding Company NTPC Ltd. 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 Ltd.
- Information pursuant to part IV of Scheduled VI of the Companies Act, 1956.

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

|   |   |                   |         |   |
|---|---|-------------------|---------|---|
| <b>1. Registration Detail</b>   | State                                     | Code :            | 0       | 5 |
| Registration No.  | U 4 0 1 0 5 D L 2 0 0 1 U G C 1 1 3 5 0 8 |                   |         |   |
| Balance Sheet Date  | Date                                      | Month             | Year    |   |
|   | 3 1                                       | 0 3               | 2 0 0 5 |   |
| <b>2. Capital Raised during the year</b> (Amounts in Rs. Thousand)                  | Public Issue                              | Right issue       |         |   |
|   | N I L                                     | N I L             |         |   |
|   | Bonus Issue                               | Private Placement |         |   |
|   | N I L                                     | N I L             |         |   |
| <b>3. Position of Mobilisation and Deployment of Funds</b> (Amount in Rs. Thousand) | Total Liabilities                         | Total Assets      |         |   |
|   | 6 4 1 6 8                                 | 6 4 1 6 8         |         |   |
| <b>Source of Funds</b>  | Paid up Capital                           | Reserve & Surplus |         |   |
|   | 3 6 5 0                                   | N I L             |         |   |
|   | Secured Loans                             | Unsecured Loans   |         |   |
|   | N I L                                     | N I L             |         |   |
| <b>Application of Funds</b>   | Net Fixed Assets                          | Investments       |         |   |
|   | N I L                                     | N I L             |         |   |
|   | Net Current assets                        | Misc. Expenditure |         |   |
|   | N I L                                     | N I L             |         |   |
|   | Accumulated Losses                        |                   |         |   |
|   | 3 6 5 0                                   |                   |         |   |
| <b>4. Performance of Company</b> (Amount in Rs. Thousand)                           | Turnover                                  | Total Expenditure |         |   |
|   | N I L                                     | 2 4               |         |   |
|   | Loss Before Tax                           | Loss After Tax    |         |   |
|   | 2 4                                       | 2 4               |         |   |
|   | Earning Per Share in Rs.                  | Dividend          |         |   |
|   | (-) 0 . 0 7                               | N I L             |         |   |

5. 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 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 : 30<sup>th</sup> May 2005

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2005**

|   | (Rounded in Rs) |               |
|---|-----------------|---------------|
|   | Current Year    | Previous Year |
| <b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>                     |                 |               |
| <b>Net Loss before tax and extraordinary items</b>                | <b>24,252</b>   | 3,625,748     |
| <b>Adjustment for:</b>  |                 |               |
| Preliminary and Pre-operative expenses written off                | -               | 797,916       |
| Survey & Investigation Expenses written off                       | -               | 2,810,162     |
| <b>Operating Loss before working capital changes</b>              | <b>24,252</b>   | 17,670        |
| Adjustment for sundry creditors                                   | <b>(2,512)</b>  | 140           |
| <b>Cash outgo for operations</b>                                  | <b>21,740</b>   | 17,810        |
| <b>Net Cash outgo for operating activities - A</b>                | <b>21,740</b>   | 17,810        |
| <b>B. CASH FLOW FROM FINANCING ACTIVITIES</b>                     |                 |               |
| (Issue of share capital)  |                 |               |
| <b>Net Cash flow from Financing activities - B</b>                | -               | 50,000        |
| <b>Net (Increase)/Decrease in Cash and Cash equivalents (A-B)</b> | <b>21,740</b>   | (32,190)      |
| <b>Cash &amp; Cash equivalents (opening balance)</b>              | <b>39,372</b>   | 7,182         |
| <b>Cash &amp; Cash equivalents (closing balance)</b>              | <b>17,632</b>   | 39,372        |

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

As per our Report of even date  
 For Sanjeev Chopra & Co.

Chartered Accountants  
 (Praveen Kumar)  
 Partner

Place : New Delhi  
 Dated : 30<sup>th</sup> May 2005

**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, 2005, 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 accounts.
- (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 conforming 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 2005.
  - (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 (4A) of section 227 of the Companies Act, 1956, we further report in terms of matters specified in paragraphs 4 and 5 of 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 Funds, 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 institution 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 no 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

Date : 30.05.2005