LETTER TO SHAREHOLDERS

Dear fellow share-owner of NTPC,

I am delighted to share with you that your Company has been accorded the status of MAHARATNA by the Government of India with enhanced powers to expand its operations in both domestic and global markets. This is recognition of the globally comparable stature, strengths and potential of your Company.

Capitalizing upon its proven strengths and key strategic priorities, your Company is ‘future-ready’ with a new vision:

“To be the world’s largest and best power producer, powering India’s growth”.

The new vision is part of the new Corporate Plan developed by your Company for the period up to the year 2032.

Among the largest and best performing power generation companies in the world, NTPC has already set up 32,194 MW capacity. By 2032, it plans to have total capacity of 1,28,000 MW.

While your Company has ~ 20% market share of installed capacity in India, through its higher capacity utilization levels compared to those of other power generating companies, it produces ~ 30% of India’s total electricity generation.

On the operational front, your Company has successfully adopted the 90% plus PLF strategy for coal based stations and demonstrated the same for the last three years. Thus, for the third consecutive year, NTPC maintained PLF of above 90% during 2009-10, which is remarkable in view of its large fleet size comprising 81 coal-based units with average unit age of ~ 19 years. The gas stations achieved best ever PLF of 78.38% against the previous year’s 67.01%. Sustained operational excellence of NTPC’s earliest plants like Singrauli (commissioned in 1982), with a PLF of 92.83% and Korba (commissioned in 1983), with a PLF of 97.61%, highlights your Company’s proven operational and engineering capabilities.

With a market cap of over Rs. 1,60,000 crore, your Company has remained among the top five Indian Companies in terms of market capitalization which underlines its high-value market position.

Your Company’s total income increased by ~ 9% during 2009-10 to reach close to Rs. 50,000 crore mark (Rs. 49,233.9 crore). It earned a profit of Rs. 8,728.2 crore, an increase of 6.42% over the previous year’s profit. Your Company has been given the highest possible credit ratings by prestigious agencies.

Your Company has been realizing 100% payment of current bills for sale of power for seven consecutive years. The Company’s Customer Relationship Management initiatives and innovative incentive schemes highlight its customer focus.

In line with the strategy of expanding its leadership position in the sector, your Company is geared to reach 75,000 MW capacity by 2017 which means an aggressive annual capacity addition target of > 6,000 MW. Currently 45 units aggregating to 17,340 MW are under construction at 16 locations. A capacity of 7,105 MW is under bidding. Feasibility Reports have been approved for a capacity of 8,447 MW, which will very soon go to the award stage. Feasibility Reports are ready for 10,980 MW. Feasibility Reports are under preparation for ~ 15,500 MW.

In order to achieve this quantum ramping up in capacity addition, your Company has created a very focused project execution and monitoring system at the core of which is the newly built world-class web-enabled Project Monitoring Centre (PMC), the first of its kind in the country. Your Company is more equipped and energized than ever before to execute its ambitious capacity addition and growth plans with much sharper focus on on-the-ground progress.

Your Company’s fuel security strategy is a judicious mix of domestic and international long-term coal agreements/contracts, purchase of coal from spot markets, developing captive coal mines and acquiring stakes in mining companies. For gas, your Company is exploring long-term agreements/contracts and opportunities for participation in LNG value-chain.

As the leader in introducing new technologies in the sector, your Company has been investing in technology and innovation with focus on efficiency, environment and economical generation of power. Your Company has
developed a **long-term technology roadmap**. For the new coal based stations, the Company has adopted state-of-the-art **super critical steam parameters** which will result in efficiency gains and reduction in CO2 emissions. We are close to commissioning the first super critical unit of the country at Sipat. We plan to commission the first 800 MW ultra super critical operating station by Fiscal 2016. The **NTPC Energy Technology Research Alliance (NETRA)** is focusing on technologies to deal with climate change issues and will also provide a complete range of scientific services to enable NTPC power stations to retain their technological and commercial edge.

Your Company believes that nuclear power has a key role to play as part of a solution to issues concerning energy availability and climate change. Hence **nuclear power is an important building block in NTPC's capacity growth strategy** with a target of 2,000 MW nuclear capacity by 2017. Your Company has entered into a Memorandum of Agreement for a joint venture with Nuclear Power Corporation of India Limited (NPCIL) for setting up nuclear power projects and the joint venture company is going to be incorporated soon.

In line with its aspiration to become one of the **leaders in green power**, your Company is entering the renewable energy space with capacity target of at least 1,000 MW by 2017. The main components of the renewable portfolio will be solar and wind. NTPC Vidyut Vyapar Nigam Limited (NVVN) has been designated as the Nodal Agency for the purchase of up to 1,000 MW of solar power under the National Solar Mission.

Your Company has an outstanding **team of power professionals with deep-rooted sense of pride in serving the nation**. In order to sustain the strong work ethic and professionalism, your Company is taking a number of initiatives to further improve the entry level-talent-quality to establish a **strong talent pool**. It is also taking steps to develop a **leadership pipeline**. Your Company seeks to foster a winning culture of entrepreneurship through focus on an objective and open performance management system, a well-conceived manpower deployment policy, exposure to a variety of assignments etc.

In view of the quantum jump in the capacity growth targets of your Company and of the sector, a very large pool of skilled manpower at all the levels needs to be developed urgently. Giving **major focus on skill development**, your Company has been hiring high-caliber engineers directly from the campuses of IITs and NITs and recruiting a large number of engineers through a rigorous examination process. It is providing state-of-the-art training to its employees at all the levels. In order to **create a large base of technically skilled work force**, your Company has been adopting ITIs and setting up new ITIs with emphasis on relevant courses and quality of training. Till now, the Company has adopted 18 ITIs and is setting up 8 new ITIs. Your Company will be taking many more such initiatives for **skill development**.

The sound system of checks and balances developed by your Company and applied by it throughout the organization has matured into an exemplary corporate governance system which is praised by the stakeholders. Implementation of **Integrity Pact**, adoption of a comprehensive **Enterprise Risk Management Framework** and a **well-defined Internal Control Framework** add to the transparency and robustness of the Company’s business practices.

Your Company has been taking concrete steps to fulfill its **corporate social responsibility** by helping the **physically challenged** and other marginalized communities through setting up Information and Communication Technology (ICT) **Centres** for the physically challenged at many places, District Disability Rehabilitation Centre (DDRC) at NTPC-Tanda, **Directly Observable Treatment (DOT) Centres** to take care of tuberculosis patients in the vicinity of its power stations, distributed generation projects in remote villages and providing safe drinking water. Thus your Company has been **transforming lives** of the people.

With stronger focus on measuring, monitoring and facilitating growth and performance for the benefit of its stakeholders, your Company is very well positioned to grow and contribute to India’s growth and creating wealth for its shareholders.

With best wishes,

(Signed)
(R.S. Sharma)
Chairman & Managing Director