LETTER TO SHAREHOLDERS

D ear Shareowners,

I am extremely happy to share with you that the year 2011-12 was full of exceptional achievements for your Company. During the year, your Company commissioned 2820 MW generating capacity, the highest ever in a year, surpassing the record of 2490 MW set in the previous year. This includes 1000 MW capacity addition through the joint venture Companies, thus bringing to fruition the investments made in these Companies. With this, the 11th Plan period target of 9220 MW was exceeded as the total capacity addition by NTPC reached 9610 MW.

Not only has your Company added 5310 MW capacity during the last two fiscal years, it has also added more than 2000 MW (2160 MW) in the first quarter of 2012-13. Going forward, 16638 MW capacity is under construction, including 4210 MW through the Company’s joint ventures/subsidiaries. Further, work has been awarded for 6860 MW so far during the calendar year 2012.

With over 39000 MW installed capacity, your Company is the largest power generator in the Country. You will be glad to know that your Company has been ranked No. 1 Independent Power Producer in the world in 2011 by Platts, a part of the prestigious McGraw Hill Group, in its top 250 global energy Companies’ ranking. At the 337th position in the Forbes Global 2000 list of the world’s largest Companies for the year 2012, your Company is 3rd in Asia among electricity utilities.

Your Company, along with its JVs and subsidiaries, has maintained its leadership position in the Indian power sector with 27.4% share of the total power generated in the Country during 2011-12. Your Company achieved a robust Plant Load Factor (PLF) of 85% for its coal projects as against the national average of 73.32%. The Company would have achieved still higher PLF but for the generation loss due to grid restrictions by the financially constrained customers. During the year, it achieved an average ‘Availability Factor’ of 89.5%. Your Company is committed to bring about continuous improvement in generation efficiency to maintain high standards of reliability through latest technologies and practices.

The total income of your Company increased by 12% over the previous year, to ₹ 64,514.79 crore. For the year 2011-12, your Company has paid an interim dividend of 35% and has also proposed a final dividend of 5%, taking the total dividend to the highest ever 40%.
Your Company has been able to sustain its profitability despite the challenges affecting the Indian Power Sector. The net profit increased by 1% to ₹9,223.73 crore which is commensurate with the increase in revenue from operations excluding the impact of increase in the fuel cost. Your Company ranks 5th among all the listed Companies in terms of Profit After Tax for 2011-12.

Along with the financial top line and bottom line, your Company puts equally sharp focus on the environmental and social bottom lines. Bulk of the new capacity addition would come through super critical units leading to greater efficiency and reduced impact on the environment, thus promoting sustainable growth. Your Company has taken several initiatives to increase the share of electricity based on non-fossil sources in its portfolio as well as in the Country. Work is already in progress on 5 hydro-electric projects with total capacity of 1619 MW. A roadmap for development of 1000 MW basket through renewable energy sources is under development, out of which the roadmap has already been prepared for implementation of 300 MW capacity by 2017. Solar capacity of 105 MW is targeted to be completed till 2017 most of which is in advanced stages of work or ordering. Your Company is playing a key role in the implementation of the first phase of Jawaharlal Nehru National Solar Mission (JNNSM) of 1050 MW through its trading subsidiary NTPC Vidyut Vypar Nigam Ltd (NVVN). Under this mission, NVVN has awarded contracts for about 1000 MW. So far, 173 MW capacity of Solar PV has been commissioned. Further, Solar Projects of 861 MW capacity are scheduled for commissioning over the next two years.

Your Company has set another example by designing and installing a 40 TR Solar Thermal based heating, ventilation, air conditioning (HVAC) system at the campus of its research arm, NTPC Energy Technology & Research Alliance (NETRA) located at Greater Noida. This system is first of its kind in the Country and has a very high solar to air conditioning efficiency. It is likely to result in energy saving of nearly 1 lakh units per year and CO₂ reduction of 75% compared to conventional AC system.

The environmental initiatives taken by your Company have led to avoidance of 1.96 million tons of CO₂ during the year 2011-12. For monitoring air quality around its power plants on real time basis, 61 Ambient Air Quality Monitoring Systems (AAQMS) have been installed and networked to provide online access to the Central Pollution Control Board also. Till date your Company has planted more than 19 million trees throughout the Country. This is a rich carbon sink. Various water conservation measures have been taken to reduce water consumption in power generation by using 3 R’s (Reduce, Reuse & Recycle) as the guiding principle.

Your Company has built strong partnerships with the communities around its projects and also with the wider society through a well conceived basket of CSR interventions for the betterment of lives of the people. The large CSR basket consists of, among other areas, education and capacity building facilities, health care support, sanitation and public health, promotion of sports and games, community centres, vocational training and capacity building, skill development centres, access to water, road, and electricity, support for agricultural activities and other initiatives considered beneficial for the neighbourhood population around the business units. During the year 2011-12, your Company scaled up its expenditure on the CSR activities in a major way utilizing over 0.5% of its Profit After Tax.

Your Company is playing an active role in preserving and nurturing the rich cultural heritage of our nation. As part of commemorating the 150th birth anniversary of Swami Vivekananda, your Company has provided support to...
the Ramakrishna Mission for organizing various activities. Your Company is committed to conservation of historical sites at Mandu in Madhya Pradesh, Temples of Jageshwar at Uttarakhand and Lalitgiri/Dhauli in Odisha, under an MoU with the Archaeological Survey of India and the National Cultural Fund (NCF).

In order to expand the geographies of its operations, your Company has formed a joint venture, "Trincomalee Power Company Limited", with Ceylon Electricity Board for setting-up a 2x250 MW coal based power project in Sri Lanka. A JV Agreement has been signed between NTPC and Bangladesh Power Development Board for setting up a 2X660 MW power plant at Khulna, Bangladesh and the process of incorporation of the JV Company is under way. Your Company's wholly owned subsidiary 'NVVN' has been designated as the nodal agency for 'cross-border-power-trading' with Bhutan and Bangladesh.

Your Company maintains close interface with all the stakeholders, continuously scans the business environment and proactively engages in policy advocacy. Some of the key concerns which have emerged during interactions with stakeholders are slow capacity addition, inadequate fuel supply, financial status of the state utilities, issues concerning tariff revisions and distribution reforms, delay in land acquisition and environmental clearances. Your Company has taken several steps to overcome these challenges which include bulk tendering to step up capacity addition, pre-qualification of vendors to reduce the time taken in award of work and induction of more vendors, direct import of coal, development of its own mines, incentives to customers for prompt payment, constant interaction with contractors to resolve contractual issues, to cite a few.

The Government of India has taken several steps to mitigate the risks in the power sector. Various initiatives have been taken by Ministry of Power and Prime Minister's Office to address the issues concerning fuel supply, land acquisition and environment clearances (especially for coal mines), adequate tariff realizations by distribution Companies, restructuring of financial status of distribution Companies etc. The management of your Company is sure that these initiatives would bring about an upswing in the sector.

Your Company would continue to strive for excellence and pursue the vision of becoming the world's largest and best power producer, powering India's growth. In the 12th Plan period your Company plans to add 14038 MW of installed capacity to maintain its leadership position in the sector. Work on the projects of the 12th Plan period is progressing satisfactorily. The clearances and approvals are in place. Fuel for these projects has also been tied up including that from the captive mines, the first of which is expected to yield coal from next year. Tying up finances for the projects has never been an issue given the excellent rating that your Company enjoys. Considering the growth plans of your Company, a prudent policy of balanced dividend pay-out with the requirement of deployment of internal accruals for its growth plans has been followed by it.

All these achievements have been made possible primarily by the untiring efforts of the employees of your Company for whom NTPC is an 'employer of choice'. It is my pleasure to share with you that in a study on 'India’s Best Companies to Work for 2012', by the Economic Times and 'Great Place to Work', your Company has been ranked number 1 among the PSUs and overall 3rd in among the Companies with business operations in India, next only to Google and Intel. Thus your Company has continued the unique tradition of being the only PSU to consistently figure among the best employer surveys by prestigious organizations amid MNCs, and enterprises from IT and service sectors.

I take this opportunity to convey my sincere thankfulness to the Government of India, the State Governments, our valued customers, all the authorities and agencies who provide unstinted support to your Company. I also assure you that 'Team NTPC' will measure up to your expectations and strive to perform beyond them.

With best wishes,

Yours sincerely,

(ARUP ROY CHOWDHURY)
CHAIRMAN & MANAGING DIRECTOR

NTPC CSR Initiative : ITI Training