

LETTER TO SHAREHOLDERS



Dear fellow shareowner of NTPC,

You will be extremely happy to note that in FY11 your Company has delivered the strongest results in project execution by adding **2,490 MW** capacity, including 500 MW through a Joint Venture, making it **the best year in NTPC's history** in terms of capacity addition. With a target of 4,320 MW for FY12, your Company is going to enter into an altogether different league in terms of **annual capacity addition**.

Your Company is a strong world class enterprise and we are all proud to be part of it. It has been given the exalted '**Maharatna**' status, empowering it further to expand its operations in the domestic and global markets. Its sound Corporate Governance practices made NTPC the **first Company to exercise the Maharatna powers**.

Your Company's pre-eminent stature has been vindicated by its being ranked No. 1 Independent Power Producer in Asia and No. 2 in the world by Platts, a part of the prestigious McGraw Hill Group, in its top 250 global energy companies' rankings.

In FY11 your Company's total income increased by 17% to ₹ 57,399 Crore, while PAT has increased by 4% to ₹ 9,103 Crore. For Q1 of FY12, your Company's total income has increased by 12.22% to ₹ 15,168 Crore while PAT has increased by 12.7% to ₹ 2,076 Crore.

Your Company's **operational performance** has once again been **world class** with its coal based stations operating at Plant Load Factor (PLF) of 88.29% (National PLF 75.07%) and average Availability Factor of 91.67% during FY11. **Seven NTPC Stations figured among the top ten Stations in the country in terms of PLF**. PLF of more than 90% was achieved by 10 out of 15 stations with 3 of them achieving PLF above 95%. Your Company has been focusing on **continuous improvement in generation efficiency and maintaining a high standard of performance**.

Your Company's **effective customer relationship management**, including incentives for prompt payments, has resulted in 100% realization of its bills for eight consecutive years.

With 34,854 MW, your Company is the largest electricity generator and the largest consumer of coal in the country. It is moving ahead with **sound strategies for capacity addition and fuel security**. Currently a total of 14,088 MW is under construction, including 3,890 MW in Joint Ventures. We are targeting to place orders for 13,140 MW capacity through bulk tenders for units of 660 MW and 800 MW sizes in the near future.

By signing Power Purchase Agreements for 49,000 MW capacity with the state utilities, your Company has succeeded in **ensuring sale of the power generated** from the capacity to be developed by it in the future.

Towards **ensuring fuel supply for the new projects**, your Company secured coal linkage for generation capacity of 10,920 MW during FY12, tied up coal supply for FY12 requirements, entered into agreement with STC for supply of 12 MMT imported coal and appointed Mine Developer Cum Operator (MDO) for Pakri Barwadih coal block which has a capacity of 15 MTPA. Your Company has taken steps to develop its coal mines with total mineable reserves of 1.8 billion tonnes.

Your Company has entered FY12 with an approved outlay for capital schemes of ₹ 26,400 crore which is 18% higher over the Capex for FY11. **We aim at reducing cost while driving growth**.

Disciplined capital expenditure and prudent resource mobilization strategies have been abiding features of our management of finance. You will be glad to know that India's biggest commercial bank, SBI, has extended its **largest ever loan to any company in India or abroad** by signing a loan agreement of ₹ 10,000 crore with NTPC in July 2011. Also, your Company raised US \$ 500 million from the international bond market with its issue getting over subscribed by 5.5 times. This strongly underlines the **confidence of the investor community in the robust business fundamentals of NTPC**.

Environmental concern underpins our growth strategy as we strive for a low carbon future. Our approach includes increasing cycle efficiency of fossil fuel based units, increasing the share of non-fossil fuel based generation and research in CO₂ fixation technologies. **Our investment in technology is directly linked to creating value for our shareholders**

and society. With commissioning of 660 MW supercritical unit at Sipat, your Company has achieved a new high in machine efficiency and a major technological milestone towards Sustainable Energy Development. This is the first in a **series of super critical units of 660 MW and 800 MW size.** Further, your Company is engaged in development of **Advanced Ultra Super Critical technology** under National Mission on Clean Coal (Carbon) Technologies. This technology would have cycle efficiency in the range of 45-47% resulting in 15.77% lesser CO₂ emission compared to conventional sub critical plants. Through its efforts over the years, your Company has avoided more than 30 million tons of CO₂.

NTPC is actively engaged in the **Asia Pacific Partnership to combat CO₂ emissions** and is the Country Coordinator for the power generation and transmission task force. Your Company is keenly pursuing a commercial scale integrated gasification combined cycle (**IGCC**) technology demonstration project suitable for the high ash Indian coal.

Towards **making firm global footprints**, your Company has finalized an agreement with Ceylon Electricity Board (CEB) and The Government of Sri Lanka for implementation of 2X250 MW imported coal based power project in Sri Lanka through a 50:50 Joint Venture with CEB. Your Company is also exploring the possibility of setting up a 2X660 MW imported coal based power project in Bangladesh through a 50:50 Joint Venture with Bangladesh Power Development Board. The JV agreement has been finalized.

Your Company's trading arm, NTPC Vidyut Vyapar Nigam Ltd., (NVTN) is the **nodal agency for implementation of the first phase of Jawahar Lal Nehru National Solar Mission.** NVTN has signed Power Purchase Agreements for about 700 MW. The first set of solar projects under the mission are likely to get commissioned by October 2011. This is a remarkable contribution to the National Solar Mission.

Your Company is going to create distribution networks within 5 Km radius of its power stations with an objective of making reliable power supply available to the neighbourhood villages.

Contributing substantially to the national duty of reaching power to all, specially to the rural and underprivileged population, your Company has provided electricity connections to more than 24 lakh Below Poverty Line (BPL) households and has completed electrification of over 14,500 villages under the Rajiv Gandhi Gramin Vidyutikaran Yojana (RGGVY).

Our substantial social investment is based on our strong belief that our success as a business is tied directly with the **socio-economic vitality and health of the communities around our business units.** We value the partnerships we build with the communities around our units. **For us CSR is Corporate Social Relationship.**

Your Company has one of the finest teams of power professionals in the world who are committed to meet your expectations. Their organizational pride has been instrumental in **NTPC often being the only PSU to be consistently ranked among the best employers in prestigious surveys.**

Looking ahead, we believe that a growing population, rising urbanization and living standards and a robust outlook for economic growth will definitely increase the demand for power.

The power players will be engaged in rapidly increasing level of per capita power consumption in India from an abysmal 730 units to at least 2,700 units, which is the world average. As electricity drives economic growth, the country will need 778 GW - 960 GW of power generation capacity by 2032 for estimated GDP growth between 8-9%.

We have the size, resources, expertise and resilience to stay ahead of competition and serve the national objective. As the Indian economy grows bigger and stronger (intermittent challenges notwithstanding), **the role of power sector and NTPC will also grow larger and more rewarding.**

It is my commitment to you is that my team will work tirelessly to pursue your Company's vision of becoming the world's largest and best power producer, powering India's growth.

I take this opportunity to convey my profound thankfulness to the Government of India, the State Governments, all our customer utilities and all the authorities and agencies who have stood by your Company in its quest to maximize value for all stakeholders.

Your sincerely,



(ARUP ROY CHOUDHURY)
Chairman & Managing Director